



“Techno Electric & Engineering Company Limited  
Q4 FY2017 Earnings Conference Call”

May 29, 2017



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**Moderator:** Ladies and gentlemen, good day and welcome to the Techno Electric and Engineering Company Limited Q4 FY2017 Earnings Conference Call, hosted by Asian Market Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you Sir!

**Amber Singhania:** Thank you Raymond. Good afternoon everyone. On behalf of Asian Market, I welcome you all to the Q4 FY2017 Earning Conference Call for Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta, Chairman and Managing Director, Mr. Ankit Saraiya, Director along with their Finance and Investor Relation team. I now request Mr. Gupta to take us through the quarterly results and the outlook for the company as well as the industry then we shall begin with Q&A session. Over to you Sir!

**P.P. Gupta:** Thank you Amber. Good afternoon everybody. I would like to welcome everyone for joining us today to discuss Techno Electric financial results for the full year ended March 31, 2017 and the last quarter of the year. Anything said on this call, which reflects our outlook for the future or that could be construed, as a forward-looking statement must be reviewed in conjunction with the risk that our sector or industry faces.

Financial year 2016-2017 was a record year for both EPC as well as wind segment of the Company. Your Company has grown on all fronts and having doubled the very topline and bottomline in the last three years.

Let me quickly highlight our achievements: Revenue for EPC business jumped by over 20% from Rs.1014 Crores to Rs.11 Crores by the year ended March 31, 2017.

Consolidated revenue for 12 months jumped by 24% to Rs.1357 Crores against Rs.1097 Crores achieved during the corresponding period of the previous year. Taking other income into consideration, our topline is Rs.1400 Crores plus now. The revenue from wind segment jumped by more than 75% from Rs.83 Crores to Rs.146 Crores.

Operating profit for the EPC segment for the year ended March 31, 2017 stood at Rs.181 Crores against Rs.144 Crores showing a jump of 26%. Operating profit margin for the year ended March 31, 2017 stood at 14.97% as against 14.22% showing an improvement of 26%.

Our standalone PAT for the year ended March 31, 2017 this year stood at Rs.46 Crores against Rs.107 Crores showing a jump of 36%. Consolidated PAT has grown by 61% for the year at Rs.193 Crores against Rs.120 Crores.



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During the quarter, the revenue from EPC business jumped by 10% from Rs.322 Crores to Rs.357 Crores. The consolidated revenues of the quarter grew by 11% to Rs.362 Crores against Rs.326 Crores achieved during the same quarter of the financial year. Absolute consolidated EPS for the year stood at 16.9 against 10.48.

In line with our guidance given earlier, we have achieved a growth of 20% plus in EPC topline with an EBITDA of 14.97% for the current year. In EPC segment our focus for the current financial year and also happens to be the first year of the Thirteenth Plan period will be to consolidate and close the ongoing projects and collect the value retention money. We would like to consolidate our position after having seen a robust growth in the last two years.

During the quarter, we have booked orders worth Rs.545 Crores, unexecuted order book as of the year end is Rs.2550 Crores plus. We are continuously participating in various tenders and are hopeful of good conversion for the current financial year.

Going forward, we will continue to concentrate on our EPC and BOOT business in the transmission segment. Our both PPP projects in transmission at Haryana in partnership with Kalpataru Power and at Patran in Punjab are operating successfully with no major challenges.

While revenue has grown our trade receivables remains healthy. Our focus remains to efficiently manage working capital while growing your company profitably.

In wind segment, the challenges of grid availability have eased and the business in last fiscal has been much better than our own expectations. We are witnessing further improvement in grid availability during the current year in the state of Tamil Nadu and the overall wind flow has been positive in the last two months.

We expect the PLF of around 26% during the current fiscal having seen almost around 22% to 23% during the last year. In January 2017, we successfully aggregated 33 megawatts of wind assets situated in the state of Tamil Nadu at an effective valuation of Rs.165 Crores.

We gained totally Rs.3.34 Crores as capital gain out of the sale of the said assets, which have been shown under other income as per the accounting standards. In best of the said sale on the bottomline has been neutral or negative as there has been a tax outgo of Rs.33 Crores due to the said sale. We are hopeful of better exit valuation for the balance wind assets in the coming years.

During the year, we have rewarded shareholders by issue of bonus shares in the ratio of one share for every shares held. We have concluded a buyback of 15 lakh equity shares from non-promoter category at a price of Rs.400 per share under tender method mechanism having a total outflow of Rs.60 Crores from the Company's reserves.



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Promoters of the company did not participate in the buyback. Impact of buyback on financial issues will be reflected in the current financial year, as the same stands at extinguished from the books of the Company. With this, I invite questions from the participants.

**Moderator:** Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Mayur Patel from DSP Blackrock. Please go ahead.

**Mayur Patel:** Congratulations Sir for a good set of performance. Sir can I just touch upon what is the current order book, the pipeline, and how is the outlook for the next year in terms of growth, which is more achievable, so thought to take your quick comments on these points?

**P.P. Gupta:** Any other question Mayur or this is the key question?

**Mayur Patel:** One more related question is this GE T&D on the conference call you spoke about a slightly weaker outlook on the T&D side for the next one year, so given that nobody is better than you to comment on the demand and the market outlook, so maybe you can spend some time on that also? Thanks?

**P.P. Gupta:** My perspective the T&D segment will remain healthy if not robust. I would like to say it that way. There are good pipeline and we are participant in the business and business as I mentioned almost six months back that it will migrate more from PowerGrid to states. We see good business happening in major states like Jharkhand, UP, MP, Rajasthan, and Tamil Nadu. The business as I earlier mentioned, the business of power will qualitatively undergo a change. You will see a tremendous change in mechanism happening on the ground. The very corrected of the availability of power in the market will strengthen in more and more states to redefine their businesses of power procurement and power distribution going forward and this itself will generate business in T&D segment by a lot I would say, but as you sell always the first year of a plant is take off slowly when the momentum may be visible more in the second and third year, but we do not see any major slow or dullness happening even in the current year. Some states will always outperform the other that is what I will say.

**Mayur Patel:** So it is fair to say PowerGrid relative spending would remain flattish for the next five years to as compared to the previous five years, but states will contribute to the growth in the overall T&D spending?

**P.P. Gupta:** Absolutely right. With the PowerGrid also let me again clarify Sir the capex for the transforming capacity will be higher than the additional line building capacities in the same breath, I would say. Like in the very current year the PowerGrid has started this year with transforming capacity of no less than 50 megawatt as against 30 megawatt during the last years. So this will keep improving going forward.



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**Mayur Patel:** Sir what is the target for the next year and the current order book in the pipeline quickly if you can help?

**P.P. Gupta:** The other current order book is the same like last year as Rs.2500 Crores by and large, but we do expect to book another business of no less than Rs.1500 Crores to Rs.2000 Crores during the year as usual and in this quarter also we have booked business worth Rs.500 Crores plus additionally, but with the growing pace of execution now your Company is almost at Rs.100 Crore a month, which we would like to improve further, but we always as a philosophy I must share with you that Techno believes at the end of the day bottomline is superior to any topline growth and number two that bottomline must happen in cash otherwise there is no need to be part of the business, so this year is going to be a year of consolidation for us. The more closing of the contracts, more collection of cash even if it means compromise a bit on the topline we will do so and so that in the coming next two years, we are again able to grow at no less than 25% to 30%. So in the next three to five years, I can assure you, you will company doubling its topline and bottomline again, but year wise or quarter on quarter at times, the year becomes a little difficult to quantify in the very interest of the stakeholders.

**Mayur Patel:** Thanks a lot and all the best. I will come back for more questions.

**Moderator:** Thank you. The next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

**Nitin Arora:** Sir good afternoon. Sir after a long time, we heard a word from you as consolidation. I just to delve a little bit is it consolidation with respect to the execution what you are looking at because the thing, which you have been telling us over the last two years and we are also seeing the states increasing their capital expenditure and PowerGrid to flatten out is something still happening, but states are also Sir as you seeing the tenders are coming not has been an on and off that is happening, so also the consolidation is something with respect to the awarding also? Number two with respect to any new more tenders you are seeing from the STATCOMS or any new HVDC if you can envisage in the next one or two years? The third question with respect to the new emission norms, which you talked about little in the last conference call has anything has started and have we done the JV with some partner there and any new tenders, which are out those are the three questions? Thank you.

**P.P. Gupta:** Firstly, I mean consolidation mainly on the our own execution cycle number one and definitely to build a more healthier backlog of the order book, so that coming years you can see growth, so what we mean basically is consolidation to Techno always means closing of the contracts having successfully commissioned there. Number two and collecting the retention money payments, so that they remain well within no more than 10% of the last two years topline as a matter of discipline. Now coming to your question, yes PowerGrid will continue to be flattish by enlarge with more stress on the transforming capacity addition as I mentioned in my reply just now. Additionally, the PowerGrid will also focus on STATCOM strategies not earlier than March 19, 2017 because till then all the STATCOM strategies already in pipeline will be successfully



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completed or commissioned and the results will be visible to them. NTPC Project, yes I do see happening down the year that should be a way of life particularly with renewables, stress in the country and also growing proportion of the renewables as a power mix both STATCOM and HVDC will be a necessary new normal requirement in the transmission solutions I would say. Have I covered all your questions?

**Nitin Arora:**

Yes Sir just one more question, if I can squeeze in one more. The emission norms, which you talked about you want foray into it last quarter and also Sir one more question if I will just add to that we have seen the KEC and the Kalpataru have started inching up on the substation part now lot of bids are being placed by them in that section. Any pressure you see it given that pipeline remains the same on an absolute basis let us say even for the next two years if you can throw some light? Thank you.

**P.P. Gupta:**

You see with the growing size of the pie, some new entrants will always be a way of life, but acquiring the competency and proficiency of Techno for any new entrants in the specialized business is a process of no less than three to five years number one, but largely I will say that means putting in a little pressure more than these two entrants is a reverse bidding or in reverse auction in PowerGrid. That is more damaging. I have not seen anywhere in the world lifecycle solutions being bought up or bought on a reverse cycle or a bidding basis or option basis where T1 gets ignored over L1 and L1 also remains dynamic in nature on a discovery path. So bigger challenges are there of a larger magnitude than these two entrants. People are entering and exiting. There will be some more and more product companies where we are getting lesser of the projects and more and more non-product companies would like to be part of the product business going forward as I have always maintained the business of product and project will get more and more distinctly segregated. Like in US, you will see GE will never like to be back tailed or back tail vice versa, so all the competencies are different, risk profiles are different, so you will see this happening in India also.

**Nitin Arora:**

Emission norms if you can touch a base on that that is it from my side? Thank you.

**P.P. Gupta:**

We are very much there. It is slowly happening as I mentioned to you earlier also. Because the ability of generators to pass on this cost of capex into tariffs is not very transparently crystallized by the regulators and by the government, so I see this happening more in the new projects than into the existing plants, but prospects are definitely bright on this process. We are partnering on case-to-case basis and we will definitely see a breakthrough during the year because I will again reiterate Techno strongly is an electromechanical company. We started as a mechanical BOT company with HVDC in 1980 and became electrical company only in the latter days. Although we are now leading one, but we have equally strong strength with us in the mechanical segment, so we are very strongly poised to capitalize on this opportunity.

**Nitin Arora:**

Thank you Sir. I will come back in the queue for more questions. Thanks a lot.



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**Moderator:** Thank you. The next question is from the line of Kapil Agarwal from Max Life Insurance. Please go ahead.

**Kapil Agarwal:** Good afternoon Sir. Sir my first question is incrementally in news we hear about banning of Chinese transmission equipment, so our partners at STATCOM with our Chinese partner, so there in the future for any future STATCOMs you see any likely impact on any of our orders as such?

**P.P. Gupta:** Any other question Kapil.

**Kapil Agarwal:** Yes Sir. Second question would be Sir if you could talk about the pipeline of our BOT projects and third would be the order inflow for the year and the quarter if you could provide?

**P.P. Gupta:** Coming to your first question and you are seeing most of the initiative of Make in India has happened over the last two to three years and most of these companies now have India subsidiary. Our partner in STATCOM is already operating facility in India right at Kolkata on the STATCOM solutions, so we do not see that happening. It is largely a stronger message to Chinese companies to invest in India on the manufacturing side and that is what I see. Because India definitely cannot do without also the ability and the competency of Chinese firms in building our grid capability here, but yes more and more will happen through the manufacturing happening in India I would say number one. Number two on BOOT projects, the progress is slow, but steady I would say. Every year the government is looking on bidding of no less than Rs.25000 Crores worth of projects by and large. There are two interesting projects in the pipeline. We are already executing one concession. We bagged last month with Kalpataru in Northeast, which is Rs.1000 Crores plus package with about Rs.700 Crores scope to Kalpataru and we undertook that now. So some traction will continue I will say, but we will be cautious investor and not a rash investor in the asset business, so that it is a good opportunity we can create a world-class asset as well as it is rewarding in having created that capacity.

**Kapil Agarwal:** Sir the last question was on order inflow for the quarter and the year?

**P.P. Gupta:** During the quarter, I had already mentioned we received orders worth Rs.525 Crores and during the year we expect to book business worth about Rs.2000 Crores by March.

**Kapil Agarwal:** So this Rs.525 Crores is including Rs.300 Crores Sir for the BOT?

**P.P. Gupta:** Yes absolutely close to that.

**Kapil Agarwal:** Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.



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- Madan Gopal:** Good evening Sir. Sir the related question to the previous participants. We read some new articles relating to governments intention not to allow Chinese equipments and Chinese participation in the power T&D segment on security concerns, not necessarily they have to not necessarily on Make in India program, so what is your view on that?
- P.P. Gupta:** I think it is being mischievously reported in the media as you see. We were involved in vendors meet about a fortnight back on May 12, 2017 and it was amply cleared by parties that all Chinese companies must resonate their facilities in India, so that more and more products are available to them in solution from India facilities, so once you have a India facility, it becomes an Indian company maybe owned by anybody that way, so we cannot say like which is European entity or which is American entity or which is a Korean entity or which is a Chinese entity and secondly our STATCOM partner let me share with you operates more out of UK than China. Our relationship with them is through the UK office. So I think the media has generated a lot of curiosity, but maybe ultimately the intent is to end and sure and encourage more and more Make in India.
- Madan Gopal:** Sir on the Make in India side currently what is the sort of final framework for bidding in particularly say 765 KV GIS say STATCOM projects in this kind of a project Sir what is the guideline right now?
- P.P. Gupta:** Still the guideline is that whichever tenders are so far happening you have to provide a section of it from the Make in India facility, which we believe post MOP legislation or circular whatever may happened earlier it may become all from this facility. So like Alstom already has a full-fledged facility in India to produce more GIS up to 765kV in this. Similarly our partner Shiang will be ready in another six months to produce 765 kV GIS in India. So similarly Rongxin our STATCOM partner has a facility in India. TVI has a huge facility in Baroda. The intent is not close down whatever has been setup in India already by anybody and everybody. They will continue to function as usual and they will be eligible to participate. Simultaneously, the government is also making more and more eligibility the manufacturer like us. Earlier, you know two years back we were all associates of the companies. We were main bidders for these companies. Now they have permitted companies like Techno to be a lead bidder or L&T to be a lead bidder in NTPC or any in PowerGrid or in any state projects where we can source these products from any of these companies even three months or any Chinese or the Korean companies having facility in India. It should be India sourcing that will be the limitation by and large. So qualifications are undergoing a change. The dynamics are shaping of doing the business and Make in India will be a stronger way of life that earlier.
- Madan Gopal:** This complete 100% bidding will start from when from India like that condition would start getting enforced from when?





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- P.P. Gupta:** It has already started for the last three months, but restricting a foreign Chinese entity to participate in business as yet not happened. Those guidelines are being speculated or expected. Unless those guidelines are in place, it is difficult to say how soon and since when it will happen.
- Madan Gopal:** What will be your revenue target for the next year Sir?
- P.P. Gupta:** By and large, I will say that your Company will continue to grow at least we will like to ensure a growth of 15% to 20%.
- Madan Gopal:** EPC?
- P.P. Gupta:** Yes EPC. I am talking purely EPC.
- Madan Gopal:** Thank you so much Sir.
- P.P. Gupta:** Because anyway wind power capacity is shrinking with us with every passing sail as desired by all of you.
- Madan Gopal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.
- Ranjit Shivram:** Sir just wanted to know like there is something call reciprocate policy, which is being planned where the other countries should also start procuring Indian companies goods, so in that case do you see a change in the overall competitive market, so if you can throw some color on that policy, which is being talked about?
- P.P. Gupta:** This policy has always been in place Ranjit number one, by and large and number two I will say it is good for us. Let me share home grown companies like us will be in a better footing with these guidelines in place. With more and more domestic competition and with the domestic cost at par for most of us your efficiency and capability reflects more in the ability to be there in an opportunity. So these guidelines have always been there, but never practiced in India so strongly I will say, so reengineering the business was in the favor of the homegrown companies or equipments made in India is better for all India enterprises and entities. I will say in that spirit. So it goes in our favor strongly. So we welcome it.
- Ranjit Shivram:** Sir regarding solar we were talking big regarding some projects in solar and you are also planning to participate, so any outlook in that how much is all these tenders have been awarded?
- P.P. Gupta:** You see solar has been for Techno very hit and miss story by and large the way tariffs decline and more and more imported equipment prices crashed globally, so that business we could not make any foothold, but we are more upbeat or enthusiastic now in FGD business, which is a



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electromechanical business as a background and which Techno is more equipped and competitive to many other standalone companies, which are either mechanical efficient or electrical efficient also. So we would like to focus more on FGD and as far as solar is concerned, I do not think Techno will be very keen unless markets flatten out, bottom out, and business becomes stable both in outlook and in pricing. It is highly speculative and highly falling equipment prices based, which are very, very speculative both because of currency, import contents as well as price declining in the marketplace. So the risks are very high and tariffs have already bottomed out. So hopefully business should stabilize in this.

**Ranjit Shivram:** Sir under SGD, we get to hear that some of the companies are asked to showcase their pilot project, so are we also ready with the pilot offering there we will be doing some trial on that?

**P.P. Gupta:** We have done a similar smaller projects like here in Mitsubishi at Haldia, but it is a very small content, but by and large you will see once this market opens out, it will begin the government will permit all performing companies to be part of the tendering process to my mind.

**Ranjit Shivram:** Sir when do you see any major order in this area to happen? Will it happen this year or will it be next year?

**P.P. Gupta:** No this year, we will see a breakthrough definitely. One breakthrough you will see Sir.

**Ranjit Shivram:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijeet Vara:** Thanks for taking my question. Sir first question is on this balance sheet changes because of I think Ind-AS this deferred tax liability has increased a lot could you please explain this change? Earlier it used to be 8 million. I think now it is 1161 million?

**P.P. Gupta:** Interestingly, we run a very different situation in this country where income tax and accounting standards are always at odd to each other for one simple cause of a differential in the depreciation or tax holiday, I end up paying MAT as well as deferred tax. So it was not applicable under GAAP, but it is applicable under Ind-AS yes, so that has resulted in providing both MAT and deferred tax to comply with Ind-AS although technically if you ask me both are same because you know in any wind power business by and large you have a tax holiday of 10 years under 80AI. So whatever tax you have to pay starting from 16<sup>th</sup> year onwards. Five years anything can be taken care by depreciation and the next 10 years anything goes by 80AI. So the impact of the tax in reality if you ask me will never happen, but Ind-AS is very form of this regard that deferred tax has to be visible and provided for, which was not the case in GAAP, so that is how you see some difference happening this year's accounts. So I would say you can safely if you ask



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my perspective as in I-GAAP, I am not hardcore accountant, I will say deferred tax is as good as part of networth.

**Abhijeet Vara:** Sir my second question is on order inflow. Last in FY2015 and FY2016 you had Rs.1500 Crores of order inflow this year it is slightly lower at Rs.1150 Crores Rs.1160 Crores, will it as you were saying you will focus also saying you will focus more on execution will it imply that this year might be although you have given a growth there, but in terms of just in terms of order inflow will it imply this might be probably lots lesser in terms of growth compared to the previous two years EPC division I am talking about?

**P.P. Gupta:** What I wanted to convey was that order intake will be stronger this year whereas the stress on execution will be more in favor of the closing projects and collection of the retention money, so we may compromise the executed topline, but not the order intake. The order intake we are targeting no less than as I told you earlier also plus or minus Rs.1500 Crores to Rs.2000 Crores, so that our year end unexecuted order closing should be no less than at least Rs.3000 Crores by and large.

**Abhijeet Vara:** Sir this Rs.500 Crores you mentioned booked in FY2018 is L1 or it is already booked?

**P.P. Gupta:** Already booked Sir.

**Abhijeet Vara:** Any L1 position in further to this booked?

**P.P. Gupta:** Yes this quarter again we are expecting business worth about at Rs.400 Crores plus or minus.

**Abhijeet Vara:** Your L1 Sir or it is expected?

**P.P. Gupta:** We are L1 and they are all in the process of award.

**Abhijeet Vara:** So most probably Q1 you might end up with Rs.900 Crores of inflow Q1 FY2018.

**P.P. Gupta:** Yes absolute. Rs.500 Crores is the last quarter I am talking Sir. First quarter of current year will another Rs.400 Crores.

**Abhijeet Vara:** Sure Sir I got it thank you.

**Moderator:** Thank you. The next question is from the line of Pawan Parakh from HDFC Securities. Please go ahead.

**Pawan Parakh:** So just one confirmation I wanted to know so far as the typical substation project it is the EPC contractor who bids for project with a back-to-back arrangement with the equipment supplier?



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**P.P. Gupta:** Yes. That is the change, which has happened in the last six months to nine months Sir after a lot of interactive part with PowerGrid and at that stage now because earlier they were not trusting us to be the lead bidder or the JV partner. They were always treating us as their associate or some qualified bidder.

**Pawan Parakh:** So once the order is awarded will there be one single contractor will have with the PowerGrid or there will be two separate contracts with the equipment supplier and contract separately?

**P.P. Gupta:** No it will be a single order Sir. It will be order on the EPC only and then we subcontract the equipment supplies.

**Pawan Parakh:** You were saying that the government is working on a policy as to what should be the domestic manufacturing clauses that the contractor should follow?

**P.P. Gupta:** Absolutely.

**Pawan Parakh:** Sir now that you are the lead contractor and obviously the payment cycles that you might be required to pay to the equipment supplier may be lower in terms of number of days versus what PowerGrid pays you, should that increase your working capacity or you will have a similar payment cycle that you have with PowerGrid with your contractors?

**P.P. Gupta:** Firstly, let me share with you PowerGrid is a very good paymaster. Our experience with them is excellent. So their payments always happens if you have given you are discipline in place Pawan their payment happens often earlier than my payment becomes due to my suppliers and as a matter of policy in Techno we always secure by a letter of credit and for all major equipments the payments are subject to a cut off period is always back-to-back generally. So it does not stretch our working capital in that way. I know where I am not defaulting. In my other obligations to the ultimate utility hereby delaying my payments.

**Pawan Parakh:** Sir that is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Ankit Agarwal from Centrum Broking. Please go ahead.

**Ankit Agarwal:** Thanks for taking my question. Sir just can you give some financial details for Jhajjar KT what revenues we did this year and what margins some detail over there and also the same for Patran?

**P.P. Gupta:** For Jhajjar KT now we are almost operating for the last five years. It was commissioned in 2012. Our topline is about Rs.54 Crores a year. The outstanding debt is no more than Rs.200 Crores. The debt cost is around 9% and we are examining bond issue shortly to get over it.

**Ankit Agarwal:** What will be the EBITDA margins on this?



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- P.P. Gupta:** Sir I said business computing EBITDA margin is also difficult because the largest cost is always interest and depreciation. So other than O&M cost, all is EBITDA first technically.
- Ankit Agarwal:** So this will be as high 96% to 97%.
- P.P. Gupta:** Absolutely 90% to 95% as we achieve as in wind business, so it will go like that. So they are very, very strongly unitary charged business like wind or transmission. That is why we love them most.
- Ankit Agarwal:** Equity IRR will be around 15% for this?
- P.P. Gupta:** It is depending on interest cycle, equity IRR tremendously keep changing in our country. When interest was rocking at 11% to 12%, maybe it was lower than this, but now at least we can be positive to 16% plus also.
- Ankit Agarwal:** Sir similar details for the Patran?
- P.P. Gupta:** Absolutely. Patran is Rs.200 Crores project. It is the first year of operation. The revenue is Rs.24 Crores a year by and large growing to Rs.30 Crores by fourth year. So other than the O&M cost all these are EBITDA. We have sourced loan at no more than 7.9% on this project and we will convert value bond issue regulatory maybe by the end of this year itself.
- Ankit Agarwal:** Sir what will be the outstanding debt?
- P.P. Gupta:** At the moment it is Rs.150 Crores Sir.
- Ankit Agarwal:** Sir rest everything else remains similar 90% to 95% margins?
- P.P. Gupta:** 95% Sir.
- Ankit Agarwal:** 95%.
- P.P. Gupta:** Because O&M is under warranty at the moment. You can say even 100% is EBITDA.
- Ankit Agarwal:** Sir what will be the tax rate on this?
- P.P. Gupta:** Tax rate is for all these projects by and large there is no tax rate because they all come under MAT. If you look on balance sheet initially that due to very depreciation otherwise they all go into loss Sir. That is what I will be where the accounts are concerned, but if at all if there is a bottom line it is only for the purpose of MAT.
- Ankit Agarwal:** Thanks. That is all from my side.



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**Moderator:** Thank you. The next question is from the line of Amber Singhanian from AMSEC. Please go ahead.

**Amber Singhanian:** HI Sir Amber here. Just a couple of things if you can throw some more light on FGD how it is difference than our current substation, what kind of scope is there in terms of opportunity and what is the near term visibility in terms of order inflow and margins in the same as well as competition?

**P.P. Gupta:** You see FDG is an environmental package when we thought to be part of all thermal plants number one. It is a Techno cluster, Techno took birth with NTPC in 1978-1979 when they were setting up their 1000 megawatt first project in Singrauli that is how Techno started. We have been part not all most of the NTPC projects Singrauli, Korba, Ramagundam, Farakka, Talcher, Vindhyachal, and Talegaon. I can name one after the other Sir. It is a 40 gigawatt entity today and we have close role in one capacity or the other both as mechanical, BOT suppliers, as well as only BOT sites so as a huge experience of the medium voltage, HT Solutions, medium voltage solutions, and that is what enables Techno to provide solutions even in power guzzling industries like LPDM and refineries by and large, package solution. FDG is a packaged solution. Let me first share with you and it will cost minus Rs.40 lakh per megawatt as a thumb down, so if it is at 250 megawatt a company you can take the cost of FDG solution to be around Rs.40 Crores to Rs.50 Crores by and large. If it is a 6660-megawatt project it is Rs.100 Crore package in terms of that ratio and these are largely electromechanical packages and integrated solutions in performance end-to-end. So they have nothing to do with substations. Let me first rule out one thing to you. Other than power intake at no more than 33 kV, it has largely a medium voltage cum mechanical solutions integration in the plant. Like presently we are doing water-recycling package out of the ash packages for NTPC. So ash mount is always outside the powerhouse. You collate the ash into a pond, segregate water then recycle the water back to the power plant. They are all called as one environmental package. They have a similar kind of a construction by and large of this.

**Amber Singhanian:** So this is the required the existing formats also or it will be only for the new power plants?

**P.P. Gupta:** It is absolutely required more for existing than new because actually new plants are technology need a lot more sophisticated and emission levels are almost one-tenth of the old plants. If in Singrauli we were consuming 1.5 kg coal to produce one unit of power now in supercritical we consume only 0.7 kg of coal. For BS new emission level we will go down by more less than 100%. So it is largely for that but as our country we never address any value chain completely that is habit of our policymakers who are bureaucrats, so you often found me in all investors criticizing because they have not yet come out with a clarity that how this capex will be priced into tariff of the existing PPAs. This is the answer not enthusiastically implemented. They do checking it is only from the government unless pollution the government wakes up one day in our country and says no more license renewal. Shut down the plant. I hope it happens sooner than later. So we are a beautiful country. We only know how to give policies excused by larger



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platform to say we always implement policies like fatwas and then we say we are a Hindu Country.

**Amber Singhanian:** Sir secondly just a clarification on the order inflow. Fully your order inflow is roughly around Rs.1160 Crores right?

**P.P. Gupta:** Sir I have not computed during the last year, it is around Rs.1500 Crores as per my office. It is Rs.1270 Crores up to December and you add another Rs.250 Crores of our Rs.300 Crores of our good asset making it Rs.1550 Crores.

**Amber Singhanian:** Sir what are the stats of this third booth they said when do we expect this financial closure to be completed and work to start on that?

**P.P. Gupta:** Financial closure should happen by December Sir and work on the ground will start immediately thereafter. So survey work and land location, we have all started already Sir.

**Amber Singhanian:** Secondly now we have transferred all the wind assets into the subsidiary and standalone is the core EPC whereas all the MAT credit is lying with the subsidiary as such, so going forward would it be fare to assume that the standalone business will be subject to the full tax of 30% plus and subsidiary will be in the MAT as such or is there any mechanism you are working out where we can reduce the tax liability on that?

**P.P. Gupta:** Yes we have already initiated our merger proceedings. The very objective of transferring these assets into the subsidiary was to protect our 80IA eligibility. If you go through the merger without transferring these assets, your 80IA would have been lost for these assets technically. So now from the merger is already in process and we will achieve during the year Sir.

**Amber Singhanian:** So FY2018 again we will be under the MAT tax rate only Sir?

**P.P. Gupta:** 2017-2018 you can say we will be under MAT only.

**Amber Singhanian:** Secondly Sir as you mentioned that we have paid roughly around Rs.33 Crores of tax on the wind sale where the profit is only Rs.23 Crores as such, so that is mainly because of the difference between the income tax calculation and company log calculation am I correct Sir?

**P.P. Gupta:** Absolutely right and this has impacted our bottomline by almost Rs.12 Crores. Otherwise, this year we were targeting to be Rs.200 Crores plus as a PAT, which got impacted because of this in fact and I am thankful to you for transparently highlighting to all other investors.

**Amber Singhanian:** Sir just a couple of book keeping questions if you can just give me the number for what is the portion of current maturity of the long term debt in this year as well as what was it in the last year?



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- P.P. Gupta:** This is the same Sir. Last year was also about Rs.90 Crores. This year also it is Rs.90 Crores on a consolidated manner, Rs.60 Crores in the subsidiary and Rs.30 Crores in the parent company.
- Amber Singhania:** Sir including this, the total debt consolidated is around Rs.290 Crores am I right Sir?
- P.P. Gupta:** Including current year payments you can say so. Including current year, it is Rs.290 Crores and if you take the current year Rs.90 Crores separate then long term is only Rs.200 Crores.
- Amber Singhania:** Rs.200 Crores that is fine and this is all the IFC loan?
- P.P. Gupta:** IFC loan as well as ECB loans.
- Amber Singhania:** So Rs.60 Crores is the annual, which will keep on coming in?
- P.P. Gupta:** Yes absolutely, but we are getting tempted by the rupee value as well as currency weightage we may end up prepaying as permissible under RBI policy a part of the loan, we may prepay during the year.
- Amber Singhania:** Would not that attract any prepayment penalty Sir?
- P.P. Gupta:** No. We have eligibility that if we have cash in the company we can prepay by additional borrowings, but for borrowers, we pay out of our own internal cash flows.
- Amber Singhania:** Just one more book keeping question Sir. We have sold this 33 megawatt at Rs.165 Crores and the profit has come in at Rs.23 Crores how much has been the reduction in the gross block and what was the accumulated depreciation?
- P.P. Gupta:** I could not get can you elaborate your question Sir?
- Amber Singhania:** Sir how much was the gross block of this asset, which we have sold 33 megawatt?
- P.P. Gupta:** The profit is totally 22 point something the rest was the book value in the asset Rs.143 Crores, but in the income tax, it was zero because we had made SLAT depreciation in tax, so in the income tax book it was zero, but in the company's book it was Rs.143 Crores.
- Amber Singhania:** Fine Sir. That is all from my side. Thank you very much.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference back to Mr. Amber Singhania for closing comments.
- Amber Singhania:** Thank you Raymond. Thank you everyone. On behalf of Asian Market, I thank everyone for joining this call. Special thanks to management for taking out time and sharing their views about





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the company's performance and the industry outlook. That is all from my side. Sir would you like to add any closing comments?

**P.P. Gupta:**

Really my views, gratitude and thank you all for joining the conference call with us. In case you have any queries related to our performance please drop a mail to us and you will get a prompt reply to it and I will additionally request we being in Calcutta or in Bombay or Delhi any one of you visiting this site is most welcome to visit our office and see how we function and carry out our operations and how efficiently your money is being used. With that I would like to close the conference and once again I thank everybody for joining here and very, very happy 2017.

**Moderator:**

Thank you very much. On behalf of Asian Market Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.