

# "Techno Electric & Engineering Company Limited"

May 15, 2012



**MODERATORS: MR. PRADEEP LOHIA, PRESIDENT (FINANCE), TEECL  
MR. JOY SAXENA, DIRECTOR (FINANCE), SIMRAN WIND  
PROJECT PVT LTD.**



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Moderator:** Ladies and gentlemen, Good day and welcome to the Q4FY12 Earnings Conference Call for Techno Electric & Engineering Company Limited. We have with us today Mr. Pradeep Lohia and Mr. Joy Saxena from TEECL. I would now like to hand the conference over to Mr. Pradeep Lohia. Thank you and over to you sir.

**Pradeep Lohia:** Ladies and gentlemen, good afternoon and welcome to the call of Techno Electric & Engineering Company Limited. I have with me Mr. Joy Saxena, Director – Finance of Simran Wind Project Private Limited. Both of us are glad to take you through the results and development of wind power project. I will now take you through the major developments that occurred during the last financial year. Firstly, the project which we were developing in consortium with Kalpataru in Jhajjar has been commissioned and is operational since March 2012. In the wind energy segment, we have fully commissioned 111.9 MW and the total project is registered under GBI and REC scheme. We became the first project developer under the Renewable Energy Certificate Scheme to cross the 100 MW mark. On the order backlog, we have closed the year with an order backlog of Rs 950 crore and we are confident of maintaining order book in the range of around 1.5x our annual sales. Now I would like to hand over the floor to the moderator for question and answer session.

**Moderator:** Thank you very much. We have the first question from the line of **Rahul Gajare from Edelweiss**. Please go ahead.

**Rahul Gajare:** Good evening sir. Could you tell us what is the PLF for the full year?

**Joy Saxena:** We have got assets which were purchased at different time frames. We have old Simran assets which are around 50 MW, we have assets lying with Techno's balance sheet which we call as old Super Wind Project and during the year we commissioned around 111.9 MW capacity which we



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

call as new asset. So if you see the assets which we commissioned last year of 111.9 MW, they were not operational for the entire period of the year. They were commissioned at different time frames and hence it is not possible to workout the exact PLF on an annualized basis that this machine can yield. But still, for the sake of your reference, the PLF for Super Wind on annualized basis was more than 21%, Simran's old assets have yielded more than 22% and new assets of 111.9 MW yielded a PLF of close to 11.18%.

**Rahul Gajare:** Secondly, in terms of the order book in EPC, closing order book is Rs 950 crore. We closed third quarter with order book of close to Rs 1,200 crore. Now, from that if you were to remove Rs 200 crore, which would basically mean there is a negative inflow. So are there any cancellations and if there are what is the quantum of cancellation?

**Pradeep Lohia:** No, it is not cancellation; there is a gap of Rs 100 crore. These orders were for setting up of power plants for ThyssenKrupp which at this moment is unexecutable because the project is facing some environment clearance problems. That is why we have removed this from our order backlog and kept it as unexecutable.

**Rahul Gajare:** This is Rs 100 crore, so basically the inflows for the quarter are close to Rs 60-70 crore?

**Pradeep Lohia:** Yes.

**Rahul Gajare:** If possible could you give us a breakdown in terms of what is the PGCIL content of order book and the industrial customers. And how much of orders are you placed as L1?



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Pradeep Lohia:** The breakup of Rs 950 crore order backlog comprises of around Rs 260 crore in Generation, Rs 650 crore in Transmission & Distribution and Rs 60 crore in Industrial.

**Rahul Gajare:** Entire transmission order book is from Power Grid?

**Pradeep Lohia:** No, not entirely from Power Grid. PGCIL orders comprise of Rs 312 crore. 60% is more or less Power Grid. Besides this we are L1 in 3 projects of Power Grid at a total project cost of Rs 250 crore, comprising 3 service stations, 2 of 400 KV and one 765 KV.

**Rahul Gajare:** Last time there was a concern that TNEB was not in a position to pickup power from wind power that we were generating, is there any change or any further development in that respect?

**Joy Saxena:** I think you are aware that there were certain issues of evacuation of power from Tamil Nadu Generation & Distribution Corporation (TANGEDCO) and those issues are still there. They are working it out but this year also evacuation from TNEB has not been very smooth and there was certain revenue loss.

**Pradeep Lohia:** The plus point in this is TNEB had got approval for enhancement of tariff on the condition that they would not be importing power anymore and this has been positive for us. Earlier, they were importing power because of their compulsion and they were not evacuating power for these windmills.

**Moderator:** We have the next question from the line of **Devam Modi from Equirius Securities**. Please go ahead.

**Devam Modi:** Sir, if you could just tell us the headline numbers on the Balance Sheet related to the Net Worth, Total Debt and Net Fixed Assets on the CWIP on a Standalone and Consolidated basis.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Pradeep Lohia:** On a Standalone basis, the Net Worth is Rs 550 crore and Debt is Rs 185 crore, Fixed Assets is Rs 234 crore net of depreciation.

On a Consolidated basis, Net Worth is Rs 690 crore with Debt of Rs 623 crore, Fixed Assets is Rs 1,150 crore and CWIP is 67 Lac.

**Devam Modi:** In this total debt of Rs 185 crore standalone level, what is the debt pertaining to the EPC business, debt pertaining to Super and Simran?

**Pradeep Lohia:** No, the total debt is for the power project only, for EPC business we are debt free.

**Devam Modi:** Entire Rs 185 crore relates to Super Wind only?

**Pradeep Lohia:** For Super and Simran because when we funded Simran, we raised certain funds in Techno's book, so some portion of debt reflects for Simran.

**Devam Modi:** So we can consider that entire Rs 185 crore relates to the power business and there will be no further raising in the standalone balance sheet for the power business because there is 50 MW which is there in the standalone?

**Pradeep Lohia:** That is right and if any fund is required for expansion, we may raise fund in Techno's books but it depends upon the scenario.

**Devam Modi:** Yes, but in the standalone books there would not be any further debt that will be raised and in Simran's books we will go to a 65:35 in terms of Debt to Equity?

**Joy Saxena:** In Simran initially we got 40% equity. Going forward there are models which are available for 33% equity and 67% of debt also but it will depend on the transaction because we are working on acquiring old assets as well as making the new assets, so based on equity availability from the financial



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

closure perspective we look at this but both options are workable ,1:2 (New Assets) or 60:40 debt equity.

**Devam Modi:** Net Worth at a standalone level is Rs 550 crore while the Net Worth at consolidated level it Rs 690 crore, what will be the Net Worth in Simran?

**Joy Saxena:** Net Worth in Simran's book is Rs 494 crore.

**Devam Modi:** What would be the reason in this particular quarter where the PLF related to Wind is much lower, I understand it is seasonal but what is your opinion on the long-term PLF that we can expect from these assets?

**Joy Saxena:** No, in this business PLF trend will remain as such even after 20 years. The percentage of revenue or the percentage of PLF will be maximum from April to October which we call as the wind season. Typically, Q3 will be lower than the first 2 quarters and Q4 will see the lowest kind of revenue or lowest kind of PLF. The industry is like this, so the same kind of trend you will find subject to 5-10% of correction in the coming year as well.

**Devam Modi:** Which are the assets that are parked towards Corporate investments on the asset side of the balance sheet, typically they come under cash and cash equivalent part?

**Pradeep Lohia:** Yes, it is cash and cash equivalent.

**Devam Modi:** How many RECs have we sold in this quarter?

**Joy Saxena:** Quarterly it is difficult to take out. For the year, we have sold 81,443 RECs with an average price of Rs 2,900 and the total value of Rs 23.64 crore.

**Moderator:** The next question is from the line of **Shubhabrata Mitra from Jetage Securities**. Please go ahead.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Shubhabrata Mitra:** Hello Sir, in this quarter especially there was a loss of Rs 8 crore in the power segment, is this because of increased depreciation?

**Pradeep Lohia:** Yes, because of depreciation and interest.

**Shubhabrata Mitra:** Okay, and what is the average cost of debt as of now?

**Joy Saxena:** In Simran, we have both Rupee denominated loan as well as ECB denominated loan. So broadly on an average we are getting around 7% or so because our LIBOR has been hedged and currency is open. So every quarter it is fluctuating a bit but broadly it is around 7-7.25% or so.

**Shubhabrata Mitra:** Okay, and in this quarter specifically the tax rate is quite low, can you explain that.

**Joy Saxena:** As far as quarterly numbers are concerned, we are into the Minimum Alternative Tax for Simran. As the fourth quarter comes, you have got losses there because the revenue is not that high but cost of depreciation and cost of interest is reflected in the 4<sup>th</sup> quarter as well, so this takes a negative turn and that is why the tax correction you are finding is because of the adjustment only.

**Moderator:** We have the next question from the line of **Aliasgar Shakir from Elara Capital**. Please go ahead.

**Aliasgar Shakir:** In terms of order inflow, how much is L1 orders?

**Pradeep Lohia:** L1 is Rs 250 crore entirely from Power Grid.

**Aliasgar Shakir:** What is the target inflow and execution that we have for FY13?

**Pradeep Lohia:** We are bidding in tenders, at this moment it would not be possible for us to say which one will be L1 but we are in the continuous process of bidding.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Aliasgar Shakir:** What would be the execution period of the current order book of Rs 950 crore?

**Pradeep Lohia:** 18-24 months.

**Aliasgar Shakir:** In FY12 we did Rs 700 crore in EPC, so in FY13 since our execution period is 18-24 months and Rs 950 crore of order book, so would we have a lower revenue in FY13 than FY12?

**Pradeep Lohia:** No, we would be having a growth of 10-15%. It is a cycle; the new orders which we will receive this year will also start generating this year. Because every order has a supply and your construction time and supply starts immediately as soon as you receive the order and complete your formalities, so it is a cycle. But it's not that today you have only Rs 950 crore order backlog which has to be executed within a period of 18-24 months that is why this year you will execute only Rs 450 crore, it is not like that.

**Aliasgar Shakir:** On the wind power side, what is our strategy and outlook? Are we targeting any particular amount of capex in this year?

**Joy Saxena:** Our strategy in Simran and Wind Power remains the same as we discussed last quarter also. We would be expanding Simran by virtue of getting more assets that can come either by inorganic acquisition from the market. Today, we are aware that more than 550 MW of assets are on sale as far as the Indian market is concerned, the companies who have purchased these assets for Accelerated Depreciation in last 3-5 years, are in the plan of selling those assets and we are one of the very active buyers. There were couple of proposals lying on our table for evaluation and price negotiation. Secondly, we will also be ordering for new assets. As on date, we have no commitment to anybody but in the meantime we are evaluating the proposal from all manufacturers and suppliers so that we can order where good pockets are available and better PLF can be obtained. So based on the



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

mix of inorganic and organic growth, we would be growing hopefully more than 150 MW capacity build up in this financial year and going forward until 2017 as a 5-Yearly Plan we have a plan to capitalize another 1,000 MW, so that we have a capacity of 1,250 MW after 5-6 years time and that is our overall growth perspective and the strategy for Simran Wind.

**Aliasgar Shakir:** So, if the season starts from April, more or less the season has started, so this 150 MW probably would come then by the end of the year maybe March when the new season starts or there is any particular timeframe?

**Joy Saxena:** No, you should be happy to note that 111.9 MW has already been commissioned before March so now the period which is coming will factor the revenue for this 111.9 MW also. Going forward, if we acquire old assets that are already commissioned, we will get the consolidated revenue of those assets also and if we are ordering any new assets, it will take time from 4-8 months for executing and start the project. So we have both strategies to work together, one will reduce your cost of project because on the lower amount you can purchase those assets with good PLF but the assets will be old. Second, will be to select for new wind pockets and order for new assets. So this you cannot commit today as to how much will be from old and how much will be from new.

**Moderator:** The next question is from the line of **Vinay Rohit from ICICI Prudential Life Insurance**. Please go ahead.

**Vinay Rohit:** What is the increase in rate we are expecting on the APPC for this year and if someone is doing a new deal what is the rate being offered to them?

**Joy Saxena:** The APPC mechanism is based on the Average Pool Price of power purchased by the discom of that State Government. In that scenario, since our fuel cost is going up and coal cost has gone up by 30% from Indonesia,



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

even Australia's coal cost has import duty having import structure as well as tax from them is taking 12-13% higher cost for the importers of coal. In India also, the coal blocks allotment is getting delayed and wherever coal is available, Coal India is not in a position to do long-term agreements. So based on all these scenarios, the consumption cost of all the thermal plants have gone up and will be going up in coming years also. So Average Pool Price mechanism takes into consideration the entire power cost for the entire state, including thermal, nonconventional, power generated from all sources and then the price is calculated. Our Average Pool Price which was Rs.2.37 for Tamil Nadu will get an improvement of more than 10% from now onwards and year-on-year minimum 5-7% increase should be happening by our assumption.

**Vinay Rohit:**

Okay, and given that in this budget, the Government has discontinued GBI, so your old project will continue to receive GBI benefit but the new project would not get?

**Joy Saxena:**

I beg to differ from your question that GBI has been discontinued. GBI as of now has not got any mention in the budget because this is not the matter to be addressed in the financial budget. As far as our understanding goes, GBI will continue, a separate notification should come, the reason being GBI was framed on the mechanism that wind power will have 4000 MW allocated for GBI. Out of 4000 MW in the previous XI th 5-Yearly Plan, less than 800 MW was commissioned, so there still remains more than 5 times of commissioning of the power plants which are not covered under GBI which will be commissioned in the coming year. So we strongly believe that until a minimum 4000 MW capacity is registered and covered with the GBI mechanism, GBI will not be discontinued.

**Vinay Rohit:**

Out of Rs 185 crore of Debt on Consolidated basis, how much is ECB?

**Pradeep Lohia:**

On a standalone basis there is no ECB.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Moderator:** We have the next question from the line of **Amber Singhania from Quant Capital**. Please go ahead.

**Amber Singhania:** Out of total 291 million units which you have sold in this year, how much is under GBI and how much is under the REC mechanism?

**Joy Saxena:** From our old assets, Simran old and Super, some asset (7.5 MW) is part of GBI. Our new asset which is 111.9 MW is REC plus GBI. So based on that you can make an assessment because most of the old assets are not having GBI and new assets are all covered with GBI + REC scheme.

**Amber Singhania:** Out of total units sold that is 290 million units, how many units we have sold towards the old asset and how many in the new asset of 111.9 MW?

**Joy Saxena:** As far the number of units is concerned, we generated around 109 million units from new assets which became part of GBI and we generated around 98 million from the old assets of Simran. So out of 98 million there are some portions which came around 13 million or so which is part of GBI for 7.5 MW.

**Amber Singhania:** In Super how many units we might have sold in this year?

**Joy Saxena:** Close to 83 million.

**Amber Singhania:** We have booked our entire REC or still there is some portion pending?

**Joy Saxena:** There are some portions because most of the REC we have sold out. Because the trading happens on the last Wednesday of every month and the credit also comes a bit late.

**Amber Singhania:** How do we report REC & GBI in our numbers? Do we add it in Sales or do we show it in Other Income?



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

- Joy Saxena:** REC is reflected directly in our Profit and Loss account. The Profit and Loss account will have two heads, Operating Income and Other Income. Operating Income will have revenue generated from sale of unit and REC also. In Other Income you will find GBI, Interest and Other Income.
- Amber Singhania:** In EPC, we have an order book of Rs 950 crore and last year we clocked around Rs 700 crore of revenue, how much you are comfortable with this kind of order book because it gives you visibility of not even 18 months at present given the growth and the last year's revenue number.
- Pradeep Lohia:** We are very much comfortable with this order backlog. There is no end of business at this moment. Taking smaller order backlog gives you an added advantage that you remain closer to the market. We can judge the market and bid accordingly.
- Amber Singhania:** What is the Consolidated cash equivalent in the books at present level?
- Pradeep Lohia:** On a Consolidated basis it is around Rs 60 crore.
- Amber Singhania:** What is the debtor and inventory position at present?
- Pradeep Lohia:** Consolidated it is around Rs 160 crore.
- Amber Singhania:** How much would be from SEBs from Tamil Nadu and Andhra Pradesh?
- Pradeep Lohia:** Tamil Nadu and others will be around Rs 50 crore.
- Amber Singhania:** Remaining is EPC debtor. And similarly on the inventory side how is the scenario there?
- Pradeep Lohia:** Inventory we do not carry in the books. We do not have inventory in the EPC business. In power, there is no concept of inventory because whatever you generate is evacuated or is lost.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Amber Singhania:** In terms of net working capital on a consolidated basis, how is the scenario now compared to last year?

**Pradeep Lohia:** Compared to last year it is bit tight.

**Amber Singhania:** So how much could be the increase if you can provide us the number?

**Pradeep Lohia:** I will provide you the exact number.

**Amber Singhania:** We have cash equivalent of Rs 60 crore whereas our Other Income is approximately Rs 22 crore. Even if I remove the GBI benefit of around Rs 7 crore from that we earn Rs 15 crore from this Rs 60 crore of investment.

**Pradeep Lohia:** This cash equivalent is as on March 31, 2012. It does not mean that you will have this cash equivalent throughout the year. Secondly, we had some treasury operations also, which gives us additional Other Income.

**Amber Singhania:** How much was that?

**Pradeep Lohia:** The Other Income totally is from treasury operation.

**Amber Singhania:** Going forward in FY13 and FY14, what is your outlook in terms of PLF or power is like earlier we did around 24% but this year it was slightly lower compared to previous year. So how is the scenario you are factoring in, I understand because wind is something which is difficult to predict but what kind of assumption you are taking as of there?

**Joy Saxena:** Because new assets are going to be built up, so on an overall basis the percentage of PLF will also increase because the new asset what we are targeting and the price we are bidding are based on the PLF generation divided by the value of the asset. So we are targeting only those assets where the Return on Capital Employed based on PLF is good for power generators. So going forward, the PLF of the present asset will depend on



the availability of the overall wind plus a new asset will give us better PLF, so overall our percentage should improve.

**Amber Singhania:** Is there any scenario like because of over capacity of wind towers within a certain area we are getting a lower PLF or the PLF is reducing going forward. Has something like that happened?

**Joy Saxena:** There are very, very good pockets available in the country and I think it has been stated that more than 18,500 MW capacity is available in India as far as the best region is concerned but off the record people talk about more than 48,000 MW capacity which can be built up on good pockets but even if we take 18,000 MW capacity, which is there for a very good pocket it can yield more than 25-30% of PLF so we would be targeting those assets based on the available PLF and the Return on Capital Employed.

**Amber Singhania:** My last question is as we did one PPP project in transmission space which is already in operation, is there anymore in the pipeline which we are bidding for or which we are going to bid for in this year?

**Pradeep Lohia:** Yes, we have bid one in Rajasthan in consortium with Kalpataru again and we are looking for such type of projects in the future also.

**Amber Singhania:** How big is that project which you have bid?

**Pradeep Lohia:** The project size is also around Rs 350-400 crore.

**Amber Singhania:** And any time line for this project being allotted?

**Pradeep Lohia:** We have already bid for it and the results should come out within a month's time.

**Amber Singhania:** Can we expect other L1 projects to finalize in Q1 itself?



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

- Pradeep Lohia:** Yes it will finalize within a month's time.
- Moderator:** We have the next question again from the line of **Devam Modi form Equirius Securities**. Please go ahead.
- Devam Modi:** What is the total operational capacity at the end of the quarter in Simran and how much more capacity will be under CWIP currently?
- Joy Saxena:** Total capacity as of March 31<sup>st</sup> is 162.35 MW as far as Simran is concerned. Nothing is in CWIP. All capacities which we had ordered have been commissioned before March. Now after the commissioning of that capacity we are looking for new orders and new acquisitions to be done, the work is going on parallelly on these fronts and maybe going forward we will also be mixing the model with Private Equity perspective. We are finding some Private Equity coming along with some debt structure and internal accruals will make this growth for Simran what we have targeted as our strategy.
- Devam Modi:** What is the Net Current Assets at the consolidated level?
- Pradeep Lohia:** Rs 126 crore.
- Devam Modi:** Whatever incremental expansion we will be doing in Simran, all of those will be under REC basis right?
- Joy Saxena:** Not really. The old assets that we acquired will not be part of REC and GBI mechanism. As per law, after February 2011 the assets which have been commissioned only those will draw the benefit of REC. The old assets will be part of the preferential tariff already signed as PPA, so we will have to bear with that revenue only.
- Devam Modi:** In those cases you will be following preferential basis over there?



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

- Joy Saxena:** Yes, absolutely we have to evaluate from that perspective.
- Moderator:** The next question is again from the line of **Aliasgar Shakir from Elara Capital**. Please go ahead.
- Aliasgar Shakir:** Have we received any amount for GBI. When is the amount due to be received?
- Joy Saxena:** Once you pass the power to the grid, we have to claim for GBI and twice in a year we have to submit them with the chartered accountant certificate to claim those GBI. So if you see in the balance sheet, we have already claimed around Rs 6 crore of GBI which is receivable.
- Aliasgar Shakir:** So the entire Rs 6 crore has been received?
- Joy Saxena:** No it takes 3-4 months time after you claim it . In this quarter or September quarter, we will be filing our claim for GBI for FY 2011-12 and it will take around 2.5-3 months time after filing our claim.
- Aliasgar Shakir:** So how much has been received and when is the remaining expected to be received?
- Joy Saxena:** At the moment Rs 6 crore 21 lakhs is entire outstanding which we will be receiving maybe in next 2.5 – 30 months time after filing our claim.
- Aliasgar Shakir:** The Corporate Capital Employed is the cash balance, right?
- Pradeep Lohia:** That is right.
- Aliasgar Shakir:** End of last year we had around Rs 64 crore under the Corporate Capital Employed. Now this year if I calculate the EBITDA and deduct the interest and tax we did somewhere about Rs 180 odd crore, but we have about Rs



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

54 crore left with us, so has the amount got blocked in working capital, any kind of debt repayments or capex?

**Pradeep Lohia:** Last year your debt was around Rs 250 crore. We have repaid the debt. We have invested in Jhajjar KT.

**Aliasgar Shakir:** So how much debt has been reduced?

**Pradeep Lohia:** Debt has been reduced from Rs 250 crore to Rs 180 crore on Standalone basis.

**Aliasgar Shakir:** Consolidated was around Rs 64 crore under Corporate?

**Pradeep Lohia:** On consolidated basis last year it was Rs 66 crore under Corporate, it has come down to Rs 53 crore. In Simran when we acquired the old assets we raised certain debt by way of NCD and for which we are obliged to pay on a quarterly basis, it is this reduction of that debt.

**Aliasgar Shakir:** So how much of that debt has been repaid?

**Pradeep Lohia:** Around Rs 28-30 crore.

**Aliasgar Shakir:** Will the other amount be utilized if you would be able to help around 190 odd Crore has been utilized I believe this year is around 180 Crore?

**Pradeep Lohia:** If you see consolidated, then the debt obligations of Techno have also been repaid which has also got reflected over here.

**Aliasgar Shakir:** How much is that amount?

**Pradeep Lohia:** Rs 70-80 crore. We invested Rs 40 crore in Jhajjar KT that also got reflected in this.

**Aliasgar Shakir:** But we do not have any amount there that we should recover from the JV?



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Pradeep Lohia:** Rs 40 crore is your equity investment.

**Moderator:** The next question is from the line of **V. K. Kartikeyan from Suyash Advisors**. Please go ahead.

**V. K. Kartikeyan:** You spoke about growing your capacities through the acquisition route as well of existing assets. What would be the transfer of tax benefits, what is the treatment of tax benefits or how exactly does that work out?

**Joy Saxena:** There are two kinds of things, one is if we buy the asset on an asset transfer basis, the tax treatment in the hands of seller is different. For the buyer it does not make any difference because we would be buying and capitalizing the quantum of money paid in to my account. Based on the capitalization I will get advantage as far as Companies Act depreciation is concerned and there are certain rules on income tax depreciation that we will get.

The second option would be if the assets are bought in to the SPV company if your seller is selling those assets it is getting out the assets from the main balance sheet to the 100% SPV company, so in that scenario we will get the shares of the SPV company and take over the company as 100% sales transaction of the shares. In that scenario the tax treatment will be different in the hands of seller it will be fully taxed based on certain capital gains logic and the balance will be fully taxed as per the normal rate of tax, this is the issue seller has to take care. The person who is buying has to take care based on the value of share transaction value he paid to the company, so that is the logic in both the scenario, we have to meet our strategy on deal to deal basis which is better suiting for us.

**V. K. Kartikeyan:** How about the 80-I A benefits if any?



**Joy Saxena:** Going for 80 I A there are certain norms. One has to be compliant with the requirement of the undertaking which has been sold and the undertaking which has been purchased and there has been certain amendment in to the Income Tax Act also in 2005-2006, one has to understand from the restructuring point of view of the business whether the restructured asset purchased would qualify for 80 I A or not is a matter which has not been settled but lot of debate is going on in the market, so 80 I A perspective we should keep out from our discussion.

**V. K. Kartikeyan:** Geographically, what states would you ideally like to be present in; you have spoken about substantial increase in capacities, which in your opinion offer the most attractive options?

**Joy Saxena:** This works on 3-4 assumptions. Firstly, what is the PPA rate available which varies from State to State. Secondly, whether I getting am good wind pocket and on that pocket can I get good PLF, for which I need a consultant to get wind data available to us. And thirdly, what will be the capital value of those assets and fourthly what kind of O&M that company is providing me from a long term perspective, Can I rely on those manufacturers-suppliers to bring those assets. These 4 dimensions will derive whether the investment should be done. PLF is not the only important criteria but these 4 factors and the rate of PPA, REC and GBI also has to be calculated on a different spreadsheet on case to case basis to go for assessment and planning.

**V. K. Kartikeyan:** For FY13, given the targets you have in mind, have you identified specifically some asset locations?

**Joy Saxena:** No, we have our agenda that we will not be parking all assets in one state only, we will have diversified business portfolio. Currently also, we have assets in Tamil Nadu as well as in Karnataka around 18 MW. Going forward good assets may come in Tamil Nadu and in Rajasthan, Andhra



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

Pradesh as well as in Maharashtra. Shortlisting those assets will depend on the combination of all those things I discussed.

**V. K. Kartikeyan:** What is the lowest level of REC that you would be comfortable with putting in your excel sheet for us, making assessments below which you think the assets become unattractive for whatever reasons?

**Joy Saxena:** We have been talking about a floor price which is Rs 1500 but last year was the first year when REC mechanism was established in the market which has given an average rate of Rs 2900 for us. We were the market leader because we were handling more than 100 MW in REC market and we could achieve an average price of Rs 2900/- per REC sold during the FY 2011-12. This year please appreciate that April bidding happened at around Rs 2200/- which was much above the floor price of Rs 1500/-. So the market is maturing, again it is going up. Moreover going forward we are sure that the penalties will be imposed to all those discoms who are not meeting their RPO obligations, so the penalties have been created in the law enacted but it has not been imposed on to those power generators and discoms, so this mechanism will also be seen going forward and penalties will be increased. In that scenario your REC pricing will be much higher than what it is today.

**V. K. Kartikeyan:** You think the market will be very lumpy from a seasonal point of view?

**Pradeep Lohia:** Not really, it will not be lumpy, people have to understand that if they are blocking there money for 2 months we should calculate their Internal Rate of Return and for higher rate, if they get after 2 months they can bid, otherwise I do not think market will not be lumpy as far as valuation and the pricing is concerned.

**Moderator:** We have the last question is form the line of **Shubhabrata Mitra from Jet Age Securities**, please go ahead.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Subhabrata Mitra:** What would be your consolidated Current Assets as of 31<sup>st</sup> March 2012?

**Pradeep Lohia:** Consolidated Current Assets is Rs 387 crore.

**Subhabrata Mitra:** So out of that how much will be loans and advances, like last year it was around Rs 118 crore, so this year it would be?

**Pradeep Lohia:** It is around Rs 115 crore at this moment.

**Shubhabrata Mitra:** On the consolidated level debt is Rs 623 crore, out of that how much would be ECB?

**Pradeep Lohia:** Out of Rs 623 crore consolidated debt, Rs 180 crore is your loan which is reflected in Techno's book on a standalone basis and balance is off seasonal loan out of which around Rs 50 crore is in Indian currency loan, balance is your ECB.

**Shubhabrata Mitra:** In this quarter there was a small growth of Rs 2 crore of wind power increase in income, is this because of higher REC or because of higher generation, this quarter typically is low-generation season?

**Pradeep Lohia:** It was because of new capacity.

**Shubhabrata Mitra:** So there was some generation? Q4 is basically a lean season?

**Pradeep Lohia:** As we discussed 70% of the annualized number comes in the 6 months which is from April to October. The balance 25-30% will be spread in the final 2 quarters. Power generation in any case will be around the year, 75% in 6 months and balance 25% in other 2 quarters is the thumb rule. You may take it like this, during the first 2 quarters if the PLF is 100%, during the next 2 quarters the PLF is 10%, so on an annualized basis it comes to 25-26%.



*Techno Electric & Engineering Company Limited*  
*May 15, 2012*

**Moderator:** Thank you. I would like to hand the floor back to Mr. Pradeep Lohia for closing comments. Over to you sir.

**Pradeep Lohia:** Thank you very much for all your interest in Techno and attending our concall. If there are any questions that has been remained unanswered or you have further queries you are requested to kindly e-mail us and we will revert back to you at fast as possible. As and when some of you happen to visit Kolkata it will be a pleasure to have you in our office and have one-to-one interaction. Thank you very much once again for attending our conference call. Thank you.