



“Techno Electric Q2 FY 2016
Earnings Conference Call”

November 10, 2015



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Moderator: Ladies and gentlemen good day and welcome to the Techno Electric and Engineering Company Limited Q2 FY 2016 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 would now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you Sir!

Amber Singhania: Thank you. Good afternoon everyone. On behalf of Asian Market, I welcome you all to the Q2 FY 2016 earnings conference call for Techno Electric and Engineering Company Limited. We have with us today Mr. P.P. Gupta, the Chairman and Managing Director of the company, Mr. Ankit Saraiya, Director of the company along with his team representing the company as such. Before I hand it over to Mr. P.P. Gupta I would like to wish everyone a very happy Dilwali. I now request Mr. Gupta to take us through the quarterly results and overall macro scenario for the company as well as the industry and then we shall begin with the Q&A session. Over to you Sir!

P.P. Gupta: Thank you Amber. Very good afternoon to all of you and welcome everyone to this call. First of all, I would wish a very happy Diwali to all the participants. Thank you for joining us today to discuss our financial results for the quarter ending September 30, 2015. 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 risks that the sector or our company faces.

We have started the financial year on a strong footing in our EPC segment. We have received new orders worth Rs. 280 Crores during the quarter ending September 30, 2015 or Rs. 550 Crores for the first half year of the year 2015-2016. With this our order book 30/09/2015 stands at 2200 Crores unexecuted. Major order received during this quarter is a very prestigious switchyard package for Tanda Thermal power station of NTPC stage II 2 x 660 megawatts situated at Uttar Pradesh for Rs. 180 crores. We have participated in various new tenders worth around 1500 crores and are hopeful of reasonable success and we expect the order booking during the year will continue as in the first half of the current year. With the strong order book we are hopeful of achieving a strong growth in our EPC segment in the current financial year as already mentioned while reviewing the very first quarter. In EPC segment we are witnessing greater investments both from the central utility as well as by the state utilities. The stress is now more and more on the transportation of quality of power as well as dynamic load management systems in place. This reflects that there will be



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larger investments going forward in solutions on STATCOMS, HVDC and other power electronics. With increased focus in renewable power, the challenge in managing dynamic flow of power will further increase leading to greater technology and investment in these solutions. Techno Electric has always been a front mover or first mover in these processes. With increased focus in managing dynamic power, we are hopeful for stronger growth opportunities for your company. We are also witnessing large investments similarly in infrastructure at state levels particularly in the state of Telangana and Andhra Pradesh and selectively in MP, a very strong business going forward. The wind segment, the electric challenges are ongoing and are in the process of exiting our business as we stated last time. We have already sold 44.45 MW during the first quarter of this year and we are hopeful to divest further wind assets, but the interest of the investors in this segment is constantly growing. The prospects of triple P business in the transmission segment is growing, key business in transmission segment and they are getting stronger every day and with our resources by divestment of wind assets we will be able to focus more and compete with anybody in the country, but definitely our interest is more in those packages, which has a reasonable or higher content of substations along with lines. As the large investment plans in transmission infrastructure will not be possible for PGCIL to carry of its own resources as its own debt equity burden is growing constantly we are sure there will be a space more for private investment as government is looking for it.

Let me quickly highlight our performance results. The EPC revenue during this quarter has grown by 34% at 202 Crores as against 150 Crores during the previous year of the same quarter. Our consolidated revenue for the quarter grew by 21% at Rs. 253 Crores against Rs. 210 Crores achieved during the same quarter of the previous year but this is not comparable due to divestment of about 25% of our wind assets. EPC profit from operation for the quarter increased by 46% at Rs. 32.7 crores as against 32 crores achieved during the previous year. The operating margin has also improved by 100 basis points to 16.2% against 15.1% during last year. Standalone other income declined but you can look forward to the same in the coming quarters. The standalone PAT for the quarter stood at 34 crores as against 32 crores last year but this is mainly because of the reduction in the other income by 7.5 crores and also higher tax outgo by 6.5 crores. The consolidated EPS for this quarter is at 8.18, we are able to achieve this almost after three years and consolidated EPS for the first half year stands at 14.67 level. The consolidated EPS for the trailing four quarters is at 20.8. The annualized ROC on EPC segment is excellent as well annualized ROCE also is very good. While revenue has grown our trade receivables remain healthy. Our focus remains to efficiently manage the working capital while growing the topline. With this I invite questions from the participants.



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- Moderator:** Thank you very much, ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Sandeep Mishra from JM Financial.
- Sandeep Mishra:** Sir my first question is regarding the opportunities that you are seeing on the BOOT side, I think in the previous call you had highlighted that Techno will see ordering of close to 1 lakh Crores over the next few years in the BOOT side and just want to get an update, what kind of opportunities do you see now and how are we participating through which route in this particular space?
- P.P. Gupta:** You see it depends on the qualification criteria. If we qualify of our own we generally try to be alone but if there significant line component, it is always JV with Kalpataru Power as you have seen in the past, so if it is standalone line package only with substation content of extension based only, no more than 10-15% then we are not a participant in those packages. Most of those packages were of that nature except the one which we participated seriously but lost out to Adani in the last quarter, but let us see how it happens, there are number of good tenders with reasonable content of substations in the pipeline and we will definitely be eyeing them as an opportunity.
- Sandeep Mishra:** Any number you would like to put on the bid pipeline you are seeing for the next six months or twelve months?
- P.P. Gupta:** Yes, I believe we should succeed in one package of a value of anywhere between 1200 to 2000 crores, maybe in JV with Kalpataru with scope like 50:50 between us.
- Sandeep Mishra:** Sir secondly last time you were highlighting that in the solar energy space we are seeing that the capacity addition is going on at a very aggressive pace but you still do not have a play where you can bring significant amount of value addition on the table, so any thoughts on that or any changes between your earlier commentary?
- P.P. Gupta:** No, I am happy to share with you that we are trying to be very strong EPC, as an organized EPC company in solar space now. We have joined hands with a company called TMBM of China, which is a fortune 500 company in this segment. We have already participated in projects in Rajasthan and MP to start with for NTPC and we are equally serious to participate in a project in Andhra Pradesh, a placed called Anantapur where NTPC is setting up a solar park with a capacity of 750 MW in 6 modules of 125 megawatt each, so we will definitely eyeing at least one module of it. To start with we would like to go as an EPC to acquire more capability to handle these projects within the company and maybe later on when they become lot more competitive to the grid parity in terms of the very cost of the



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power we may consider some investments but not immediately. For the next 2 to 3 years we would like to emerge as a successful strong EPC segment.

Sandeep Mishra: Sir, which is MBM China you have mentioned right.

P.P. Gupta: TMBM.

Sandeep Mishra: Suppose if you get a package, what kind of split will be there and what kind of value addition will Techno have in their share?

P.P. Gupta: It will be about 60:40 to start with. They will be contributing mostly panels, inverters, and MMS structures they are specialists in providing this tracking structures or mobile structures additionally, so these three elements we are keeping in the scope to start with, balance will be sourced and done within India.

Sandeep Mishra: Sir, 40% is our share?

P.P. Gupta: Yes, absolutely right.

Sandeep Mishra: Sir, one last question also from my side is on the cash balance, we have not utilized our cash balance who repay the debt that we have in the books, what is the thought process, do we still want to keep some debt to lower our VAC or are we planning to repay the debt or how this cash balance would be utilized in future?

P.P. Gupta: No, we do not intend repaying the debt because the same has been sourced or procured at a very optimal cost. Its cost is no more than 8-9% considering rupee depreciation also. The fully hedged loan we have from IFC is only at 8.5%. Definitely we will be keeping this cash with us, generate other income by deploying them in treasury operations till we find more viable investments in PPP business of transmission, so we will be earning quite handsome gains, I can assure you. This year itself we are looking for a return out of this money no less than 14% out of this money as your other income and Simran will be able to show return on capital deployed to the extent no less than 11-12% this year, so it will make up for what we lost out on last two, three years on this, so cash is valuable to us. We know how to keep it productive.

Moderator: Thank you. We will take the next question from the line of Rahul Gajre of Edelweiss.

Rahul Gajre: Sir, I have only two questions, one on the pipeline on the EPC side. We with a strong order backlog we clearly see that FY 2016 and FY 2017 we have very good visibility, now the



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spending that is expected in the T&D side is very, very large, now the relevant opportunity for us, what is the kind of pipeline that you are seeing when you actually bid right now.

P.P. Gupta: You see, we only bid now looking on new technologies, new adventures, where you can have a larger space as a first mover which gives you larger value additions because it is definitely high end applications of the systems and capabilities which Techno possesses in plenty and we were not finding right opportunities in the past, so it is a very exciting period for Techno I would say that we have not earmarked the opportunities like in every STATCOM you can see there is a tendering in eastern region and another one week or two there will be northern region tendering followed by southern region. There is a program to invest no less than a billion or billion and a half in this very segment of the business. Parallely we are preparing to be part of HVDC going forward so that this domain is no more of the very European large entities only.

Rahul Gajre: Sir, for HVDC have you already tied up with somebody?

P.P. Gupta: No, not yet, not yet.

Rahul Gajre: Sir, how do you plan to go about HVDC?

P.P. Gupta: Absolutely, we are looking for good partner, we are still analyzing the capabilities of the different companies in this segment other than the ones who are already practicing in India and probably you know even we maybe considered as partners by the already existing entities in India, some signals are there like that, keeping in view our stronger ability to deliver projects in time and quality front, so I would say that yesterday's competitors maybe tomorrow's partners, Rahul.

Rahul Gajre: Right, Sir in the STATCOMS we had received the first three projects, after that have there been major projects which have gone out?

P.P. Gupta: No major project has gone out but there was one STATCOM application at Kunta, it was a single tender of about \$15 million which was not seriously bid by us.

Rahul Gajre: Sir my second question is on the profitability, now we have reported very handsome margins in the EPC business, so firstly is there are any one-off over here or these are margins that we will get?

P.P. Gupta: No, this is no one-off, we should be able to maintain this kind of value addition or margins in this business and they are achievable I would say given the perfect planning



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programming and your cost control. These are achievable levels; Techno is able to demonstrate time and again they are achievable.

Rahul Gajre: Sir my last question is on the industrial side, we have one odd order on the industrial side, are you seeing any signs of uptick on that space?

P.P. Gupta: We had few enquiries but by virtue of our performance we get good response like we are doing one for Mitsubishi in Haldia which is in execution. Seeing our performance you will be happy to note they are taking us to Indonesia now to repeat the same project there. So, once a customer always a customer has been the success of Techno, so we will build on it.

Moderator: We will take the next question from the line of Dharendra Tiwari from Antique Stock Broking.

Deepak: Sir this is Deepak from Antique. In the last quarter you had given guidance of around 1000 Crores revenues for this year, so do you maintain the guidance?

P.P. Gupta: I will ask you what is more important to you, EPS or topline?

Deepak: Definitely EPS is important.

P.P. Gupta: I can assure you Techno will show a strong EPS of almost around 25 rupees plus this year but topline 1000 Crores is definitely achievable but definitely we don't build topline merely for the sake of it as you know if cash flows are visible and available we will definitely touch 1000 Crores, so far so good but at the given pace we should be able to do 1000 Crores, I can tell you but if we face cash crunch with our customers we will not be hungry for topline but definitely we will be hungry for EPS Sir.

Deepak: But you don't see at this point of time any execution constraint?

P.P. Gupta: Absolutely not, there are no constraints.

Deepak: What is the order book right now Sir?

P.P. Gupta: 1200 Crores as I mentioned in my opening remarks.

Deepak: What was the order inflow?



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P.P. Gupta: This quarter we took an order of 280 Crores, the most prestigious is a switchyard package for Tanda of NTPC, it is 2x660 megawatt, it is 180 Crores package for us, very prestigious package and first time NTPC has qualified Techno as a principal bidder in a GIS solutions at 400 KV.

Moderator: We will take the next question from the line of Renu Baid from IIF.

Renu Baid: Sir couple of questions, first on the order book you share is 2200 Crores; it would be helpful if you can share with us how does the mix between the segments and between customers look like?

P.P. Gupta: No issue. You can say that the major order with us is from largest customer is Power Grid which is about 950 Crores; next customer will be NTPC about 250 Crores now, I am talking on the unexecuted side. Third customer is obviously Bihar where we picked up the orders, long executions are going on and the balance order from Bihar left with us now is almost about 400 Crores. We booked about 650, 250 stands executed out of that, then we have orders from Mitsubishi Chemicals where we are doing orders for about 115 Crores for them and unexecuted is about 80 Crores, 35 Crores stands executed, then we are executing few packages in AP Transco and Ten Transco the unexecuted part is about another 70 Crores there and then similarly there are others. In Rajasthan we have some exposure.

Renu Baid: Okay, so the rest of the exposure largely is from the SEB sector then?

P.P. Gupta: Absolutely.

Renu Baid: Sir within segment wise if you breakup how does the split look like?

P.P. Gupta: You can say in terms of generation and industry it will be 20%, sentence utilities in transmission is about 40% and another state utilities is about 30% and distribution is about another 15%.

Renu Baid: Sir if you look last week we had the power ministry making announcements on UDAY which is essentially the restructuring scheme, so what is your take on that, do you actually think the scheme would be successful to rejuvenate fresh round of investments in the sector and what could be the key SEB from which we see a must faster execution coming in both of the respective projects and working capital ease out as and when the scheme kicks off?

P.P. Gupta: You are asking, Renu, a very difficult question to me and I am always negative on these issues. The issue is larger than merely financial restructuring. We did it in 2012 also and



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miserably failed. The question is not financial restructuring and bringing down the very cost of the finance to the discoms, the larger issue is how do we make them more efficient that is the larger issue, how do they become more stronger organizationally, how do they become more pro consumer, more pro customer, merely by raising tariff or by funding by the very state government and not doing the financials or doing the financial restructuring cannot rejuvenate the sector, we have seen it over the last 15 years. We restructured them in to three entities and we could bring no freshness in to the management, same managing director, same chairman, same working officials, same premises, no vision, no outlook, you see it is a huge challenge at the very sector, so mere answers are not that simple, journeys are important to my mind and we need to divide those journeys very clearly. I have been of a stronger view that distribution business must be brought in PPP model, it must be done faster, just imagine. I have been saying in various forums, government has spent no less than 25000 Crores in Deendayal Scheme and rural electrification schemes, village electrification schemes, imagine if you had done PPP and given this 25000 Crores as a grant you would have created 100,000 Crores worth of assets and thousands entrepreneurs behind them and you can easily visualize the loss level I am sure would have been no more than so talked about 15% or may be lower than 15%. We need a soul behind these entities.

Renu Baid:

Correct, so essentially you are trying to say just increasing the central funded schemes and support through either the feeder separation program or the IPDS is not sufficient, it has to be necessarily backed by the reforms in distribution sector to make it really successful.

P.P. Gupta:

Absolutely madam, like you remember telecom in 1995 when we just started, we were all paying 30 rupees a minute and outstanding Tatkal call booking denied, getting early morning and so desperate and today you see how business has innovated, without entrepreneurship you cannot innovate any business, today voice is no more the business, it is value added services which has become a major business in telecom. Similarly, power has to find solutions going forward beyond power, whether you own so much of connectivity to the customers B2C has to be strongly utilized for services and multiplicity and power has to be given to consumer madam at no more than 6 to 8 cents, who can afford 8 rupees and we so easily say revise tariff, pass on to consumer, all inefficiencies you are passing on to the consumer and not to the very people who are owning these systems, how long and how far. Some of you have to raise voice at the government level.

Renu Baid:

Yes we had an interaction with the minister yesterday evening on all these issues on that side but essentially even if probably we will have to see if the reform activity has actually kicked through with respect to amendments in the Electricity Act Bill and otherwise but at least in the interim over the next one to two years you think the fund flows to the sector will



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improve with the working capital situation should materially see some traction and activity from where we have come in the last two, three years?

P.P. Gupta: Yes, should be, the very discoms have a better cash flow or better ease of cash flows with them it definitely provides them some flexibility but as long as they are able to deploy these funds more prudently that is equally important.

Renu Baid: As a company Sir if you see better fund flows coming in through central funded schemes from some of these SEBs what is your view on increasingly participating in some of these IPDS or feeder separation programs under the Deendayal Upadhyay Scheme, would you be keen to do more of EPC works or probably would still keep it on the sidelines?

P.P. Gupta: For us it will remain an add-on business only. We do it very selectively and we only chew as much we can successfully deliver, so it is generally not more than 15-20% of our order book because it calls for a stronger management and a larger team deployment in the field and they are low end of the technology spread over works over larger areas, so you need a very loyal and very strongly administered spirited teams in the field which are not so easily available in our industry I would say, so we take as much risk as much it is rewarding because unless the very segment rewards me at least 5-10% more than transmission we do not want to be part of this segment because we call it high risk and obviously it must reward me more.

Renu Baid: Sir you mentioned about trying to enter in the HVDC segment through some collaborator or some partner. As far as our understanding concerns, the biggest constraint there in the HVDC segment is the equipment and the ACDC and DCAC conversion the terminal level, so how would you be catering to those technical constraints, will your partner be having these equipment which would be a non-European company, chinese, Korean, Japanese or how are you looking at this segment as an opportunity?

P.P. Gupta: Definitely we need a partner who can provide this power electronics equipment of technology content of the solution. We are scouting in Japan, China and Korea as you have rightly said and we are hopeful of having a tie up and even let me mention off the grid, we are even sounded by the very European companies in India now to partner with them in the implementation of these solutions looking on our ability to deliver projects on quality side and time bound.

Renu Baid: Probably you would be supporting on the EPC the construction side of it while equipment and the rest of the value addition would be from their side design engineering and equipment.



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P.P. Gupta: We are doing in STATCOMS solutions you know, we have a Chinese partner. He is giving the power electronic side of it and balance is being done by us in India, their content is no more than 45%, 55% is the Indian content. We will go going forward obviously as Make in India is a mandatory requirement so as these companies start manufacturing these equipment in India, the Indian content will further grow in this way.

Moderator: We will take the next question from the line of Lokesh Parekh from Anand Rathi.

Lokesh Parekh: Sir my question is related to the previous participant's question, 1000 Crores of EPC revenue that we have targeted we have done close to 400, so will we be able to do 600 Crores in the remaining second half and the second thing is the other players in the industry have shown negative growth in revenue, so do you see any execution issues in the industry or the situation has improved from the past?

P.P. Gupta: You see historically, not only with Techno with most other players in this segment Sir, the first two quarters generally give us no more than 40% of the topline and 60% is always the last leg. The third quarter is generally 25% and another 35% happens in the last quarter. It has been the very trend of this industry, so we are right on track to what we have said earlier and with the given order book there are no constraints, no challenges, we should be able to achieve it but I have also said as a caution that if we find there is any cash flow constraints with our customers definitely we are not obsessed with the topline but we are definitely very obsessed with EPS which we obviously like to achieve, so our focus is to achieve 25 rupees EPS plus minus this year that we will definitely achieve.

Lokesh Parekh: Sir the second part of my question was related to the execution issues, so do you see any improvement in execution side in the industry?

P.P. Gupta: Industry I cannot say but definitely the very utilities are today demanding more and more and they want to complete all projects well ahead of time but they are also conscious on the cash flow, they want to deploy more cash in those projects which an immediately be capitalized by them, so their programs are becoming more short term in that way, earlier if Power Grid outlook was three to five years, today it is no more than one to two years that is because of their own growing debt equity a burden on their balance sheet so challenges are changing, so it is all becoming more and more relevant to company's like Techno who can do things more efficiently and more time bound.

Moderator: We will take the next question from the line of Amber Singhania from Asian Markets.



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Amber Singhania: Sir couple of questions, could you throw some light on the status of Patran project where exactly it has reached, how much has been executed and what is the highlighted now?

P.P. Gupta: I already highlighted in my opening remarks, Patran is progressing very satisfactorily, the work is more or less completed to the extent of 40% and it should be commissioned in May 2016 as scheduled without doubt, but definitely in the present balance sheet we have not taken any output of Patran in it, it is zero.

Amber Singhania: How much have we already put in sir so far?

P.P. Gupta: 40% you can say progress has happened already but we will be taking this all in the very last quarter of the year. Output what we have reported now is for third parties.

Amber Singhania: So in FY 2016 ending balance sheet it would be reported as long-term investment right Sir?

P.P. Gupta: Absolutely you are right.

Amber Singhania: Sir secondly what is the timeline if you can suggest on this NTPC project on solar power which we are trying to build and also the BOOT BOOM project which we are getting couple of projects which we are bidding, if you can just throw some light on that what is the timeline scheduled for the bidding and tender opening?

P.P. Gupta: Sir in NTPC two projects are already submitted, one for Rajasthan and one for MP, now third bidding is happening for solar park in Andhra Pradesh and it is due on 17th of this month and I think NTPC should be concluding all these orders before the summer end to my mind.

Amber Singhania: Sir on the solar side like we have been doing so far on the thermal project side how different it is to execute a solar plant as far as substitution part in our scope of work is concerned, is it more or less same or is it something very different if you could throw some light on that?

P.P. Gupta: Solar projects are lot more simpler compared to the conventional thermal power plants because they are very lighter in construction and well laid out and Techno is most competent in light construction, as you know we have always stated we are not good in heavy construction technically, so it suits us, it is very close to us, it is spread out, it is very lighter version of the projects we have earlier done with NTPC. So technically and execution wise we see no challenge and the very schedule of the project interestingly is much less as against thermal taking three years plus, these are only one year or 15 months



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projects, so you get a much earlier turnover in your balance sheet, that is a very interesting part, but let us see, we need to experience it out and build on it.

Amber Singhania: Would it be fair to assume if at all when any of these solar power projects next year we can go in to much high growth trajectory compared to the 20 to 30% we are targeting now?

P.P. Gupta: It may be lot more, not less than if you take 6 Crores a megawatt as a thumb rule then 125 megawatt module will bring 750 Crores and if I take 40% as Techno's content it is 300 Crores job and you have to execute in one year. You can understand this will definitely be an icing on the cake as topline may be margin wise it may not be as rich relatively as transmission business is with us but definitely topline will build up, it goes without saying.

Amber Singhania: What will be the margin picture in these kind of projects compared to our traditional projects?

P.P. Gupta: Very difficult to say because NTPC is proposing reverse bidding and companies come in this not many are organized truthfully but my larger guess will be we should look for an EBITDA of 10% if not 15.

Amber Singhania: Sir my last question on the bookkeeping side, tax rate this quarter we have paid full tax, how do you see situation going forward and what kind of tax rate we can assume for FY 2016 and 2017 as such?

P.P. Gupta: By and large you see we are now out of the tax breaks due to wind power and others you know, we are now taxable at a normal rate but definitely we get some incentives like dividend of the subsidiary to parent company, all those comforts will be in built but the single entity level you can continue to assume to be met and definitely Simran income remains to be tax free, so at the consolidated level also we can work with MAT to my mind.

Moderator: We will take the next question from the line of Abhinav Sharma from Tata Asset Management.

Abhinav Sharma: Sir my question is on other income, why has it come down on a year on year basis?

P.P. Gupta: Basically it relates to dividend from our subsidiary, so last year we paid a final dividend, interim dividend you know and this year we are yet to pay that, let me put it, we took only that much dividend from the subsidiary which was obligatory to pay the final dividend as declared on last year results, so when we pay interim dividend during the calendar year



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definitely we will draw it from the subsidiary, you may see that other income happening in the third or fourth quarter.

Abhinav Sharma: Sir what is the progress on the sale of our wind capacity?

P.P. Gupta: I will say there is a good interest in our assets of the people and their interest in investing in wind power is growing more, so we are talking to many people but definitely as I mentioned last time we are not desperate seller not we are in any debt trap. We will have a honorable exit, whether it happens today or down three months but I am sure by the end of this year we should get an honorable exit, that is my timeline but I cannot disclose to you the very discussions going on because we are under non-disclosure agreements with them.

Abhinav Sharma: Sir on the capacity which is operational right now, what has been the PLF trends like compared to last quarter previous year?

P.P. Gupta: You can see from the very results it is more or less same like last year, first quarter was bad as you have seen but second quarter has made up, but over the half year you can say the generation overall is about 5 to 7% lesser than last year but otherwise it is more or less same, so if last year we got a PLF of around 15% we should get the same but definitely I am hopeful with discoms getting restructured and so much of stress on renewables and TANGEDCO itself restructuring as we have read in the papers I believe next year should be better off than this year, going forward I see good days to come back.

Moderator: We will take the next question from the line of Janaki Raman from Franklin Templeton.

Janaki Raman: Sir, it is very interesting that you mentioned that the focus on spending will go from the generation side towards transmission especially in areas like quality of power and load management, very interesting, my question is these are relatively newly emerged technologies, so as an organization how do you build up competency in these areas?

P.P. Gupta: These technologies are very proven globally over last decade or more but definitely they are new to India and we have practiced them very selectively in the past. Earlier we used to implement solutions called HVC which are now migrating to STATCOMS which is combined reactive capacitant solutions in-built with harmonics, so they are better version of the solutions practiced earlier but when it comes to system integrations which we do largely there is no greater challenge other than managing, if you understand technical side more of a medium voltage challenge that we have to handle little more higher voltage, lesser voltage and higher amperages in the solutions which we are very good at Techno. We have always been very good in that I will say. As you know we have been the solution provider to



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aluminum sector in the smelters, we supply solutions of 400 kilo amps, 9 volt DC, so giving a solution at 36 KV 5000 kilo amps should be no more a challenge to us, so we will be able to handle these issues more friendly way and our team is very capable here, very, very capable to adopt these changes and they are being trained by the very technology partner, we have all gone to our technology partner, they have stayed there, we have seen their installations, we have been trained by them in their premises, so absorbing these solutions as first movers we are very competent sir, no issues, they are challenged but we are focused and we are conscious of it.

Janaki Raman:

That is very impressive, then on your technology partner being Chinese company similar to other products in this more modern distribution segment as well are you seeing a deflation, reduction in equipment prices because of more and more Chinese suppliers getting in to the picture?

P.P. Gupta:

Yes, definitely the scale of production of these equipment in China is so large that we feel very humble before them, it goes without saying, so their scale of production itself enables them to quote prices more competitively without saying I would say but simultaneously I will say Korea is no less competitive, they are very aggressive, their home market is very small, so they are also looking for a pie of the market in India, so competition is building up, it is more of a challenge I would say in the present market to European entities more than to companies like us because definitely we are wanted by them as a partner to implement their solutions, so that is the natural growth for Techno going forward because the biggest advantage with Techno which you may or may not have observed which has been a disadvantage in the past which is advantage today that we have not moved out of power sector, we are only a power sector company, we are power vertical only, rather it was generation or transmission or distribution we remained within power verticals sir, so that has kept our technical competency intact because the competency required to offer solutions in BOP space or in transmission or in distribution are very alike by and large I would say with few specializations here and there, so we are not a construction company, we are a business solution company. That distinguishes us over our competitors, that I am merely not a contractor or a construction company like line building companies or like, I should not be saying, even like L&T because there have so many verticals to construct, heavier, lighter but we have remained focus in power sector only, that gives us the edge to be competitive and complete all the time.

Janaki Raman:

Very well said Sir. I would also like to have your view on certain developments in solar since you also mentioned about solar in your earlier answer, so in Andhra I have read that there has been one response to a tender at price which is even less than 5 rupees, has the



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cost reached that kind of level where solar can actually match grid in terms of cost of delivered power?

P.P. Gupta:

Raman, it is a very interesting question, and definitely it is as exciting to me as it is to rest of the industry, you see, tariff post execution is a component of two elements, depreciation and very cost of funds you have deployed to build the capacities and your ability to source funds and your ability to defer the cost of depreciation, as it enables you to quote more competitive levelized tariffs, so I am not sure whether it is a phased end tariff only or levelized tariff or whether tariff is more on the mid space and tail end of the project, so I am not seen tariff of 25 to 35 years but as reported in the media it is phase end tariffs are definitely becoming very exciting but there is reduction in the cost of the EPC also as talked in the market but very significantly, let me put it, so definitely I think markets have optimized if not bottomed out but we are very optimized now in terms of the cost, today putting up a solar plant is no more than 6 Crores a megawatt which is as good as setting up any conventional power plant in terms of the capex, so it is more or less alike but maybe these costs may compress more if solar panel becomes available more competitively along with inverter but challenge now is as I see going forward is how to achieve more output of the installed capacity of solar, how to get more CUF that is the focus now more and more so people are looking for tracking type of structures sporting the panels, so I think we are moving towards that, better quality of inverters so that conversion ACDC has lesser losses in built and more heat or energy absorbed is converted in to power, so I think focus will shift now to my mind but it is a very exciting journey I can share with you, it is good for India, good for rest of the world but I must compliment our government to be foresighted on this.

Moderator:

Thank you very much. As there are no further questions from the participants I now hand the conference over to Mr. Amber Singhania for closing comments.

Amber Singhania:

On behalf of Asian Market I thank everyone for joining this call and special thanks to the management especially Mr. Gupta for providing us the insight about the company's performance and industry and future outlook. Before concluding I would like to wish all the participants a very happy and prosperous Diwali. Sir would you like to add any closing comments?

P.P. Gupta:

I would like to thank all the participants I find them very whole hearted participation and very good questions and interactive part more than my results but still in case if anyone of has any queries but before that let me say I did not hear Raman out again, Raman did I answer your question properly I don't know but you are welcome to visit us, if anyone of you have any related queries you are welcome to visit us or mail us. We will be happy to



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reply. I would once again wish all the participants a very happy Diwali. With that I would like to close the conference and I once thank everybody joining us despite being a festival time. Thank you very much to all of you.

Moderator:

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