



“Techno Electric & Engineering Company Ltd Q4
FY16 Earnings Conference Call”

May 31, 2016



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Techno Electric & Engineering Company Limited
May 31, 2016

Moderator: Ladies and gentlemen good day and welcome to the Techno Electric and Engineering Company Limited Q4 FY2016 Earnings Conference Call hosted by Asian Market Securities. 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 like hand the conference over to Mr. Amber Singhania. Thank you and over to you Sir!

Amber Singhania: Thank you Lisann. Good afternoon everyone. On behalf of Asian Markets, I welcome you all for 4Q FY2016 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 of the company, Mr. Manoj Chandak, CFO and along with his finance team representing the company. 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 so much Amber. Very good afternoon and a warm welcome to all for joining us today to discuss our financial results for the quarter and year ended March 31, 2016. First of all my apologies for rescheduling this call from yesterday to today morning, 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 the company or our industry faces. We have started the financial year on a very strong footing in our EPC segment. We have received new order worth Rs.610 Crores during the last quarter ended March 31, 2016. The major order received was from Power Grid Corporation for 765x400 KV Bikaner substation. It is a Greenfield substation, which includes complete scope including breakers and reactors and also includes extension at Ajmer and Moga station under Green Energy Corridor. This is an ADB funded package. Extension of 765 KV AIS station for Power Grid at Vidyachal, Jabalpur, Parli for 177 Crores and 400 KV substation at Tuticorin and Kunta substation for mega solar park for 70 Crores. GIS substation package at Assam funded by World Bank under NER power system improvement project for about 200 Crores. Extension of 400 KV substations at Itarsi and Bachau for Rs.109 Crores. These are some of the major projects we have received from Power Grid. With this our unexecuted order book as on March 2016 stands at almost 2600 Crores. We have booked almost 1500 Crores worth of orders during the last fiscal year. This momentum continues for last two months and we have already declared L1 and closed two tenders worth 350 Crores for which LOA is expected very shortly. The major amongst them is 765 KV GIS station at Jharsuguda in partnership with Xian XD China and also extension of 765 KV AIS station at Angul and Jharsuguda where presently we are in advance stage of completing the ongoing assignments.

Financial year 2016 has been remarkable for Techno as during this year company's EPC has crossed a turnover of 1000 Crores for the first time and we would like to see the same momentum



Techno Electric & Engineering Company Limited
May 31, 2016

getting continued. We have participated in fresh tenders worth Rs.1000 Crores. Most of the tenders where we have participated are yet to open and are hopeful of good conversion in current fiscal. With a strong order book we are confident of achieving a decent growth in our EPC segment in the coming year as well as year after. The likely growth over next two, three years is not going to be less than a CAGR of 45% in topline with a matching growth in bottomline and EPS. In EPC segment we are expecting we are witnessing greater share from PGCIL, which is at present, is almost about 35% of the tenders floated by PGCIL and we at Techno is fully equipped to cater with good cash flows. We are also treated with almost 75% of our current order book from cash which rich CPSU like PGCIL and NTPC. We are also expecting good orders from states like UP, Telangana, Andhra Pradesh, MP and Rajasthan and Northeast. We have historically a very strong position in these states and expect to build on these opportunities. Another feature of our business is that most of these projects are funded by ADB, World Bank, JICA, KMW or others had not dependent on domestic funds of the state governments.

In the wheel segment the challenges historically faced are be eased out by improvement in regulatory framework and better grid availability but we are still in the process of admitting those results. Presently we are witnessing three times limit power generation in this season compared to last year and the back down in the grid is almost negligible. We are at an advanced stage of discussion with a prospective buyer. However our strategy for the business remains the same and we are hopeful to close these projects during the current year.

The prospects of Triple P business in transmission: As mentioned earlier I reiterate that we would like to concentrate on our healthy and core capability in transmission business and build Triple P business of this capability. Our Triple P project at Haryana is operation successfully with no major challenges and our second project at Patran a part of POC mechanism is expected to be commissioned during this week. As mentioned earlier the proceeds realized from the disinvestment of wind assets will be very healthy in bidding and building assets in Triple P projects in transmission sector. As you all know the government has a plan to invite private bids for almost about a lakh Crore in this model and as we expect a good traction in this space and additionally it will also build our own EPC book from this another channel of business generation.

Let me quickly throw light on our performance for last quarter. Revenue from EPC for the quarter jumped by 48% to 322 Crores from the same quarter of previous year. EBITDA of our EPC for the quarter stood at 54 Crores against 33.42 Crores over the previous quarter thereby raising EBITDA to 16.78% against 15.39% achieved during the same quarter of the last year. Full year revenue from EPC jumped by 52% to 1014 Crores from 668 Crores. EBITDA for EPC for full year stood at 144.94 Crores against 93.82 Crores for the previous year. The EBITDA margin has improved marginally to 14.29% against 14.04% over the previous year. Our consolidated revenue for the quarter grew by 47% and for the year it grew by 38% to 1097 Crores. The standalone PAT for the quarter is at 49.52 Crores against 47.74 Crores and whereas the consolidated PAT jumped by 47% to 48.55 Crores. Consolidated EPS for the year stands at



Techno Electric & Engineering Company Limited
May 31, 2016

almost at 24.7 and PAT of 41 Crores against 106 Crores last year thereby showing a growth of 33%. The consolidated EPS for the quarter is at 4.97 and for the year at 24.60. The return of capital employed on EPC business achieved 100% during the previous year. While the revenue we have grown our working capital cycle remains healthy. The debtors start over staying at the level of the previous year only. You will observe that if we take out the receivables of 122 Crores out of the total receivables for our subsidiary power transmission. The receivable of the current year we make that of last year, which is no more the four months working capital cycle. With this I invite questions from the participants.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Sir Amber here, just couple of things to understand. One I missed the order book number if you can reiterate the same.

P.P. Gupta: I was stated we are carrying a order backlog of almost about 2600 Crores as of March end 2016 and fresh order book during the last year was almost about 1500 Crores. We are further L1 in a business of 350 Crores in last two years. So we are confident that by the end of this quarter our order backlog will be almost about 3000 Crores.

Amber Singhania: Sir secondly in terms of margin like last quarter in Q3 our margin dip because of the service tax was increased and all whereas now we are back to 17% EBIT margin in EPC business. So what contributed to this high margin in EPC in this quarter? Is there any one off projects, which we have executed where the margin was higher, or is this normalized margin, which can come in? How is the scenario and outlook going forward in this division?

P.P. Gupta: Actually I always been maintaining comparing EBITDA or margin on quarter-to-quarter basis in our business at times is misleading whereas annual data is more precise and closer to reality. On annual-to-annual basis you can see the improvement is about 25 bps over the previous year and we hope to maintain the same over the coming years improving by 25 to 50 bps but on quarter-to-quarter some variation of 100 to 200 bps will be there.

Amber Singhania: Okay fine Sir I will come back to the queue if there is any more question. Thank you.

Moderator: Thank you. The next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.

Utsav Mehta: Good afternoon Sir. My first question is on the state side ordering. We have been hearing much industry there has been an increase in that has given out by states and ticket sizes have also been increasing. Just wanted to understand the drivers behind why this is happening, why it is happening now. Is there any sort of structural drivers or just once in three, four years replenish cycle that happens.



Techno Electric & Engineering Company Limited
May 31, 2016

- P.P. Gupta:** Any other question.
- Utsav Mehta:** This one first I will just come to the other one next.
- P.P. Gupta:** You see we all know by and large the country has generating capacity of almost 3000 megawatt and transmission ability of no more than 3 to 4 times of this capacity in the country at the moment. So such the demand in the system being limited to under 60, under 70 megawatt most of the states are having a choice of power to source now number one. Number two there is also pressure of the states power being so easily available more cheap power being available to make these power available in their own grids and thereby transferring it to the their own customers or consumers. Historically they have lagged investment in transmission. More focus has always remained in generation. So I am sure going forward as I have been always maintaining next four, five years strongly belongs to transmission but additionally we need lot more investment and technology come revolution in distribution also additionally. So this is generating business both at the interstate level through central CPSU as well as with the many states in their own capacity to further make the power reach to the consumers in a efficient manner and also I will say a little pressure in their the many states who have joined UDAY that they have committed to bring down T&D losses to 15% over next five years, this an additional pressure on that. So I am sure the good things are happening and the focus is the transmission and the transforming capacity of the states.
- Utsav Mehta:** Sir thanks for that. I understand the demand side argument what I cannot understand is given the fact that discoms is still under financial stress. I just do not understand how to sort of Transco can continue spending or increase capex dramatically because at the end of the day the bill be footed by a discom which is still under financial stress.
- P.P. Gupta:** Firstly financial stress if their own making had change and definitely everybody is focused to bring them out of it. Secondly more of these capacities are happening under multilateral funding or funding by PFC RECs. So invariably Techno is a part of the project, which are funded, by ADB or World Bank or PFC or REC where our payments are assured by that. Like MP Government, Rajasthan Government recently they have all got loss from KMW and ADB. So all these schemes are well conceived of with healthier financial closure packages in place. So the projects can happen time. So I have no doubt through going forward that prudence the bill being clearance rather than recklessness has been the way in the past.
- Utsav Mehta:** Thanks for that. Sir my second question is on the PPP model is it fair to understand that any foray that you may adding more assets under the PPP model will be dependent and will happen only after you manage to sell the wind assets or there is no timeline.
- P.P. Gupta:** No. One is not dependent on the other no doubt. Techno is liquid enough and almost debt free so we have enough financial capabilities to undertake Triple P model projects even without exiting wind also but nevertheless wind exiting will definitely strengthen our cash in hand, which will



Techno Electric & Engineering Company Limited
May 31, 2016

further enable us to do projects of a decent size and magnitude and build the asset book faster but we are conservative as you know historically as a organization. So we will always time the investment and quantum of investment keeping in view the value and achievability.

Utsav Mehta: Sir my last question is on the solar EPC space. So we have been speaking to a lot of other industry participants it seems like this space is increasingly getting crowded day after day. So any sense that you would like to give on sort of competitive intensity or bidding intensity as likely just said you have been prudent in the past. So I mean just wanted to understand how competition is playing out because given the relative sort of non-complexity of the project at least that is what we have been told that seems to be a lot of player in this space.

P.P. Gupta: Firstly I like to say there is a lot of complexity anywhere any project business is a complex business and very serious business number one. Number two technology is growing very rapidly in this space, which will always be upset many of these competitors who are not there to face technological development and changes in this space, which is fast changing. Recently there was a very big exhibition cum conference in China for three days and unless you see that kind of scale and magnitude it is difficult to appreciate the complex technology behind these solutions and we want to be in this space very selectively at the high end and to cater to demanding customers. We are weak and realized our value added additionally also. So we are very familiar with the business in the solar space we will not only be selective but we also like cater a very demanding and high end customers only but generally you are very right in perceiving that in the normal course space is crowded but not at the high end.

Utsav Mehta: Understood thank you so much for answering my question. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Salil Utagi from Systematix Shares. Please go ahead.

Salil Utagi: Good afternoon Sir. How do you see competition from Korean and Chinese players in the high-end KV levels?

P.P. Gupta: Generally the Koreans and Chinese have a strong presence today in the market but they are largely the product suppliers and they need onshore partners always to translate their product into a project and do the enabling scope along with it and we have been first four in the space with them as partners. So like with Xian we have already, Jharsuguda 765 KV GIS is our fifth order with them in this space. So they do not force any direct competition per se to us and customer also gradually having gained experience in installing and operating these installations gradually bringing Indian entities in power now to remain with us and Power Grid has already now given a lead grid status to Indian entities up to 400 KV space and hopefully a year or two down they will upgrade these in 64 KV also. So we see a good partnership healthy partnership.



Techno Electric & Engineering Company Limited
May 31, 2016

Salil Utagi: Sir there have been winning orders like HyoSeong they have been winning lot of orders recently in terms of EPC market share probably they are the largest as of now.

P.P. Gupta: Absolutely right but I will not share if you put Chinese companies together Hyo Seong in about one third in GIS space in 765 KV, two third is with the Chinese companies I will say but most of these companies are now equally required to set up their India base as under the requirement of Make in India business, so shortly all the solutions will be available from the India factories additional. I see good and healthy partnership between non-product companies like us and these product manufacturers.

Salil Utagi: Would our focus will remain on high-end transmission substation or are we looking at also distribution substation as well because I am asking from the perspective on this smart city development, which is happening. So would we participating in that as well?

P.P. Gupta: Yes selectively we will be participating in smart city initiative. We have been part of distribution, packages historically but we do, as much we are capable of doing. Generally we do more than 10% of our capacity in this space and because history over last 10 years we have seen as I have been generally saying that most of these companies in distribution being low tax solution generally and by smart city hopefully will have lot more technology. I have died out of indigestion more than in this space. One should be cautious in picking up the obligations of job in this space and we can deliver success time bound that is important.

Salil Utagi: How do you see the pipeline in TBCB order what is the scenario right now because they have not come in last six months to one year for most of the players. Only small orders here and there. So what you feel what is the pipeline right now?

P.P. Gupta: I think in TBCB good tendering has happened in last two months. It is almost about 10,000 Crores to my knowledge and business has been bagged by companies like Sterlite, Adani, Power Grids, Kalpataru. They have all got one or two packages each in this space. It is this momentum will continue going forward we can see.

Salil Utagi: So every year 10,000 to 15,000 Crores worth of orders can come in.

P.P. Gupta: I will say about 25,000 Crores.

Salil Utagi: 25,000 every year.

P.P. Gupta: Yes every year to partners or that is how it is being started.

Salil Utagi: Do we have any solar order in the current order backlog now?

P.P. Gupta: We have no orders so far.



Techno Electric & Engineering Company Limited
May 31, 2016

- Salil Utagi:** How much of them would be.
- P.P. Gupta:** We have no order.
- Salil Utagi:** No order okay last call I think you had mentioned that if we win solar order then our revenues can grow even higher than 25%.
- P.P. Gupta:** Absolutely but our growth I have talked as of now is purely based on order we had with us and it is mostly on transmission, distribution and generation. It does not include solar but if solar happens definitely it is a large value order and significantly adds to the topline but margins will not be as good as we generally achieve as the EBITDA in transmission but we are hopeful of achieving at least 10% of EBITDA in solar also.
- Salil Utagi:** There are multiple orders in ultra mega solar park NTPC is planning many of them. So would you be looking at those kinds of orders or you are looking a smaller order.
- P.P. Gupta:** No we are looking for large value order and NTPC will be our focus already we have served for last 30 years and just for your information let me share with satisfaction we have been part of most of the NTPC projects over last three decades in one capacity or the other. We are so comfortable with NTPC and their contracting procedures and processes and so is in turn NTPC with us.
- Salil Utagi:** So when are these orders likely to be tendered or finalized?
- P.P. Gupta:** They are continuously happening I think the next tender is now around mid June and it should be followed every month and NTPC is also being approached by companies like Steel Authority and another PSU, CPSUs to develop solar power capacity or joint venture basis or may be PMC basis project management consultant for those CPSUs. So we see a good thing happening in the country.
- Salil Utagi:** What would be the ticking size of these order one single order.
- P.P. Gupta:** Generally I will expect around 500 to 1000 Crores.
- Salil Utagi:** So this will be including the material or only the EPC I mean how the orders will be placed the panels and all will be.
- P.P. Gupta:** No these are total EPC as tender and include the whole scope both from DC side and AC side but it does not include the power evacuation.
- Salil Utagi:** Okay so that will be separate.
- P.P. Gupta:** Yes that is separate.



Techno Electric & Engineering Company Limited
May 31, 2016

- Salil Utagi:** Those will come under the Green Energy Corridor.
- P.P. Gupta:** Yes either Power Grid will develop or NTPC will develop its own switchyard under a separate package.
- Salil Utagi:** Great Sir thanks a lot.
- 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 this order inflow of 1500 Crores which you mentioned could you give us a color as to how much is from JVs with Chinese guys and GIS AIS breakup also SEBs versus PGCIL if you could.
- P.P. Gupta:** As I mentioned in my presentation also almost 75% is from Power Grid and NTPC as I said and with the Chinese participation you can take 25% out of it so 50% is without Chinese participation and mostly on AIS sides and whatever GIS we are doing is obviously with the Chinese participation but whatever traditions we are now offering at 220 KV level on GIS we are the lead bidders where Chinese will be the preferred suppliers to us.
- Abhijeet Vara:** You procure from Chinese and you complete project on your own. There is no partnership.
- P.P. Gupta:** There is no partnership.
- Abhijeet Vara:** So till 220 have this capability Sir and 765 how long will you take to get into this a scenario prequalified already to bid on your own or would you require further projects could you give us some sense on it.
- P.P. Gupta:** No I mentioned in my presentation that up to 400 KV now Power Grid as well as state utilities are making EPC companies as the lead bidder based in India, so where we can take manufacturer as a manufacturer associate on the GIS front. In 765 KV the onshore EPC companies are associates of the Chinese equipment manufacturers and suppliers, so what with the Make in India facility that is happening now integrally under the obligation over a year and two I am very sure Power Grid will enhance domestic company visibility under qualification from 400 to 765 KV also.
- Abhijeet Vara:** My second question is you have mentioned topline might grow at 25% CAGR for next two to three years bottomline will also match. So this year we have seen good order inflow and also first two months have been good but margins will also you expect margins also to remain going forward despite competition from Koreans and Chinese the pi getting bigger that everybody will be comfortable or how is it going in terms of pricing front.



Techno Electric & Engineering Company Limited
May 31, 2016

P.P. Gupta: Firstly Chinese and Koreans are direct competitors to us let me put it this way. They are partners with us or we are partners with them depending on the qualifications because they are only the product suppliers. In AIS solutions we have successfully delivered solutions over last 20 years in partnership with companies like Alstom, Siemens who have been our competitors too but with Chinese we face no such threat because they will not like to be a project solutions provider in near future. So I see this margin and order book for proven companies to continue or remain in that in a healthy way. It is basically happening because market size is grown or that it seems like we are snatching business from each other.

Abhijeet Vara: Would you also be comfortable in terms of executing you have the resources financial as well as managerial to look at this kind of growth for next two to three years.

P.P. Gupta: Absolutely I think we have time and again proven that we have been financially very prudent and efficient during the distribution. Our cash flows are well managed. By and large we are able to do this business even today at a very long-term working capital we have much and return on ROCE in EPC segment is one of the best in the industry as you can.

Abhijeet Vara: Thank you.

Moderator: Thank you. The next question is from the line of Pavan Parikh from HDFC Securities. Please go ahead.

Pavan Parikh: Sir my first question is on the order inflow again. So Sir on the order inflow front we have done about 1500 Crores for last two years on a per annum basis. So what is the growth we are looking at on this number? Should it again flat or what is the growth we are looking at least for next two years on this number.

P.P. Gupta: Both that order we may like to first book growth on execution now. I think we have an order backlog we expect to the tune of 3000 Crores. We have to execute in next two years. So anyway even if take next year it will 1300 Crores 2017-2018 are to be 1600, 1700 Crores to complete this order backlog till time and definitely we will be ensuring that whatever gets executed is replenished by larger order backlog. So this trend should continue for next two, three years definitely as we can foresee but visibility as of now. So we have no doubt on that.

Pavan Parikh: Secondly Sir we have been partnering with the Chinese, Korean players for the GIS orders. Now with incrementally Make in India thing coming up these companies might have to set up shops in India on a like-to-like basis their cost structure will be similar to other GIS manufactures within the country. That could perhaps impact third competitiveness also that could perhaps impact our EPC order taking capacity also. So what is your view on this?

P.P. Gupta: My view is by the time they settled down we ourselves will be competent to qualify and bid as a lead bidders like we are already now competing to bid up to 400 KV as per the revised



Techno Electric & Engineering Company Limited
May 31, 2016

qualification criteria of Power Grid and by 2018 they should permit us to be a lead bidder in 765 KV. We will have it wise of sourcing from these companies Chinese or Korean or any country. We will be able to deliver the solutions as efficiently and economically as we are doing now. So that will keep our business prudent and competency impact.

Pavan Parikh: Sir last is just book keeping kind of thing. So on the consolidated balance sheet the other current asset line item which was about say 20, 30 odd Crores in FY2014 that is moved to 40 odd Crores in FY2015 is now at 118 Crores, so what is that that is primarily the receivable from SEB for our wind assets or something else.

P.P. Gupta: No basically it includes two items one is the receivable against RECs and second is that in this year we have invested in mutual fund, which made out the dividend of March 30, we exited the mutual fund which was about 70 Crores but that money could not be credited into our account. So it remains as other current assets receivable from this but there is no change compare to last as far as receivable side is concerned.

Pavan Parikh: Great Sir all the best thanks.

Moderator: Thank you. The next question is from the line of PVS Shreekant from Antique Stock Broking. Please go ahead.

Ranjit Shivram: Ranjit here. Sir just I joined a bit late but just wanted to know whether you have changed your guidance for FY2017 like last time we had looking at around 1250 Crores in terms of revenues. So does that remain same or we are looking at a higher number.

P.P. Gupta: We are definitely looking at little higher numbers. It seems like we should be achieving 1300 Crores going forward now with the given order backlog. So it may be 1300, 1350 Crores.

Ranjit Shivram: In 3Q there was this additional service tax element, which had impacted so has this been completely addressed now or will this come back to some of our orders going forward.

P.P. Gupta: No it largely addressed I have always maintained comparing EBITDA on quarter-on-quarter basis is not good healthy but year-to-year make large difference. During the current year our EBITDA improved by 25 bps over previous year as well as the over the last quarter we have improved by almost about 250 bps over the previous year. So I will again reiterate as I said it my larger presentation beginning when probably you are not logged in that we should look on EBITDA more on year-to-year basis. So something happened on quarter-to-quarter may look started but they are very temporary in nature.

Ranjit Shivram: Okay so this kind of the service taxes having that project that overall in our current order books how much portion will be.



Techno Electric & Engineering Company Limited
May 31, 2016

- P.P. Gupta:** Service tax is part of our all orders. Previously to pay service tax or whatever construction part of the projects we do I will say now again the service tax has gone up by 0.5%. So it is at 15% now. So these are government policies till GST happens some kind of adjustment will keep happening through the government merchant regulations but they are invariably properly factored and priced in the contract value. So it is not erosion in our bottomline.
- Ranjit Shivram:** Sir I heard that we are targeting an order intake of 1300 Crores in FY2017 excluding solar is that right.
- P.P. Gupta:** Absolutely right may be 1300 or more I said definitely we will be like to replenish more than what we are executing over the current year. So it should be at least 1300 to 1500 Crores if not but it is other than solar definitely.
- Ranjit Shivram:** If you can some color that which state SEBs are more active currently in terms of ordering where we can expect some good order intake next year.
- P.P. Gupta:** We are looking for good like Rajasthan, MP, Telangana, Northeast states and if this solar power happens that also Karnataka should also be there on both. So selectively the UP is very active now. Next year the election so they are rolling out lot of programs. So we see states as active as CPSU but our focus will continue to be CPSU. Let me say and in states we look on projects only which are multilaterally funded like KMW or ADB or World Bank. So that the payment cycle is assured fully to us and these states are getting loans now from the multilateral bodies as well as PFC and RECs.
- Ranjit Shivram:** So of this 1300 to 1500 Crores the order intake that we are targeting how much can be likely if you can help us with can be from the state and how much can be from PGCIL and NTPC. If you can throw some color in terms of percentage will be fine.
- P.P. Gupta:** You can take it about 60%-40% 60 from CPSUs and 40 from states.
- Ranjit Shivram:** Thank you.
- Moderator:** Thank you. The next question is from the line of Arafat Sayed from Quant Capital. Please go ahead.
- Rahul Gajare:** Good afternoon Sir this is Rahul Gajare. Congratulations on a very strong and satisfying results. I have two questions. One Patran project was supposed to be commissioned this month. So can you please highlight what is the status of that?
- P.P. Gupta:** It is commissioned this week any day it may be commissioned may be tonight.



Techno Electric & Engineering Company Limited
May 31, 2016

Rahul Gajare: Second question is while PGCIL and SEB will certainly provide a very strong traction in terms of new orders for the company. Can you highlight if there is any international orders in the backlog and if I remember I do not know you are looking at certain projects in international geography. So what is your strategy? I mean are you looking at international at all or how what are you looking at.

P.P. Gupta: No we are looking at international business. The dollar designated business to be more precise and our focus at the moment is SAARC countries basically Nepal, Bangladesh, Sri Lanka they are our larger focus along with African countries where we can take up a project under Rongxin financial that is what we are looking for and there is nothing I can talk very concretely at the moment. We have participated in tenders. Tenders are in process price bids are yet to open. So there is no definitely the status like L1 or.

Rahul Gajare: Currently Sir there is nothing in the backlog.

P.P. Gupta: Absolutely right.

Rahul Gajare: Thank you very much.

Moderator: Thank you. The next question is from the line of Swaranil Maheshwari from Edelweiss. Please go ahead.

Swaranil Maheshwari: This is Swarnam here. Thanks for the opportunity. My first question actually pertains to the wind business so I think we have been under discussion to sell some of our assets in the wind business. If you can quantify what portion of our wind assets are upward sale right now.

P.P. Gupta: We want to adjust the whole book in the wind assets, which is about 163 megawatt with us number one and it is mainly in Tamil Nadu which is about 145 megawatt and we last year we exited about 45 megawatt already. So but let me share with you there are two positive developments from the April 1 firstly the guidance itself has gone up by more than 20% or 25% in our case. Number two there is a regulatory order also restraining the state utility for backing down this wind powers or making the grid available and thirdly the very big cycle is sharp so I mentioned in my presentation we are generating almost three times the power what we generated over previous year. Tariff is also higher. So all positive things are happening REC regime has also undergone an improvement CRC has taken out 1800 megawatt of cogen from the visibility of RECs. So we are seeing a good things happening in this regime now as of now. So we are very hopeful to exit at good price or premium but definitely not below the book value as we see going forward but otherwise also this business will remain fairly rewarding unlike last two years.

Swaranil Maheshwari: So Sir what kind of PLF are we looking at.

P.P. Gupta: I think this year we should get a PLF of no less than 22% to 24%.



Techno Electric & Engineering Company Limited
May 31, 2016

- Swaranil Maheshwari:** What was it in FY2016 and FY2015?
- P.P. Gupta:** 2015-2016 we achieved almost 15%.
- Swaranil Maheshwari:** There might be substantial improvement over there.
- P.P. Gupta:** Absolutely.
- Swaranil Maheshwari:** Sir my second question is actually on the project business where I think you did indicated that you are expecting three more BOOT projects to get awarded and actually to move towards bidding by June. So I mean are we participating two or three BOOT project incrementally.
- P.P. Gupta:** Yes you are right Sir we were hoping to succeed in a project in Gorgon, which we lost out to Sterlite. It was a project of about 1250, 1300 Crores. There only three bidders who are there and we think our bid was right but Sterlite bid was significantly lower than us against a annual tariff of 200 Crores quoted by us and Adani by 240 Crores, Sterlite was meager some of only 125 Crores. So but next two projects are in the pipeline and bidding may happen sometime in the month of July beginning in those projects. Let us see how they go they are relatively medium sized projects of 500 Crores each plus minus.
- Swaranil Maheshwari:** 500 Crores each.
- P.P. Gupta:** Yes whereas this Gorgon one last 1250 Crores plus. So let us see how it happens.
- Swaranil Maheshwari:** Alright Sir thank you so much and wish you all the very best.
- Moderator:** Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** Just had a one question on the TBCP project wherever the private players are winning the contract in such case how do you expect the ordering for buildup of substations is likely to happen. One is that is it that these private players are going to give out on a complete EPC basis to some contractor or is it going to be several packages where we will be able to participate.
- P.P. Gupta:** Firstly unless it is my own project. We are definitely not we are part of this market between you and me. We always consider doing projects with private sector basically. In terms of the pricing as well as in terms of the relies in the payment. So this is very important in this business. So our focus has always been government CPSU and state utilities.
- Manish Goel:** But going forward now with incrementally government not giving any preference to PGCIL for future transmission projects and most of it if it gets bided out under TBCB and if private sectors assuming that they claim larger share in such cases what would be then our strategy.



Techno Electric & Engineering Company Limited
May 31, 2016

P.P. Gupta: Manish at the moment I do not see any such trend because PGCIL is the largest entity in this business and market. They have huge competency in doing this business, which private sector will take lot of time to build up both in terms of management bandwidth as well as capex ability. This Power Grid has its own budget for more than 5000 Crores a year. We should grow over the year additionally and I think they are willing to raise base for pricing and government to continue to exist because privatization as of now is no more than 4% to 5% in the very market place but 95% is still own by the government. So at least for next 10 years I do not see what you are trying to suggest. We keep watching these developments in the market place. We keep producing ourselves accordingly.

Manish Goel: Last question on this how the competition intensity especially in the substation project is where we have fairly good market share. So how are the competition building up and how the trend is in the recent past in terms of pricing?

P.P. Gupta: Competition is good and healthy now. It is not unhealthy that is very important but our business or projects and project is gradually getting, which was not the case earlier. So both are healthy situation I will say. So the question is delivering a project efficiently also remains competency as much as you need technologies to produce the product or manufacture a product. So those are becoming very distinct and competent business is in their own merits and regarding only if you are confident to do a business to do a particular business that is important. You cannot do all the business with the same mindset that is time and again getting question now in the market place. So we are happy with the developments as happening in the market and we trust we are in the right place with right competencies.

Manish Goel: Sir last question will you be participating say for projects, which we probably come at a state level for distribution, related packages.

P.P. Gupta: Very selectively we do this very, very selectively as I mentioned. We allocate no more than 10%, 15% of our capacity for this business at a time because and we trust doing these projects time bound. They are not very hi-tech solutions but their larger management bandwidth to deliver projects being spread out and our experience in the past has been that most of the companies these business in this space has died out of indigestion that due to lack of business. So if you do it nicely and do what you are able to you are capable of doing you can take some money also while delivering the solution. So Techno is very conservative and cautious of all the hiccups.

Manish Goel: Thank you so much.

Moderator: Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Sir couple of quarters back we were hearing a lot about STATCOM solution from PGCIL and also there was one bidding which has happened for three packages together but after that we have



Techno Electric & Engineering Company Limited
May 31, 2016

not seen anything coming up from STATCOM solutions earlier PGCIL was mentioning total 14 packages to be bided within one year and all what exactly the situation there and is there anything happening on that part.

P.P. Gupta: No the market is intact. Basically let me share with you STATCOM is always generating and distribution globally and now there are three transmission distribution. Because of the is the way we have a structure as a concurrent list between state and vendor the Power Grid has a efficient program to go ahead with it. The last tender which happened for Eastern region we has been backed by Power Grid to install STATCOM at four locations. Package value is about 570 Crores. Now the bids are being scheduled in Northern regions going forward. So the business is intact but of course it is taking a little longer timeline than envisaged you are right. We were expecting this business to unfold faster than it has really happened may be it is linked to largely to renewable power. So unless more of the renewable power capacity comes of space. These kind of high capex grid improvement solutions may not be adding or acceptable to the regulators at the cost but definitely this is a market either at the generator end or at the transmission end.

Amber Singhania: But as of now there is nothing major in the pipeline apart from this four packages.

P.P. Gupta: Yes absolutely right.

Amber Singhania: Sir secondly you mentioned this you have got a tariff revision in wind asset. So is this for the old asset, which was there, or it for the new asset, which was there under the REC mechanism.

P.P. Gupta: It is for old assets REC mechanism assets are also old now. We installed in 11, 12 only by us but what I am talking about is under REC mechanism.

Amber Singhania: 112 megawatt, which you said.

P.P. Gupta: Yes 112 megawatt we will get a tariff of Rs.3.12 paisa. Additionally our case on camping of the tariff also will be final lack of High Court decision-making. So we expect to happen soon. So with larger grid availability tariff being already at Rs.3.12 paisa as against Rs.2.63 paisa earlier we were getting. So I will say all good things are happening.

Amber Singhania: Sir secondly though we have planned to exit from this business but just couple of things to understand GBI benefit will go next year from this asset right.

P.P. Gupta: No GBI we are still to get it for another three years. GBI is guided by quantum and not by year's number one. So you are eligible for a quantum in our case, which is 62 lakhs per megawatt 2.5 lakhs per megawatt, and so far we have availed only 40 lakhs. So we are yet to get another benefit of 30 Crores. So I definitely see for next three to four years and we continue to own these assets.



Techno Electric & Engineering Company Limited
May 31, 2016

- Amber Singhanian:** How much REC is there lying in the current asset Sir.
- P.P. Gupta:** It is about 2.8 lakhs units with us.
- Amber Singhanian:** 2.8 lakh units. One more thing Sir like last year we had a loss of around 3 Crores in wind asset in Q4. This year despite selling of 44 megawatt we had put a loss of 11 Crores in this segment. So what exactly is triggered to this increase in loss in wind asset in this quarter despite the revenue is same.
- P.P. Gupta:** Just this may be the adjustment of the depreciation basically. You can put your query on the e-mail to us. We will forward to you, which you have shared with your other investors' community.
- Amber Singhanian:** Definitely Sir, just one more thing on the tax front like so far we have been under the MAT credit MAT tax as such. Going forward what is the situation. Are we now coming out of the MAT as far as the EPC is concerned and what kind of tax we should assume in our estimates in 2016-2017 and 2017-2018?
- P.P. Gupta:** You can take to be the MAT of the additionally I will share going forward which should be able to achieve because there is a carry forward unobserved MAT available with us both at the subsidy level as well as anticipated level. So for next two years you can assume was to be under MAT only.
- Amber Singhanian:** Just last question from the solar side like last time we mentioned about the bidding happened on NTPC that which has gone at a sub low pricing to private bidder as such wherein some talks was happening that there might be a rebidding because pricing or the L1 was significantly lower than the realistic pricing. What is the scenario there and if you can quantify, which all bidding is coming from solar side wherein we can, we are bidding and what kind of timeline we are seeing on that.
- P.P. Gupta:** NTPC is again come back tenders for Andhra project because we concluded in the last bidding process, that bidding may happen sometime in the first week of July or so of the NTPC. Number two there are many other projects in NTPC because they have a target to build you can say asset book of less than 10 projects that are won that is 10,000 megawatt by the year 2022. It is the target they are working with. So we can safely assume every year procurement of 2500 megawatt by solar wind power as an ongoing exercise I would say.
- Amber Singhanian:** Fine Sir that is all from my side thanks you.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Amber Singhanian for his closing comments.



*Techno Electric & Engineering Company Limited
May 31, 2016*

Amber Singhania: Thank you Lisann. On behalf of Asian Market I think everyone for joining this call and a special thanks to the management for taking out time and sharing the views about the company's performance and the industry outlook. Thank you all from my side. Sir would you like to add any closing comments.

P.P. Gupta: I would like to thank all the participants for joining our conference call. In case you have any I hope I have been able to answer your queries to your satisfaction but in case you have any queries related to our business, industry, performance please drop a mail to us. I can assure you, you will get reply within 48 hours for all your queries and also please feel comfortable to drop in our office as and when you happen to visit Calcutta for face-to-face interactive part. With that I would like to close the conference and once again thank everybody for joining and thank you so much taking interest in our company's operation and our stock.

Moderator: Thank you. Ladies and gentlemen on behalf of Asian Market that concludes this conference. Thank you for joining you and us may now disconnect your line.