"Techno Electric & Engineering Company Limited Q1 FY2018 Earnings Conference Call"

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ANALYST: **MR. AMBER SINGHANIA – ASIAN MARKET SECURITIES LIMITED**

MANAGEMENT: **MR. P.P. GUPTA – CHAIRMAN AND MANAGING DIRECTOR – TECHNO ELECTRIC & ENGINEERING COMPANY LIMITED**
MR. ANKIT SARAIYA – DIRECTOR - TECHNO ELECTRIC & ENGINEERING COMPANY LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Techno Electric and Engineering Company Limited Q1 FY2018 Earnings Conference Call, hosted by Asian Market Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you Mr. Singhania!

Amber Singhania: Thank you Lizaan. Good afternoon everyone. On behalf of Asian Market, I welcome you all to the Q1 FY2018 Earning Conference Call for Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta-Chairman and Managing Director, Mr. Ankit Saraiya-Director along with his team representing the company. I now request Mr. Gupta to take us through the quarterly results and the outlook for the company as well as the industry and then we shall begin with Q & A session. Over to you Sir!

P.P. Gupta: Thank you so much Amber and to everybody. A very good afternoon to all the participants. I would like to welcome everyone for joining us today to discuss Techno Electrics financial results for the quarter ended June 30, 2017 a historic quarter for the company. 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 industry and our company faces.

We had begun financial year 2017-2018 on a strong footing in both EPC and Grid segment.

Let me quickly highlight our performance of the quarter: As I said, this has been a historic quarter for the company and pre-GST spread as most customer wanted more execution in this quarter to save on the taxes for optimisation of the taxes as obviously GST has an impact on the cost to all our customers. The revenue from EPC jumped by 59% from Rs.231 Crores to Rs.368 Crores.

Consolidated revenue for the quarter grew 52% to Rs.412 Crores as against Rs.271 Crores achieved during the same quarter of the previous year. Revenue from the mid segment is also looked up as projected, as expected and it is almost 35% at 44 Crores; however, our segmental result may shows its lesser because that includes the revenue of the 33 megawatt we purchased, sold during the last quarter of the previous years. As such those results are not comparable.

The operating profit for the EPC segment for the quarter EBIT stood at Rs 60 Crores against 34 Crores, a jump of almost 78%. Operating profit margin for the quarter ended June 30, also include by 169 BPS over the previous quarters. The standalone PAT for the quarter ended June 30, is at 42 Crores plus against 26 Crores last year showing a jump of 60%. The consolidated PAT has jumped by 44% to 69 Crores. The absolute consolidated EPS for the quarters stands at 6.11 against 4.21 over the previous year. We have witnessed a robust quarter due to a faster completion of the projects as required by our most of the customers at bidding thereof but apart along with this even our collection and payments have also been equally good.

In view of upcoming GST regime, which has been impact on the profitability of these ongoing projects, we are witnessing some challenges in the EPC segment due to the implementation of the GST. So all the contracts although have a pass through clause on the impact of GST but the same need to be a renegotiated and amended by our customers so immediate quarters facing some deep impact on it.

In EPC segment our focus for current financial year has already expressed. We continue to be of consolidation, closing of ongoing projects and collection of the retention money payments due to us. We would like to consolidate our position after having seen a robust growth in last two years that has doubled our top-line and bottom line and I am sure most of you will agree with this. The unexecuted order book as on June 2017 stands at 2,450 Crores. We will continue to participate in the visual standards and are hopeful of achieving annual targets as already conveyed.

Our focus on EPC in TMD and in other growing segments of power generation, on pollution control and BBB Business will continue additionally we also find traction going forward in the industry segments which was not visible for last two to three years like refineries or aluminum segment first time aluminum has crossed $2000 per dollar, which is encouraging the companies like Telco, Vedanta or Hindalco to add more capacities.

Our PPP projects at Haryana are partnership with Kalpatru and at Patra are are operating successfully with low challenges. While revenue has grown on achievable has regained healthy and improved. Our focus remains to efficiently manage working capital while growing your company profitably. The grid segments, the grid availability has improved over the last year and lot of challenges is reached and we expect this year to be better than our own various competitions.

We are requesting further improvement in all around cost management as well as the bottom-line of the company. We are concluding successfully as you know the buyback of 15 lakhs equity shares from non-promoter category at a price of Rs.400 successfully and this buyback will further reflect on the improvement in the financial results.

With this I would like now to open the forum for discussing the questions and that our expert suggestion on any specific query which you have on our results or on the industry or their how about so I request your participation.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We take the first question from the line of Ranjit Shivram ICICI Securities. Please go ahead.

Ranjit Shivram: Congrats on good set of numbers. Sir just wanted to understand I think in 4Q we guided for around 15% to 20% growth for financial year 2018 for the EPC given the execution are we seeing much better growth than what we had guided?

P.P. Gupta: We thought foresee better growth than we are guided in the fourth quarter so with the historic pre-GST quarter will in the second quarter or partially in the third quarter we have a impact due to the GST implementation and we expect overall over the years we will like to stay with the guidance given in the previous quarter.

Ranjit Shivram: Okay Sir and what was the number of in terms of order intake for 1Q?

P.P. Gupta: This is about 550 Crores so what it includes whatever our L1 we had they are converted into orders now so intake is about 550 Crores so unexecuted order is 2450 Crores as of July 1, 2017 and new tenders will obviously happen under new GST regime for which clarifications are progressively getting issued by our customers and there shall also been rescheduled.

Ranjit Shivram: Okay so because in order intake we had guided for around 1500 to 2000 Crores target for FY2018 so is that intact or do you see any risk of this GST or that order intake target which we have?

P.P. Gupta: I would like to maintain these guidelines although it may not happen much in the second quarter but we see better order book in third and fourth quarter of the year so by then close of the year I think we will be able to achieve this goal.

Ranjit Shivram: Sir finally we wanted to understand like how GST can impact our overall margins is it only in the tax that service tax which has increased from 14% to 15% to 18% or is there anything else apart from that in that margins in terms of the new GST regime if you can help us understand that?

P.P. Gupta: The regimes of taxation has been a struggled between the central government and state government if all of you know over the last 40 years whether it belongs to manufacturing state or to buying state, historically coming to my business in specific the taxes were restricted to our buy side in the past, we used to call a sale under 62B category where being a non-manufacturer whatever I buy from A gets delivered to C so why as a B pays no taxes on my front side. So they are putting in a complex issue in a simple manner, it impacts my EBITDA now so EBITDA comes under tax assuming buy side is like-to-like on the same platform. So that is the impact on tax. Say if our EBITDA last year was 200 Crores on the EPC segment so this EBITDA will be subject to 18% tax which we have to discuss with the customers so EBITDA may be 15%, 18% so it has an impact of 2.5% to plus minus so which we are to although all our corporate have a clause of past through of the clause of the impact which customer is recognizing but he has asked some calculations from us that if there are any overheads which were earlier not covered under service tax but now gets covered under GST as a sub-debt that benefit or to be passed on to them so we are all working on it and I am hopeful that within this quarter we will be able to get all newer contracts updated by this impact passed on to the customers.

Ranjit Shivram: Sir, just as a follow up to that is it something like we do not have a manufacturing so even though we charge GST we will not be able to get an input tax credit is that what or is it something else?

P.P. Gupta: No, whatever GST I pay or my buy side is obviously passed on. It is unvatable, but you do not sell the goods on the same price at which you buy I hope you have understood, say I have bought at Rs 100 then there will be three elements in that by certain logistics cost, certain overheads, certain engineering cost, certain profit margins, so 100 Rs I will obviously like to sell at no less than Rs.115 or Rs.120 so what I am talking to you is that Rs.15 or Rs.20, undergoes back as it is back-to-back.

Ranjit Shivram: Thank you. I will join in the queue.

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

Nitin Arora: Sir good afternoon. Just one confusion here, you said the order intake is 550 Crores if we add up to your existing auto backlog of Q4 and take out the execution the order book comes out to be 2800 Crores plus is that 550 Crores includes the L1 as well?

P.P. Gupta: No, you see last year quarter we are told you it includes about 250 Crores of L1 so that is our lateral, which you need to take out.

Nitin Arora: So 2638 Crores was of L1?

P.P. Gupta: 2065 say it is executable is around 2450 Crores as of now plus minus 100 Crores always as ordered on us but when you look on our order book you may be right but what is precisely executed it is this much as of now subject to further amendments and predictions.

Nitin Arora: Got it. Sir second question is with respect to the new opportunity what we were eyeing from last two to three quarters and we talked about also is a SOx and NOx opportunity as you know certain NTPC tenders are already out so I just want to understand from you how is the competitive intensity in that orders, what sort of pricing we just want to get an idea from you. We should be working to look at from an order perspective that will be really helpful?

P.P. Gupta: Yes you said it we are fully on the job, opportunities funding closure now with NTPC already in the market with 18-20 projects procurement and we are serious bidders in that. Any project will range between 200 to 500 Crores depending on the size of the powerhouse so we will definitely be eying at least two to three projects out of these 20. I will say good preparation for it let us see how it goes forward. We are fully prepared for it.

Nitin Arora: In your guidance you are not including any of these orders?

P.P. Gupta: No not yet. In the Trident overall if you ask me 2000 Crores some element of this is including when you say 1500 to 2000 it means obviously eyeing not less than 500 Crores from new businesses while remaining 1500 so it looks like order intake maybe little more than this or left entity side, NOx and SOx?

Nitin Arora: So basically I wanted to know from your perspective and told you on academics this is not to a company specific is that where do you see that pricing because when we saw our players going and bidding for an NTPC Power Plant and bidding for the power plant including the Sox the cost is something has come down drastically lower, but over here the only opportunity when it SOx can you tell us what sort of pricing the industry or we should look at it and where do you see that the players going below let us say 20 lakhs per megawatt or 25 lakhs per megawatt where the money should not be difficult it will be difficult to make margins I mean just a ball park number would be helpful?

P.P. Gupta: By and large I would say that business of NOx and Sox is mostly in India as of now globally number one, number two the various license of these technologies are all global players and the NTPC has rightly booked QR which will limit competition very severally. I see very selective competition from Chinese companies now as against our earlier on assumptions. So I think markets are equally keen to be part of this business, so price pressure will create. We are not off the market. So assuming only 20 Lakhs of megawatt or 25 Lakhs megawatt may not be very wrong but let us see how it works out.

Nitin Arora: Thank you very much and all the best.

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

Utsav Mehta: Good afternoon Sir. I have a few questions on this GST impact; you said that it could potentially impact profitability in the coming quarters. Just wanted to understand does it mean that we will have to book these costs first on our own income statement and then claim it later?

P.P.Gupta: Since we have catch-22 situation Mr. Mehta between you and me. Life has to carry on. PowerGrid has already issued amendments to us where they said that you bill in a particular fashion where our existing committed price remains intact so plus minus could be settled in due course. Now they are not dealing only with me, they are dealing with no less than thousand companies like us. So obviously they will not like to deal differentially with each company and for any government security being bureaucratic as they are always say that so to by mind it may take time so that initially we may have to it may look like as if it is a part of my balance sheet but obviously may be second quarter impact may be the partially third quarter also, so but let us hope for the best. They are very positive in talks, so I am sure they are more keen than us also, the basis have already been updated in the new tenders by them, so that minimum is known to us how they are going to operate the old contracts. They should not be very different than the new procurements. We have to do our best. It is not the opportunity to make for us to make more money that we deserve but we will definitely like to at least reimburse what we are impacted with you will likely about. So let us leaving to the prudent of the utilities they also mean us as long-term partners as an industry. So I am not allowing the game that is all I can assure you.

Utsav Mehta: Sir my question is on order inflows, you said that out of the 2000 Crores guidance approximately 500 Crores is from new businesses. Could you also give us some sense on of the remaining 1,00 how much do we anticipate from our own BOT projects, how much we anticipate from PGCL and how much from States and also a word on what you mentioned about Refineries and Aluminum segment have you witnessed any uptake in tendering activity, what kind of projects would these be and what would be the margin profile of these projects?

P.P.Gupta: I think historically you all know industry projects have been more profitable in Techno because they are more complex and they are more experience intensive or knowledge intensive in delivering them and we are already been approached by EIEN and other EPC's who may like to sell Aluminum solutions on LHT capacities now to these medium companies so we are dialogue with them, NALCO has already sounded us that their expansion is approved by adding two more board rooms so Vedanta is adding another half a million tonne., Also conceptualizing similarly as you know Refineries are also been planned by consolidation as well as growth due very favorable oil prices and oil consumption in our country. So preliminary work has started happening very seriously only share with you and we trust it may take another two quarters more to crystallise in to business but it is a very healthy trend because the segment was missing by last two years whereas, increasing our dependency more and more on that segment only which need will give us opportunity to mix and blend with Power Generation, with Aluminum, with Refineries so Techno will be back in game like it was with better numbers.

Utsav Mehta: But within Refineries and Aluminum would we be doing captive power plants or are there other electro-mechanical packages that we would be also targeting?

P.P Gupta: We will be purely targeting Electrical packagings and offer power distribution cum captive power in the complex solutions for any refinary. Historically if you see our reference in this clearances more or less 100% of business is done by technology like Panipat, Paradi, Benar, Bhatinda all projects are done by Techno only one after another right from 5 to 9 if you look at it. Similarly, all Aluminum projects rather they are NALCO or Vedanta or Hindalco they are done by Techno. So our market share has been pretty large in these segments so our experience is valued by these clients strongly. These are not very high value orders but definitely they are very margin attractive orders because of these more multiplicity of complexity solution resolutions integrally involved in that so we are good at it and we will be back in this opportunity.

Utsav Mehta: Thank you so much for your detailed answer just a couple of data point Sir one on receivables and inventory, if you could help us with the number?

P.P. Gupta: We do not carry much inventories as I told you that we do not manufacture anything so we do not do and whatever we buy is billed out to the customers so inventory is purely no more than construction material in source so you can share at best no more than 10 Crores by and large at multiple sites. On receivables as of now it is no more than 300 Crores without retention money.

Utsav Mehta: Okay and retention money would be an additional 200 Crores odd?

P.P. Gupta: 200 Crores actually, so out of 200 Crores we would like to at least meet no less than 100 Crores of the shares that is our target.

Utav Mehta: Okay and Sir one last question an update on the Nagaland project with Kalpatharu and any new bid that we may have made in the BOT side?

P.P. Gupta: We are continuously bidding let me put it that way like we have recently bid for Bihar also but market is at moment pretty addressing I will say as usual we are not sure how it may shape out but definitely I think by the end of the year we should bid one more out of 5 or 6 to be bidded out in that four-five months. We should be successful in one of them that is our best guess going forward and somebody asked how much may be the orders, I think you can take it as a Techno component to be about 250 Crores out of this book business by the end of the year one more.

Utsav Mehta: Just an update on the Nagaland project, when is the construction likely to begin and have we done the financial closure?

P.P. Gupta: No, financial closure is in negotiations now in discussion. I have been circulated through the letters, they find it bankable, and I think by September end we will achieve our financial closure of this package. I think mission on ground will start next year only may be around April first quarter of next year and we have to complete it by 2019 so we have reasonable time to complete it.

Utsav Mehta: Sir those are all my questions. Thank you so much for answering those.

Moderator: Thank you. The next question is from the line of Rahul Gajare from Antique Broking. Please go ahead.

Rahul Gajare: Good afternoon Sir. Sir congratulations on good set of numbers. Now most of the questions that I have been answered, I just have one or two questions that I think you can put light on, now you already moved the balance 12 megawatt into SIMRAN so do you have a target or you are already talking to people for divesting this wind asset and do you have any target in terms of when you want to divest this balance 130 megawatts?

P.P. Gupta: Rahul, if going becomes so good that you are able to achieve a PLF of 26% plus out of 9 of no less than 75 to 80 Crores post tax and your valuation keeps improving everyday because definitely they are better managed, better operated assets in the wind assets in the industry. All renewable getting so much of focus in the country should I be an early exit or I should be a matured exit tell me. If I did buy stock and sell stock that of course you buy it when to enter when to exit?

Rahul Gajare: But I mean after sitting on these assets for a very long-term the assets has turned around too much better than what it could have been. So obviously, the values will be about better than what it was earlier now which is the reason why I am actually coming to this point whether we are even considering them to divest anytime soon?

P.P. Gupta: So I did not like to use the word but I stay with the guidance as I said earlier generation is not my business. It will be definitely not be part of this business going forward. EPC is my business as guide to stay with EPC in multifaceted capabilities as well as BOOM asset in T&D segment. I add in distribution as and when reforms come in this country, with the given power scenario around lot of the power has been crossover today. Nothing better or worse could have happened to this sector then we are today we all know Sir. We only need a strong government handholding to carry these sets of our like Telecom as I have already told. We have good capacity, we have good ability, this sector has become pro consumer today or tomorrow and the day it becomes pro consumer sky is the limit Sir.

Rahul Gajare: Fair enough so this is I understand what you want to do on wind for the time being. Coming to the private sector that you said you started getting some levels of enquiries what is the quantum of volume that you could see in the next year or so on the industry side?

P.P. Gupta: Let me first understand from you Rahul how do you define a quantum?

Rahul Gajare: In terms of the intake now you have indicated that we are looking at 2000 Crores odd of order intake in this particular year of which 500 Crores could come from the newer businesses now, in that 1500 Crores are you including anything from the industry or nothing you built in from the industry at this point in time?

P.P. Gupta: Nothing we have built in this of the industry number one, and number two you know this query, I would like to share an experience with you. I do not know your age but I am sure you are a young man, in my young day's I was a merchant banker like you Sir. I carried a proposal to finance in ICICI to Mr. Nadkarni, our legend in power sectors who is no more, not in power sectors sorry in the Infranally a term lending body in our times in 70's. So he asked me Mr. Gupta you are carrying a brief of a Crorepathy, have you understood me?

Rahul Gajare: No Sir I did not understand you?

P.P. Gupta: See I carry a proposal with a capex of 1.5 Crores so obviously the industry in those days means any owner means a Crorepathy because the asset is 1.5 Crores so I asked him jokingly that let us define Crorepathy first, who is referred to as Crorepathy, who earns one Crores a year, who earns asset worth one Crores, who consumes one Crores per year. So similarly, when you ask question on growth I get puzzled that a growth cannot be defined merely by an order value what is important is what is a need for me at the end of the day, what do I add as a value in it and what do I achieve as bottom line out of it. So if my topline is only 500 Crores and if the bottomline is 250 Crores do not you think it is a growth. So that is the basic question that is all Techno as we looked on life always. Even in my present topline let me share with you, all of you that free issue material consumed by me is no less than another 2000 Crores in it, which is not adding to my topline because it is not built by me like transformers, reactors and many kind of rectifiers, many kind of imported equipments. Similarly in industry when we do these aluminum projects or refineries they are very good at acquiring their own goods from China or Europe Sir or Canada as suitable and they are all free issue to us. I may do a project of only 200 Crores for them or even if I do a project of say 500 Crores for them my bottomline is same at the end of the day. So should topline worry me as an order value?

Rahul Gajare: I understand we have obviously been or always been focused on the bottomline rather than the revenue number?

P.P. Gupa: Absolutely value added capability, the ultimate bottomline, productivity, IPIQ they are more important to us in our business at the end of the day that keeps us long-term. So please do not compare us with other commodity companies who are more driven by toplines. We are different and like to value us differently that is what will be my humble request.

Rahhul Gajare: Thank you very much.

Moderator: Thank you. The next question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead.

Bhalchandra Shinde: Good afternoon and congratulations for good set of results. Sir regarding the industrial capex you said the aluminum related orders, how much will be the execution cycle for those if at all we start to receive it?

P.P. Gupta: Generally the execution cycles have shrunk a lot over time now that they all want capex to be productive as early as possible so by and large you take it no more than one and a half years to two years.

Bhalchandara Shinde: Okay and what will be the scope up work in that capex for us?

P.P. Gupta: My scope is generally no more than 2% Sir or even less than that but at the heart of system we call it in aluminum power is the raw material although it is made out of Bauxite but ultimate raw material is power and any efficient system to deliver that power is valued. Today technologies have progressed so much that we give these power inputs in pots at 500 kilowatts which in 80's in the first phase of NALCO was no more than 185K like in power T&D we use KV as a system which you understand more easily like 500 KV's with the low transmission lines. Similarly, in aluminum today we use power injection at no less than 500 kilowatts. So these are power systems of the pots, which start from power receiving conversion to DC then feeding DC power to the pots at 500 kilowatts.

Bhalchandra Shinde: Sir this is the only aluminum industry you are thinking about or we can expect capex from other commodity industry also?

P.P. Gupta: I did refer likely refineries i see lot more expansion has been in the refineries or may be result in petrochemicals additionally with it but the Refinery is as on the card we can see now that is going to be another good opportunity.

Bhalchandra Shinde: But in that how much will be our scope of work?

P.P. Gupta: Same 2% if refinery cost if you take it as a percentage as a ready refinery cost within 2% because we work only on the offsite works by and large and these are all order today as LSTK packages we call it (lump sum turnkey packages) and they have ordered by EIL by and large and intermediary so we are EIL approved agency and we are the Electromechanical Company as historically you know so we are capable of blending these revisions like we done doing in NOx Oxidation on power generation site so more of our BOT's will be coming to use in the coming years.

Bhalchandra shinde: But I think Oil & Gas at least it will take one to two years to come in to play in to our order inflow at least because it will be mostly late cycle execution for you?

P.P. Gupta: This year of course not but 2018-2019 may have some many kind of execution of these opportunities definitely.

Bhalchandra Shinde: And how much will be the profitability mix? Will it differ from our existing profitability better or how?

P.P. Gupta: It has always be better we do not know how it goes forward but in the past we made the operating margin of no less than 25%, almost 25% in the past.

Bhalchandra Shinde: I will come back for further questions. Thank you.

Moderator: Thank you. The next question is from the line of Kapil Joshi from Stewart and Mackertich. Please go ahead.

Kapil Joshi: Good afternoon Sir. What is you capex plans over the next two years?

P.P. Gupta: Our capex plan is not great other than one we are carrying with us in BOOT projects with Kalpataru our capital injection will be about 100 Crores in it.

Kapil Joshi: Can you repeat Sir?

P.P. Gupta: 100 Crores in the equity component of the SPV.

Kapil Joshi: Thanks a lot.

Moderator: Thank you. The next question is from the line of Viral Shah from Centrum Broking. Please go ahead.

Viral Shah: Good evening congratulation on a good set of number. Just a clarification in our order book of around 2450 it does include any L1 or not?

P.P. Gupta: No all in it.

Viral Shah: Okay then what will be L1 position as of now?

P.P. Gupta: At the moment, L1 has no meaning between you and me because most of the tenders will go for re-tendering under new GST regime so no customer is in a mood to carry on for finalisation of the old tender regime, old taxation regime so we are not considering any more those situations to be arised.

Viral Shah: So basically if I have done the number then that can be a potential order inflow for the third quarter per se as it the reading correct?

P.P. Gupta: Yes third quarter should see some influence. No influence should have come in second quarter.

Viral Shah: Okay fair enough Sir if I heard it correctly our PLF was around 26% right?

P.P. Gupta: Yes in wind projects.

Viral Shah: And what will be our realisation close to Rs.5?

P.P. Gupta: Realisation is about Rs.4.5.

Viral Shah: That is it from my side. Thank you so much Sir.

Moderator: Thank you. We take the next question from the line of Ranjith Sivaram from ICICI Securities. Please go ahead.

Ranjith Shivaram: Thank you for taking my question. Sorry if it is reiteration on that there is a lot of clarity in terms of how the margins is it right to assume that because of GST for two-three quarters the margins will be impacted and post that the overall industry will come to new norm and then the margins can improve or will it be in that similar state of affairs for going forward?

P.P. Gupta: Firstly in GST we see temporary disruption only and it should be finally settled amicably with all our customers and the present contracts provides for cost revision clause number one. Number two, some of the players in T&D are likely to be more aggressive then they are now so I think margins will always remain under pressure in T&D for some more time to come as it happened in the period from 11 to 14 when lot of Hyderabadi companies who are in market place. But this time some more large and hopefully sensible players will be in market so if that may not be very great but still pressure will remain such to my mind as far as margins are concerned we do not see any improvement that should happen only from the other segments of business which we are very eager to be part of.

Ranjith Shivaram: This HPCL Vizag, the order has been placed to Engineer's India when are seeing LSTK tender for that HPCL Vizag I think it should be out in the next couple of quarters?

P.P. Gupta: Couple of months Sir they started with civil section works already then we will see their tender biding market in another no more than three months.

Ranjith Shivaram: So in that generally companies like L&T and all participate in the LSTK portion of that business so will we be competing with likes of L&T or we will be sub-contractor to them how does it work are we a direct sub-contractor to Engineer's India or will we be a sub-contractor to L&T and some other guy wins the sub-contract?

P.P. Gupta: So far we have never been a sub-contractor to any private entity between us. We have always been a contractor to EIL or to very refinery like Haldia Petrochemicals or even Bharat Petroleum, who did Bina job, so L&T can be a competitor no doubt but Techno does a very small and select job unlike L&T, they are huge construction company, we have no interest in to the part of heavy construction works. So for us the terrain is well identified and defined so not much competition at once but L & T of course is competent and qualify to be part of it.

Ranjith Shivaram; What way would be our size of the opportunity for example if you take HPCL Vizag what will be our size opportunity, which we can participate?

P.P. Gupta: It should be around depending on how the package is ultimately, it can range anywhere from 100 Crores to 250 Crores.

Ranjith Shivaram: What will be essentially doing in that will it be kind of substation or voltage T&D related portion of that?

P.P. Gupta: As we sometimes put some kind of specific requirements of integration scopes as qualification so let us see how they go about this time it should be little more than that. All T&D companies are not eligible to be part of most packages, companies like AVBC Munjials.

Ranjith Sivaram: Okay thank you Sir that is enough.

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

Amber Singhania: Sir Just couple of things wanted to understand that the margin, which we have delivered now, which is pretty high as you also mentioned it is also function of the higher revenue but in the overall situation post GST what kind of normalized margin we expect, is it similar to like 15% to 16% which we guided earlier?

P.P. Gupta: Yes, it has remained the short this is little higher in this quarter only because of the topline are being higher and overheads remaining similar or same so in percentage terms it has improved but annual guidance remains the same.

Amber Singhania: Secondly Sir if you can just give me the break-up of the current order book how much is PGCIL, NTPC and others?

P.P. Gupta: Larger order, we have in the PowerGrid only the single largest customers which still constitutes about 60% of the order value and NTPC is another about 10% and that we have state electricity boards who are about 25%.

Amber Singhania: Okay, that will be private sectors.

P.P. Gupta: Yes and we have BOOT projects, which is roughly about 10%.

Amber Singhania: Also Sir if you can just give some idea about the opportunity I understand there might be some slow down in the couple of quarters because of GST and clients are also figuring out how to structure that tenders and all overall in the macro level let us say on the longer term may be two or three year horizon, where exactly we are seeing the opportunity coming from the PSU side, PGCIL, SEB's which are the states we are seeing the opportunity coming in on the entire T&D side apart from the private which you mentioned on the aluminum and all if you just give some more colour about how things are planning on those parts?

P.P. Gupta: Amber, your question is too simple seeing the complexity of the sector we are in number one and the way we run the business is done in our sectors both are challenges now. First of all you must understand power is not taxed so are the power activities like generation, transmission, distribution they are all tax free so tax has always been a part of the cost of the assets on us -so in hay days, this struggle between central versus state, the tax was always limited to buy side to the manufacturing side of the state which now becomes the buy side which is the project state in which the project is happening, who is buying the project, so far us it becomes the sell side now so this is one huge change. Number two by an large even today that sector is locked in a beautiful situation, I call it beautiful because it pains and it hurts me in the sense that we have opened one end of the game that is called generation but we have locked another end of the game called distribution resulting in generation being almost double of distribution so you can understand the sector is going to invite such a kind bad thrust that lot of reforms will happen inadvertently if not designed by the government properly so that is going to be the opportunity in this sector. When I do not know. It is a locked situation as of now, when that lock will be opened up and how they are bringing more efficiency, more sanity because government alone has not taken a contract to power supply to all the consumers which is presently shown so it can be for once so no sooner this market opens out to private participation sky will be limit as well.

Amber Singhania: Sir but at the same time who is this UDAY Scheme and all now with the political stability in UP, Bihar and all, which states let us say four to five top sales that we are seeing the actually activity happening on the tendering part and which can emerge as a large players in this space may be in next 1 year, 1.5 year or 2 year kind of thing?

P.P. Gupta: Something will always keep happening somewhere or the other and more backward states will have more opportunities like I see a lot more opportunity in the Eastern India now, Bihar, Jharkhand. Bihar is again back to BJP so whatever funds that were not given in last two years they have been given in last two days so we have a beautiful India so these kind of things I think cannot be elaborated in an investor conference call. So obviously the belt is starting from UP to Bihar to Jharkhand to Bengal ultimately to Odisha so much issue happen as yet, what all has happened on your side of the life. No, you should ask one question that when somebody comes to you or you say per capita power consumption is 1000 units plus has Amber ever asked a question how much it belongs to western region and how much it belongs to eastern region?

Amber Singhania: No Sir.

P.P. Gupta: So does eastern region understood we are 1000 unit or odd, tell me first.

Amber Singhania: Sir just couple of bookkeeping questions as such, what would be our gross debt and gross cash level as of now?

P.P. Gupta: Cash is presently 425 Crores with us as on date and debt is all put together short-term, long-term no more than 200 Crores but larger benefit is on the creditors side we have paid out all creditors, the creditor outstanding with us today is not more than 45 days old largely odd 50 Crores.

Amber Singhania: You said 45 days or 50 Crores?

P.P. Gupta: 45 days equivalent to 150 Crores.

Amber Singhania: 150 Crores, just on the REC side what is the carrying inventory we are having on the REC front on books as of now?

P.P. Gupta: We are carrying about 3 lakhs REC's there will be a interesting situation. In March 2016 the regulator slashed the rate of REC from Re.1.50 to Re.1.0 we all went to the Supreme Court and Appellate wherein Supreme Court has stated the application of the CERC order restated the price of Re.1.5 so after a gap of two months post April the trading happened last month in which Techno has owned REC was sold for around 50 project numbers so we collected Re.1 and Re.1.50 paisa is deposited with CERC but as a conservative accounting we do all this. We have only accounted Re.1 in our books and that is how the past inventories valued at. The unsold inventory with us is 3 lakhs units plus minus.

Amber Singhania: That is all from my side. Lizaan do we have any other questions?

Moderator: No more questions Sir.

Amber Singhania: So we can close the call.

Amber Singhania: Thank you everyone. On behalf of Asian Market, I thank 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. Sir would like to add any comments to the same?

P.P. Gupta: First like to say that we changed our focus as conveyed in the last conference call to the investors that this year belongs to consolidation from consolidation we always been closing all the old contracts, realizing all dues and retention money, which of course introduction of the GST as helped a lot already and our focus will continue to be on the consolidation and new opportunities in the market like FDG Industrials segment and all that. Techno will continue to be more knowledge based player in this segment providing complex and high end solutions and we never care or bothered to be too much strong on the topline but bottomline yes that is very dear to us and we will like to chase that continuously. With this remark, I would like to thank all of you for joining the conference call with us. In case you have any query related to our performance please drop in a mail to us and whenever you happen to be in which part of India you are most welcome to visit our sites and work and you will honored visitors in our facilities. With this I would like to close the conference and I once again thank everybody for joining this conference. Thank you so much to all of you for trusting us and investing with us.

Moderator: Thank you. Ladies and gentlemen on behalf of Asian Market Securities that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.