



“Techno Electric & Engineering Company Limited  
Q2 FY2019 Earnings Conference Call”

November 15, 2018



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*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

**Moderator:** Good day ladies and gentlemen and a very warm welcome to the Techno Electric & Engineering Company Limited Q2 FY2019 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 telephone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Amber Singhanian from Asian Market Securities. Thank you and over to you Amber!

**Amber Singhanian:** Thank you Ali. Good afternoon everyone. On behalf of Asian Market, I welcome you all to the Q2 FY2019 Earnings Conference Call for Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta, Chairman and Managing Director of the company, Mr. Ankit Saraiya, Director of the company along with the 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 the Q&A session. Over to you Sir!

**P.P. Gupta:** Very good afternoon to everybody and happy Diwali and happy festivities to all of you. I welcome everyone to discuss Techno Electric’s Financial results for the quarter ended September 30, 2018 and also end of first half of the year 2018-2019. 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 industry faces and the company faces.

As we informed earlier that last year was a year of consolidation and our focus has been on strengthening the balance sheet by closing as many contracts as possible and collecting a last mile detention money payments and create a debt-free company as far as possible. We would like to inform you that we have completed this process of amalgamation of erstwhile Techno with its wholly owned subsidiary Simran Wind Project Limited. The merger is effective from April 1, 2017 consequent to amalgamation of erstwhile Techno Electric with its wholly owned subsidiary. The company has been renamed as Techno Electric and will have a larger balance sheets size, which will enhance the qualification criteria for bidding higher value projects. Besides, this the company will also have efficiency in the tax outgoes.

Pursuant to the implementation of the amalgamation scheme as notified, the shares tax de-listed with effect from August 8, 2018. The company have filed application for listing and we have got approval from SEBI and from BSE and NSE and the stock is expected to be listed latest by end of this month with both the exchanges BSE & NSE as in the past.

Let me quickly highlight our performance of this quarter. The revenue in H1 FY2019 stands at Rs.531 Crores, revenue from EPC stands at Rs.447 Crores, revenue from wind segment is at Rs.84.32 Crores compared to Rs.96 Crores last year. EBITDA for the company stands at 167 Crores compared to 178 Crores last year. The drop is entirely because of the wind segment. The Operating profit for the EPC segment was maintained compared to last year, which stood at Rs.89.61 Crores compared to Rs.88.35 Crores last year. Operating profit for EPC segment for the



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

core segment stood at 20.03% compared to 15.51% year-on-year. As explained earlier due to the sales booked of the earlier quarter, the GST impact has increased the margins by around 7% in the June quarter. Operating profit for the wind segment was down to Rs.77.69 Crores compared to Rs.90 Crores for the segment and operating profit margin stood at 92% compared to 92.87% last year. Profit before tax is at Rs.161.4 Crores compared to Rs.164.9 Crores last year. The profit after tax is at Rs.120 Crores. The EPS is at Rs.10.65 Crores.

Coming to the quarter end results, only the revenue is at Rs.229.35 Crores. The revenue from EPC is at Rs.177 Crores, the revenue from wind segment is at Rs.52 Crores, the REC prices continues to rise on the back of robust demand and the last reading has happened at 25% premium to the floor price in view of restricted REC supplies. We are confident that realization in REC certificates this year will be better than last year, but our books of accounts are maintained at the floor price only.

EBITDA for the company stands at Rs.69 Crores compared to Rs.77 Crores last year. Operating profit margin is at Rs.20.93 Crores compared to Rs.27 Crores last year. Operating profit margin in EPC segment is at 11.8%. Operating profit for the wind segment is Rs.48.4 Crores compared to Rs.49.44 Crores last year. Our interest burden has come down over the first half year by 40% and 27% in the current quarters compared to last year. Profit before Tax for the quarter stood at Rs.66 Crores compared to Rs.71 Crores last year and the profit after tax is at Rs.54 Crores this quarter. EPS for the quarter is at 4.76, our total debt as of date is only Rs.88 Crores and this is expected to be over by the mid of next year because we are obligating to comply ECB guidelines of RBI.

EPS our current investments that is cash and cash equivalents is almost Rs.500 Crores that is Rs.50 per share more or less. In EPC segment our focus for the last fiscal as always been to consolidate which is on-going. Our un-executed order book is at Rs.1750 Crores and during the quarter we have booked new business worth Rs.225 Crores. We are fine. We are continuously participating in various tenders and expect to get orders around Rs.1500 Crores during the years. We expect major inflows in the balance period of the current year. As usual we will continue to focus on EPC and tipper business.

The board has decided to consider buy-back of shares post listing of the shares in which promoters will not participate as we have conveyed in the last meeting also. With this I put the con call to the question.

**Moderator:**

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rahul Gajare from Antique Stock Broking. Please go ahead.

**Rahul Gajare:**

Sir good afternoon. Firstly congratulations that all the listing formalities are completed and would be glad to see the company listed by end of this month. Sir now the question that I have, now despite being an EPC player now Techno Electric balance sheet is unlike that of an EPC player, where you practically have no debt, now this is certainly helpful a reversal of interest rates scenario,



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

however order backlog is another very important parameter for EPC players, now could you help us understand what is the order pipeline looking like, what are the kind of orders that you think you will be able to book by the end of this year and along with this if you can give us a number of order intake this year and the closing order backlog? Thanks.

**P.P. Gupta:**

You see Rahul, the markets are very challenged and volatile, as you know, so is our industry and we as a player in the industry. While the opportunities in T&D in India are shrinking, but we are looking to grow other opportunities equally seriously, like FCDs one, we are back, and tenders are due now in this month with DVC Power Corporation they awarded five awards. Last time, the bids taken by NTPC not qualifying us was our technology transfer agreement and now we have ensured that they have pre-approved it, so that seamless issues are not raised again. So we are back in business in FCD, we intend seeing a breakthrough in one or two projects in this year by March end and this is a huge market No.1. No.2 we are also looking on markets abroad, we are already – the extension of a order we are doing in Afghanistan is in last lag of approval which will double up the order what we have today, so that will be another \$25 million additionally and there are a few more opportunities there. In the mean time the order which we are executing in Jharkhand which is the focus of the in the present time of the current government that is our last mile connectivity. They have already asked our order by another 125 Crores to cover up the bottlenecks and to we intend picking up one more order in this segment worth Rs.300 Crores in Jharkhand or in North-East where there lies major job yet to be done in the country and expenditure worth about 10,000 Crore is planned in these markets. You see the business have been there, but we have not been to keen, as you know that we are conservative and we want to ensure discipline more than growing a top-line for the sake of it. That has never been the objective of the company. Thirdly we are also exploring now opportunities, which are coming back as I shared with you in the metrology, segment which Vedanta. We had a meeting with Rio Tinto now, who was supposed to be doing a half a million tonne expenditure in core market for Vedanta in aluminum. So we are in touch with them as I conveyed we expect most of these opportunities to crystallize by March end. I am very hopeful that we will definitely have a order booking of no less than Rs.1500 Crores this year and our un-executed order by the end of the year will be no less than Rs.2000 Crores.

**Rahul Gajare:**

Sir and you know this specific quarter or first half what has been the order intake and what is the backlog right now, at the end of the second quarter?

**P.P. Gupta:**

It is around Rs.1750 Crores and intake of the business is about Rs.225 Crores.

**Rahul Gajare:**

Okay. Sir, I understand you were not in a hurry to sell your wind assets given the balance sheet strength, but what happens you know the scenario keeps on changing drastically with time, so do you think you know even if you were to decide to sell it after some time you will still get a Rs.5 Crores realization for the balance wind assets? Have you already got quotes for your wind assets?

**P.P. Gupta:**

Yes definitely. You see my problem is that I have to balance my cash versus reward to buy investors and this business gives me tax free reward that is my biggest advantage.



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

- Rahul Gajare:** That is the whole idea of doing the reverse merger?
- P.P. Gupta:** Right. So that we are now in a tax bracket of more or less 25% as I guided last time and see from the results and this tax break is available to us one another six years more. So we are not in a hurry, the whole country is moving towards renewable. Our assets are very efficient and competitively priced. So Rs.5 Crores to my mind is on the table any day but what I do with that cash. Can I generate thereafter say bottom line tax pay post tax of 75 Crores that is my challenge out of that cash. So, as long as you stay healthy in the business and if you have more cash you tend to become more unhealthy in the on-going business also. Therefore the pressure to stay healthy shrink, so we want to be disciplined we want to keep our belts tightened up all around and like to invest more in more rewarding business than worry about this business at the moment. Let me share with you one upside. By virtue of owning these assets, today all wind companies, all wind EPCs are my customers now, whether it is Siemens Gamesa or Vestas, or Suzlon, we are doing their pulling stations now all over the country. So if you are a part of a segment, you are known in that segment, so that also brings business to you some way or the other.
- Rahul Gajare:** Right. Sir the third thing is on the third business, on your transmission project, now you sold Patran to IndiGrid are you looking at early exit from Jhajjar also or that is not something on the table right now?
- P.P. Gupta:** You see the Jhajjar, I am a partner with Kalpataru; it is a joint decision and decision is yet not on the board to part with it, I would like to say that much because collectively we may have - we are also executing a project now jointly in North-East at Kohima, where we are involved in a project of Rs.1250 Crores, so may be jointly these projects will either become a part of some Ingrid of somebody or we may create a Ingrid of our own along with Kalpataru, then they will have a major say because I like to be a strong healthy and technology partner with them.
- Rahul Gajare:** Sir, any word on the strategic partner that you were looking at brining on any concrete step towards, because you are in discussion with few players?
- P.P. Gupta:** Absolutely, it is on, going on but nothing to be announced or disclosed at the moment.
- Rahul Gajare:** Okay. Sir what about that Kenyan order of \$87 million?
- P.P. Gupta:** It is progressing nicely. Our team is today in Kenya only, hopefully by end of next week we should be able to get their proposal to EXIM Bank, which is our last leg of hope.
- Rahul Gajare:** Okay right Sir. All the best. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

**V. Subramanian:** Congratulations on great set of numbers Sir. As the previous participant actually rightly pointed out Sir we are probably in serious minority in the segment in terms of actually balance sheet preservation and strength of balance sheet. Our possible big pay off can happen when electricity act is probably redrafted. You have been quite hopeful on that trend and is there any progress on that? Are you seeing any light at the end of the tunnel?

**P.P. Gupta:** I do not trust the government, but I can only share the positivity that there is a tremendous progress. The act has redrafted now with little changes retaining most of the things which we have been advocating, has been circulated a month back by the present Minister and he seems very disciplined and sensible. Hopefully, if he is having political will it may be a part of our winter session or may be after the election, I have no idea, good things are happening at the tail end of this government. I wish it had all happened two years back as talked and announced by them.

**V. Subramanian:** Can you give us some color in terms of what this can mean Sir? Given our balance sheet we can probably look at maybe something like about a Rs.5000 Crores kind of an opportunity, what really can it mean to Techno, if it were to be redrafted and ...?

**P.P. Gupta:** Sir this is revolutionize the sector like telecom No.1. The DISCOMs will be mostly out of the business, they will be out of the system No.1, where we are all bottle-necked today in terms of inefficiency or cash flows or technology upgradations or consumer servicing or right tariffs at which power is being sold in the country all the issues are bottle-necked around DISCOMs only in the country at the moment. And it also retards the sections like transmission or generation, you see Venkat in a larger sense we did create three segments in power like generation, transmission, distribution but ultimately they are three vital organs of the same body. They have to integrally work, no one can work in isolation of the other and that is where we all get chocked when one organ is not behaving or it is not healthy. So this will mean revamping the whole of the DISCOMs in partnership with the private sector and also generating a new element called power supplier in the system, where monopoly of network that is what we call a career and the contract, which we call power will be isolated and both have to work in a competitive manner. So all networks will immediately look for technological upgradations, all kind of smart metering, remote metering, efficient availability to the power suppliers, so new licensing will come in the system called power supplier license and no more DISCOMs will be licensing in the system and network careers will come at par with like transmission networks today. So that will be the opportunity for Techno. We will continue to be the network people and the technology people and upgrading all distribution networks as a very extension of transmission to sub transmission to the last mile that leads to the consumer houses. So it will create seamless networks in the country, which we can call it smart city systems, we can call it a smart metering, we can call it a more efficient cash flow management and no leakages. It is stupid to have a system in a country with the 25% tickets, how can you have a healthy business? All these are challenges Sir, we live with it so far, may be we are very close to de-bottlenecking it or by end of the pipe.



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

**V. Subramanian:** Secondly Sir, in the last couple of quarters we have been seeing power tariffs actually going up and if possibly from a distance we probably got a sense that there is a big demand uptake etc., logically this should probably mean better days for T&D and possible demand uptake for us, are you seeing anything on the ground Sir?

**P.P. Gupta:** Yes absolutely. You see the question, is in this country one is a real demand and one is a passive demand in power. We have to bring this passive demand into the grid dimension. That is where this country is failing time and again. On one hand you see 100 gigawatt of generating stations lying in NCLT but this country lives with 90-gigawatt of diesel power capacity. Our systems are neither reliable nor stable, so all these mess need to be resolved, so easily 90 gigawatt can be a part of the grid power as in demand. So our supply line needs to be de-bottlenecked to cater to the passive demand, which otherwise people meet not trusting the regular supply from the grid. So all these issues time to time rocks up and as well as power demand is also growing and fuel is also again becoming a little bit of a bottleneck, but these are all issues of the passing but more required is a seamless pipeline Sir, you will see the whole sector will be healthy.

**V. Subramanian:** In one of your meeting, there is a very interesting quotable quote of yours where you had said more people die of indigestions than out of hunger, and therefore you would like to have fewer orders at more healthy prices than actually chock yourself. Now is that scenario changing, are you now beginning to get more healthy kind of a scenario Sir?

**P.P. Gupta:** Not more healthy. At the moment we are passing through the days where we must retain our answer, while I told you in T&D segment there is a shrinkage of business, we are also passing through that phase at the moment, as the focus of the country is more on the last mile connectivity which is rewarding only if you can implement projects in extremely disciplined way, like we have been in Saubhagya scheme. We are the front running company in the whole country Sir. We have been given shields in Bihar, Jharkhand for 100% electrification of districts in Bokaro, Ramgarh, Gopalganj and now Dhanbad in the pipeline and so many places. So I would say that we would like to keep protecting investor interest by staying healthy, protecting the bottom line, but definitely not like to grow the topline which does not add to bottom line.

**V. Subramanian:** And lastly Sir, you had said in the previous con call that for the next 6 to 12 months you probably will have slightly tepid growth of 10% or thereabout and beyond that you could possibly be growing beyond 25%-30%, now what gives us that confidence Sir and by when can we get to see that?

**P.P. Gupta:** I am very hopeful Sir that you will see that happening in 2019-2020 but definitely in 2021. The growth may be 30% to 40%, but 2019-2020 also we see growth no less than 15%-20% and our order book atleast by June end I can say definitely will be not less than Rs.2500 Crores, healthy orders, good orders and business from new segments, also in addition to the present segment.



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

- V. Subramanian:** And that is probably you mean close to about Rs.250-odd Crores of bottomline for next year Sir without commitment of course?
- P.P. Gupta:** Yes, absolutely. You see the problem is this government has taken away lot of tax havens, which were historically available. The pre-tax if you ask me the number I will be more comfortable to tell you, but some share of this Rs.250 Crores may get paid in the tax also, but definitely...
- V. Subramanian:** But with amalgamation you should be a little bit comfortable?
- P.P. Gupta:** Yes, comfortable, that is why we did it, very timely we achieved it Sir. That is what I have shared with you.
- V. Subramanian:** And beyond that, by 2021 we should probably be at closer to 30% plus?
- P.P. Gupta:** Absolutely.
- V. Subramanian:** Very helpful Sir. I will stand in the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Amber Singhanian from Asian Market Securities. Please go ahead.
- Amber Singhanian:** Hi Sir, couple of questions from my side. Sir, first thing you mentioned that tax liability will come down to around 25%, is this after factoring in the deferred tax asset which we have or the actual outgo will come down significantly lower?
- P.P. Gupta:** No you see it is definitely, one is the asset value also goes down and the second is we get tax free income Sir from the wind power. Wind power income is tax free. Say Rs.75 Crores we get one segment. This year, it is little less, last year it was Rs.75 Crores. So that is a zero tax income to us, but the rest of the Rs.125 Crores income is fully taxed. So when you average it out it becomes 25%.
- Amber Singhanian:** But Sir I believe we do have a MAT credit line with us of the previous year which we can set off in this 25% also, so will that actual tax outgo or cash outflow will come down significantly lower as we have seen in the previous year also?
- P.P. Gupta:** No Sir, you see, MAT is only determining the cash outgo, but provision in the balance sheet has to be around 25%-26%, which includes deferred tax also. You see whatever depreciation I provide for the wind assets that additionally calls for deferred tax provision also No.1, because their depreciation is provided lower than my income tax rate, but whatever is the profit out of the revenue it does not call for any deferred tax. That only calls - we used to call earlier for MAT which is no more required. So our cash outgo, as a tax will go up at around 25%, but actual tax you can say we continue to operate at around MAT, but our other income is no more tax free now which was the





*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

case last year. You see earlier dividends were tax free, now dividend is also taxed at 10%, long term capital gain is also taxed, so other income will also come under some tax ambit to us, which is significantly in our case now by virtue of treasury income you can say or the income generated out of the surplus cash in the company.

**Amber Singhania:** Sir, secondly on the wind power side, how is the season panning out so far and because we still have around one to one-and-a-half month of the season to go, how is it looking in terms of generation overall in PLF?

**P.P. Gupta:** It is same like last year, more or less, it is very similar but we lost out because of the failure of one of the TNEB transformer in one of our sites, which leaked out about 10 million units to us. That is where we suffered but otherwise overall if you see the wind is at par with last year or little better only for most of the players.

**Amber Singhania:** How much is there?

**P.P. Gupta:** We will be earning REC about 200000, Rs.2 Lakh REC we are entitled for.

**Amber Singhania:** And what is the inventory now?

**P.P. Gupta:** This year REC have just started coming in, because it takes three months to four months to get certified, issued to you. I think we are holding REC, we have not sold much during the year, so around Rs.1.2 lakhs we should be holding with us.

**Amber Singhania:** Rs.1.2 lakhs plus you will be generating that more?

**P.P. Gupta:** We will be generating another about 75000 more, but Rs.2 Lakhs will be sold out by February – March or earlier.

**Amber Singhania:** Got it Sir. And Sir secondly if you can give some color on the Kenya order which we discussed earlier, how big is this and how much would be our portion of the sale, rough cut ballpark number and what could be the timeline it will take to get it pass from the EXIM banks and all?

**P.P. Gupta:** You see EXIM bank needs every quarter, you know once in a quarter. The next quarter meeting is around January end, so we are attempting to catch it. It is \$7 million order in which our portion is about Rs.48 million, but the entire business will be in our balance sheet in the topline.

**Amber Singhania:** So, it is a pass through in our balance sheet?

**P.P. Gupta:** Yes absolutely.

**Amber Singhania:** Okay. So Sir on the best case scenario we can see the execution starting from Q1?



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

- P.P. Gupta:** No Q2 of next year because it takes survey line, engineering timing. The completion requirement by them is by March 2021.
- Amber Singhania:** Fine Sir. One more thing on the guidance part. If you can give some color on the FY2019 and FY2020 guidance? You mentioned about the revenue, but FY2019 if you can give some color on the overall execution and then I will come back in the queue for more questions?
- P.P. Gupta:** You see 2019-2020 we definitely see the topline to be around Rs.1400 Crores to Rs.1500 Crores plus minus by and large and bottomline pre-tax should grow definitely by around Rs.50 Crores and post tax may be Rs.25 Crores to 30 Crores over current year, but 2020-2021 we definitely see a robust growth where topline may be touching almost Rs.2000 Crores with a bottomline of about Rs.300 Crores.
- Amber Singhania:** In 2019 Sir, we have already done around Rs.450 odd Crores of EPC revenue, do we see touching the last year's number of around Rs.1150-odd Crores?
- P.P. Gupta:** We can say around - that includes you know one quarter of non-GST period also. So if you take that out, it should be around Rs.1000 Crores I would say but bottomline will be the same. Bottomline will be dot and does not matter Sir, the margins will make up the bottomline, margin will be at par with last year if not a little better.
- Amber Singhania:** Understood. Sir, I will come back in the queue for more questions.
- Moderator:** Thank you. The next question is from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.
- Jaikant Kasturi:** Hello Sir, if you can throw some light on the FCD and STATCOM orders?
- P.P. Gupta:** Sir, STATCOM's orders which we booked two years back they are nearly complete now or will be over by December end. Out of six installations, four are already commissioned, one in Lucknow is in advanced stage of completion and Nalagarh should be over by December-January, but there are no new tenders in the pipeline as of now. Power grid is assuring us, it would be a part of their 2019-2020 program, which process they may start around February-March No.1 as far as STATCOM is concerned. FCD is definitely a big market after the initial orders. For last three months, the market is going through its own adjustments, as e-learning and e-journal. We have strongly prepared ourselves and we are keen to at least have a stronger or a lead brand in the eastern region that is our focus now, mostly with the DVC, who own 5 gigawatt in this region and additionally we will also be doing some projects with the DVC, which will be the front movers. So in FCD you see, still we see a business of not less than Rs.25000 Crores happening over next four to five years. It is not a market of a year or two as I shared with you earlier. It will definitely spill over to four to five years and we intend having a business share of not less than Rs.500 Crores a year in this segment. That is how we are looking on.



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

- Jaikant Kasturi:** Sir and any update on the green energy corridor?
- P.P. Gupta:** Green energy corridor is strongly coming back, ultimately Power grid has been given Rs.25000 Crores mandate by government last month and they are coming out with the huge procurement in Rajasthan and Gujarat. That is what boosting me to confidently say that we will have a order book of Rs.1500 Crores by March end because the Power Grid will also come out with tenders of such substations in AIS and GIS category in 765 KV and 400 KV category worth about Rs.5000 Crores in next one month or one and half month, very quickly. They have been ultimately given the mandate by the government. So lot of expansion will happen in green corridor now.
- Jaikant Kasturi:** Sir and any like 12000 kV projects?
- P.P. Gupta:** Yet it is R&D lab scale only and definitely we are not part of it at the moment but at the R&D level testing and trials are going on, but India first need to stabilize lot more power systems and business of power that is very important. We are all today suffering because the very business of power is in question, the investor must be rewarded and must feel comfortable to be part of the business of power generation, power supply, power sale and healthy collections and cash flows. They are all wanted in the industry Sir.
- Jaikant Kasturi:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Venkat Subramaniam from Organic Capital. Please go ahead.
- V. Subramaniam:** Sir we spoke about our potential investor or a strategic partner coming in, in what area will they come, what would be the pay off for us and what would they get in return, and is there a possibility of further value accretion to all of us?
- P.P. Gupta:** Sir, there are you see in our business particularly, EPC not much foreign capital has flowed in and now gradually more and more foreign companies are keen to be part of green business, renewable business and obviously this business is more technologically sensitive to the technologies deployed in power evacuation and that is where they see Techno a potential partner, which have achieved a platform in terms of technology performances and they believe they can build on it their own capacities as well as they can manage those capacities by deploying technologies through Techno, those kind of initiatives we are finding of the potential partners who are approaching us.
- V. Subramaniam:** Will this involve any small equity participation etc.,?
- P.P. Gupta:** Yes, obviously they will come and invest in the company in the equity only. They would like to invest around may be 26%, may be more or even they may ask 51% from us. We are open to all the suggestion between you and me. We also will get stronger partners.



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

- V. Subramaniam:** And this will be in the listed entity and it would not be in any subsidiaries right?
- P.P. Gupta:** It will be the listed entity only. There is no subsidiary anymore with us now at the moment.
- V. Subramaniam:** And how well are things progressing and when do you think we can get to hear?
- P.P. Gupta:** Sir it is because the volatility and election here the foreign investors are probably looking for more clarity that how a political scenario will shape out that is my taking, you know the way they are taking more time and more time than they required to do, what they should have done. So I think they are possibly marking the time with the clarity on the political scenario in the country, so may be it goes beyond election next year.
- V. Subramaniam:** At one level they would gain any equipment supply coming out of this is it one of the things that they are looking at?
- P.P. Gupta:** No, at the moment whoever is coming to us, they are basically people with interest in EPC or in building capacities in renewable powers.
- V. Subramaniam:** And the second question is on our 2020-2021 guidance, what gives us confidence of higher growth will be basically SGP, green corridor and exports kind of order flow which are probably on fast track?
- P.P. Gupta:** Yes, absolutely. You see firstly we see a lot more growth in the industrial segment additionally number one, oil and gas, aluminum, steel all the segments look for new capacity augmentations which has not happened over last three four years number one. Number two, we are also hopeful that some sort of amendment to electricity should also be in place, if not before election at least in the year falling thereafter. Number three, we also see acceleration in FGD projects as well as the foreign market projects will also peak-out with us at that time like order of Kenya, Afghanistan they will all be peaking out in that period in that year.
- V. Subramaniam:** Understood. Thanks a lot Sir. That helps.
- Moderator:** The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Sir just wanted to know what is the status of Patran deal, which we entered there was due diligence going on now what is the status, have we received the money, has the deal has been concluded fully?
- P.P. Gupta:** Yes, the deals start consumed and we are fully paid out Sir.
- Amber Singhania:** So the current cash balance reflects that amount also?



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

- P.P. Gupta:** Yes, absolutely that is a part of this.
- Amber Singhania:** And Secondly Sir what is the status in Kohima, has the execution started from our end or still our portion is yet to start?
- P.P. Gupta:** It has started Sir, it has started. We have acquired the land, land is cleaned out. Engineering is complete, ordering is in process. It is in full fledged execution Sir we have to commission the station by March 2020.
- Amber Singhania:** So how much revenue we might have booked so far Sir from Kohima?
- P.P. Gupta:** Nil. So far it is Nil Sir.
- Amber Singhania:** Will it come in the second half in a large way?
- P.P. Gupta:** Yes, it will come not large way at least about 30% it will come in the second half and 70% will be next year.
- Amber Singhania:** So out of roughly around Rs.250-odd Crores of orders 30% in second half and 70% in next year?
- P.P. Gupta:** Now it is 280 Crores with the change of technology so about Rs.75-80 Crores this year and more next year Rs.200 Crores.
- Amber Singhania:** Okay and secondly Sir a couple of quarters we were talking about a five large TBCB order in Jharkhand, what is the status of those, have those got bid out and if yes, then has the construction started EPC on those, those bidding has been done, what is the status? And also Sir so far we have seen so many TBCB orders have been bid out but after that the commissioning if you can give some color how the industry is panning out in terms of commissioning of those projects, are there delays happening, how things are on those asset?
- P.P. Gupta:** You see firstly Jharkhand opportunity has been rolled back time being by the Jharkhand Government. So they are no more in the bidding process at the moment. But it is being also told that they may come back or they may run their own process. We are not sure politically what call they may take number one. Number two, at the moment the minister you know there is lot of lobby and counter lobby between the private entities and power grid. The minister is sporting power grid more strongly. So even there is a letter. It is a confidential letter but I do not know I have the power to speak or not, but as I am a strong person in the industry that no more TBCB unless power grid refuses, first opportunity we given to power grid, that is the kind of government instruction to the Ministry of Power by the minister but how legal it is, how regulatory regime will accept it I have no idea but these kind of struggle is on between you and me but for us you know either way it makes good sense whether business comes through power grid or through TBCB, there should be business first, more program should be there and more opportunity should be there, so that we can



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

be participants in those activities. Number three; invariably TBCB packages are scheduled for no less than three years. So obviously you will never find much going for happening in the first year of the award because they are mostly last in complying we call CPs condition precedence in terms of the CRC licensing, tariff approval, financial closures, regulation under 164, section 68, all these eats away no less than 9 months, 12 months. Then only they start happening on the ground thereafter. So projects will happen in time whatever has been awarded and there is no reason why they should not happen but country needs the larger programs that is the challenge of the day.

**Amber Singhania:** Sir lastly just one understanding from the macro side, generally during the election year, it is the general thought process that the tendering becomes very slow and we are entering into the election year coming quarter as such. So do we see the tendering award will expected to slow down significantly on that scenario, how confident we are towards our order intake guidance if you can give some color on that?

**P.P. Gupta:** See there is a slow down as far as the T&D segment is concerned, as I have mentioned earlier also, there is more stress on the last mile connectivity. So more projects are happening in Deen Dayal Upadhyay Scheme, Saubhagya Scheme, smart metering schemes, so emphasis is more on the last mile connectivity and delivery of power and obviously the stress on the transmission networks has slowed down in this year as I shared with you. There have been very little opportunities for power grid in last six months but certain criticalities will always get unlocked like renewable power and linkages which were not created for the renewable for SECI bids of one and two which happened three years back, those programs will definitely be rolled out on a emergency basis which have been mandated in power grid norm a month back. Now we can see some business out of it. So this dynamics are already in place I will say in some way or the other and we are taking our wise positions accordingly which retains our bottom line and keep us busy. Any EPC organization we like to be gainfully engaged while delivering the healthy bottom-line.

**Amber Singhania:** Got it Sir. Thank you Sir.

**Moderator:** Thank you. As there are no further questions I would now like to hand the call over to Mr. Amber Singhania for his closing comments.

**Amber Singhania:** Thank you Ali. 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 their views about the company's performance and the industry outlook. That is all from my side, Sir would you like to add any closing comments.

**P.P. Gupta:** Yes, I would like to thank all of you for joining the conference call with us and wish you a very Happy New Year and all festivities going forward like Jat festival and others, in case you still have any queries related to our performance please drop us a mail I will also say if you happened to be this side of India in Kolkata please drop in our office to see how we work hands on. With this I



*Techno Electric & Engineering Company Limited*  
*November 15, 2018*

would like to close the conference and thank everybody once again for joining the same. Thank you very much.

**Moderator:**

Thank you very much. Ladies and gentlemen on behalf of Asian Markets Securities that concludes this conference. Thank you all for joining us. You may disconnect your lines now. Thank you.