



“Techno Electric & Engineering Company Limited
Q1 FY2020 Earnings Conference Call”

August 14, 2019



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Moderator: Ladies and gentlemen good day, and welcome to the Techno Electric & Engineering Company Limited Q1FY2020 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 the 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. Suraj Sonulkar from Asian Market Securities. Thank you and over to you Sir!

Suraj Sonulkar: Thank you. Good afternoon everyone. On behalf of Asian Market Securities, I welcome you call to Q1 FY2020 earning conference call of Techno Electric & Engineering 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 for the industry and then we shall begin with the Q&A session. Over to you Sir!

P.P. Gupta: Thank you very much Suraj. Good afternoon to every body. I welcome you to discuss our financial results for the first quarter ending year 2019-2020. Anything said on this call, which reflects our outlook for the future or that could be construed, as a forward-looking statement for the industry must be reviewed in conjunction with the risks that we face along with the industry. As we informed earlier that last year was a year of consolidation and our focus this year is to grow our order book as well as the growth for the coming year.

As you may have observed that our balance sheet is full of liquid assets and we are virtually debt free as of March 31, 2019.

Let me quickly highlight our performance for the first quarter. The total revenue in the first quarter 2020 stands at Rs.237.5 Crores approximately. This includes the revenue from EPC for Rs. 203.5 Crores, and the EPC revenue is not comparable to the same quarter of the last year as we mentioned in the concall also that we received the GST amendments late during the year 2017-2018 and that previous quarter including the billing on account of GST for about Rs.20 Crores to Rs.25 Crores. Thus the EBITDA and revenue margin of EPC division is not comparable with the last year. This quarter also our topline in EPC could have been better but there were two significant reasons. Firstly, the project started a bit late in Nagaland but it is in full swing now. Despite order value of Rs. 275 Crores, the revenue booked is only Rs. 31 Crores and it will be fully executed and booked during the current year.

Similarly, in Afghanistan due to change in the layout and site conditions having a slope of 14 degrees which is unique in the world first time. It has a financial impact which is a negotiation with the client and it will be finalized shortly. Due to this project it is still not got into the billing mode although we are fully ready and we are hopeful that during the year the revenue will stands realized as per the order book.



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The revenue from this segment is about Rs.34 Crores and is up by 5%. The REC price is very stimulating encouraging and positive that it has reached the 1500 line hours also and last month it stands traded at Rs. 1700. Our entitlement during the current year even generation at the present levels is around 2.25 lakhs and out of which we already had received about 77 projects. So we are very hopeful of better performance on this account. Despite wind blow but availability being better, the generation levels are expected to be better than last year by about 10%.

The EBITDA margin for the company stood at Rs. 68.81 Crores. The operating profit margin for the EPC segment is at 39 Crores approximately, the operating profit margin for EPC segment is at 19%. The operating margin for wind segment for this quarter is at Rs. 30 Crores up by 3%. The other income is at Rs. 12.5 Crores compared to a Rs. 11 Crores last year but it will be at par with last year for the whole year. Our interest is down at this month to only Rs. 1 Crores around as most of the debt stands repaid. The PBT is at around Rs. 70 Crores and profit after tax is Rs. 51.25 Crores approximately. The EPS is Rs. 4.63 Crores. The cash and current investments in hands stand at Rs. 600 Crores despite payment of Rs. 110 Crores in this quarter.

The unexecuted order value as of June is end is 1750 Crores, but the most encouraging part is that we are very L1 or competitively placed in business but more than Rs. 1250 Crores. During the quarter and all these orders will materialize in this month itself. They are in the very last leg. The major orders booked during this quarter, is FGD orders for Bokaro TPS from DVC under a DPC consultant for Rs. 312 Crores, GIS substation at Thalassery for Kerala State Electricity Board for Rs.105 Crores. The transmission order from PowerGrid at Badala which is about 765kv, AIS station is at Rs. 200 Crores, PowerGrid have already received the regulatory approval in this megawatt. We are also successful in a TBCB package in partnership with Sterlite for Baroda, where it is around Rs. 250 Crores. We also L1 in distribution packages namely IPDS package for Jammu and Kashmir which is through RDC bidding process for Rs. 430 Crores and similarly we are also L1 in package of setting first time a smart metering solution in the state of J&K for Rs. 205 Crores so as we have been always first move at in the upcoming states you will observe that we are again first movers in the state of Kashmir to realize the potential of power infrastructure to be in India in the coming years.

All of you as know, it is a Union Territory now managed through Central Government. NTPC is also expected to come out with a FGD order of lot four and five in this month and we expect to book one more order at least worth Rs.500 Crores in this scheme. The above orders are in line as per our guidance of Rs.2500 Crores to Rs.3000 Crores during the year out of which Rs. 1500 Crores already stands realized and we are hopeful of booking another Rs.1000 Crores by December end and we are very confident that we will achieve this Rs.3000 Crores mark during the year. There is a very good traction in power sector in the country as of now.

On the industry outlook, I would like to say that during the last concall meeting I have shared with you the historic mandate with the present government, Modi government got in the centre and our Power Minister continues to be the same as in the previous government, previous regime, Mr. R.K. Singh. As expected we have finished agenda of power sector reforms should now



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happen and is already in the news everyday. The major reforms are expected in the near future, are new tariff policy which will ensure subsidy disbursement through DVD route. It is going to be a landmark change. The DISCOMS will be liable to supply power only 24/7 failing which they may have to compensate the consumers, customers. The power suppliers will soon be in place whereas DISCOM may continue for some more time with the monopoly on the wires so all this augers well for the sector. The government will create transmission infrastructure matching with this renewable power capacity creation that is 175 megawatt by 2022 and now already they are projecting 500 megawatt by 2013. The tenders for 50-gigawatt are for transmission capacity to evacuate renewable is now under finalization and tendering route. The EBIT delayed by a month but is catching up fast. Out of the nine packages, seven stands finalized already and PowerGrid has received the regulatory approval to go ahead with the mandatory work part of Rs.3000 Crores.

This bidding process for another 50 megawatt by December or a little later is already in place. A five year vision program has been drawn for the power sector which can be seen on the site of MOP, all this strongly augers well for the sector in the coming years. With the implementation of power sector reform, may new opportunities will emerge and we would like to be part of it as we had been in the past. One among them is smart metering. Under Smart Meter National program, which aims to replace conventional meters with smart meters; the government scheme is to install 250 million meters by 2022. We are already been beginners in this by getting a breakthrough in 2 lakh meters installation order on EPC basis in this state of J&K. In the coming years, we see strong power sector reforms with focus on efficiency, stable and reliable power supply, cost of power and improvement of overall financial and over financial sector never seen before. The focus will continue on renewable power with related transmission infrastructure as green corridor. The transmission infrastructure is required for 500-gigawatt over next seven to eight years apart from the growth in the conventional powers.

We will continue to focus on our EPC at PPP business and T&D segment and also the opportunities available in the related sectors. Our trust on overseas market is also bearing fruits. We are also hopeful of bagging further orders on materializing the orders in pipeline from the markets of Kenya and Afghanistan in the near future.

With this I will like now to invite questions on more clarifications you need on our performance and future outlook.

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

Ranjit Shivram: Good to see some orders coming in after a long gap. So this Rs. 600 Crores worth of order intake we had this quarter right, this Bokaro GIS Kerala and AIS, right?

P.P. Gupta: No, you can indirectly say it is Rs. 1500 Crores, it is only pending procedural formalities and in a week or two will have them all in hand Sir. So it is almost Rs. 1500 Crores, we are through.



- Ranjit Shivram:** Look this TBCB package which you talk till Sterlite Rs. 250 Crores then one smart meter of Rs. 200 Crores and this J&K project was Rs. 30 Crores right?
- P.P. Gupta:** Rs. 430 Crores, absolutely.
- Ranjit Shivram:** Rs. 430 Crores?
- P.P. Gupta:** Right.
- Ranjit Shivram:** Okay so that at 2885, so these are the L1?
- P.P. Gupta:** L1 status right. But Sterlite is already one, in agreement more, they have already announced.
- Ranjit Shivram:** But that will it come in Q1 or Q2?
- P.P. Gupta:** Q1 you can consider either way Sir, the process started in June, got delayed by a month, we would like to call it Q2 because Q2, Q3 will have more opportunity like this.
- Ranjit Shivram:** So this J&L order was, what is that Rs. 430 Crores?
- P.P. Gupta:** It is called IPDS Sir. It is a Prime Minister Yojana of Strengthening Power Networks in the urban areas you can say. It is called Integrated Power Developments Scheme, it is meant for urban areas and like we did earlier in the form of APDRP for the cities like Guwahati or similar rather cities like Patna and Bihar. So it is for Srinagar City.
- Ranjit Shivram:** So this is similar to a rural electrification kind of a job?
- P.P. Gupta:** No. It is different. You see rural is generally meant for agricultural application so has lot more stress on the connectors. It is more on the HT side. These are largely 33kV network with lot of substations connectivity, interconnectivities, industrial towns connectivity, communication connectivity, then they have lot more communication through SCADA and others IT part inbuilt in it. So, it is more Integrated Power Development Scheme they call it. It is meant for a city which further integrated with a smart meter becomes a seamless solution end-to-end from power supply to the consumer and consumer metering, so that is the focus as is layout of the scheme. I do not know if I become more technical to explain you.
- Ranjit Shivram:** So the thing is Sir whether these kinds of projects will carry a lower margin compared to our normal substation kind of jobs?
- P.P. Gupta:** You see these are all matter of your efficiency of execution, timely execution. If they are timely execution, there are better margins, which we have always realized, like presently we are doing a similar package in the State of Jharkhand, earlier we did in Bihar before that we did in Assam so at least we have been getting a similar or better margins, but if there is a delay in execution or there is an incomplete execution leading to lot of revisions, it is a cost. So time is the essence at



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the end of the day. You are build it to deliver in time at completely technically is the forte, which Techno has plenty I trust.

- Ranjit Shivram:** Okay and for smart meters whom do we have this technical tie up?
- P.P. Gupta:** We have been approached by some Chinese companies as well as UK companies. There is a note on the communication side and on the MDM side we have used platforms like Oracle or something as maybe Wipro may be our partners in that solution, so we will select competent partners and definitely create a benchmark in the solutions.
- Ranjit Shivram:** Okay so this Rs. 1500 Crores you are expecting it to double to Rs. 3000 Crores kind of order intake for this year, is that right?
- P.P. Gupta:** Absolutely because so much of scope in FGD, so much scope of Kashmir now, and left out states where schemes of distribution are still pending, and on the green corridor so much work is pending to done as they have already awarded no less than 100 gigawatt through competitive bidding, but infrastructure is not in place as yet. It is first set of medium volume of 50-gigawatt which will be followed by another 50 gigawatt in another four to five months.
- Ranjit Shivram:** So this TBCB package with Sterlite is a part of green energy or this is different?
- P.P. Gupta:** Green energy same, part of those nine packages.
- Ranjit Shivram:** Okay so now how many packages are pending?
- P.P. Gupta:** Seven stands of awarded, two are packages, out of two, one is focussed.
- Ranjit Shivram:** Okay so out of that total nine, how much they have ordered out for substation for contractors like us?
- P.P. Gupta:** No they only had one package which had the substations scope 250 Crores, which is order on us.
- Ranjit Shivram:** So for the others.
- P.P. Gupta:** Others is a line work, but PowerGrid is again a TBCB package, this Badala which I shared with you, is one of those seven packages, which is not do PGCIL out of the mandate order. But the TBCB mode packages are yet to be finalized by them, two numbers.
- Ranjit Shivram:** So, now from this overall green energy corridor in terms of substation package how much is the overall opportunity which is pending which we can tap into?
- P.P. Gupta:** It is a huge opportunity basically more than line it is the substations, which are required for evacuation purpose. So I am sure the scope of substation will be no less than 30% of the capex involved in creation of energy corridor going forward which earlier was no more than 15-18%.



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- Ranjit Shivram:** Okay and Sir when are you expecting these to be ordered out, what timeframe?
- P.P. Gupta:** In this month, by August we will have them out Sir or maybe let us by first week of September, what I am talking of L1.
- Ranjit Shivram:** This FGD we are hearing they might retender some of the orders because it is more than the budgeted price, so what is your thoughts?
- P.P. Gupta:** NTPC that I shared with you lot four and five is a retender only, which is coming back and they have updated their estimates now, realizing the actual involvement and market realities. So we trust our entry in this segment is at the right time at right price.
- Ranjit Shivram:** This Bokaro FGD is from NTPC or from DVC?
- P.P. Gupta:** DVC Sir. The customer is DVC but NTPC is the consultant in that, because presently the Chairman is common, both are central government undertakings.
- Ranjit Shivram:** Sir lastly, what is the kind of EPC revenue target this year we have given the overall macro headwinds, and what kind of margins should be worked it?
- P.P. Gupta:** Margin as I guided should be 15% plus only as I have always meant it number one and number two the topline should be anywhere around Rs. 1300 to Rs. 1400 Crores, but major turnover will happen in the last two quarters as I guided.
- Ranjit Shivram:** Okay and any update on Kenya?
- P.P. Gupta:** Kenya is now in a better shape than earlier. The Government of India has partnered us now to bid this project successful. The competition was coming from China. Government of Kenya is now carrying out a final study to prove that the package they have got from EXIM Bank India is competitive against China package they have been offered on this package that study should be over by 15th to my mind. So we are very hopeful as assured by customer and Power Commissioner that this package will be awarded to us before the appellate.
- Ranjit Shivram:** Thanks.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.
- Venkat Subramanian:** Thanks for the opportunity. Sir our long wait and strategic decision not to take unremunerative orders is currently paying off but now that we have a problem of plenty now that we have, orders as much as about Rs. 3000 Crores in a year. How are we now going to organize higher levels at execution Sir?
- P.P. Gupta:** That is the beauty of India. We have drought or floods.



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Venkat Subramanian: We are both in the country now Sir.

P.P. Gupta: After 70 year of Independence we are still not learn to solve these issues. The visibility of business on a regular basis, is always a challenge in our country, and in our segment also Sir. But we are very hopeful now that what I was expecting for last 10 years to happen in power sector seems now will happen in next four years, five years and thanks for your partnering us and waiting along with my patience. Thank you. So trust me we will build up this capability now, this looks like level of Rs. 3000 Crores order take by the year will continue for three years minimum if not five for the next and we have the necessary infrastructure in place, we will need some supplement around it, no doubt. But it is now great challenge for Techno to achieve it and sustain it.

Venkat Subramanian: If you actually continue to take in upwards of 3000 odd Crores of orders over the next two to three years then we probably will need to close to double our execution may be beginning next year or the year we follow. So if is there the kind of confidence that you have, you would not take it as a formal guidance but is there the broad trajectory?

P.P. Gupta: Absolutely, you see Techno inherently have the ability. Let me remain that where will go, at one time we can execute works at 40 locations, Sir because we are grounded company which has come up the ground. We are a zero product company basically. We are a company with the solution ability backed by filed execution and equipments we outsourced from competent sources, capable sources by partnering them, by ensuring their financial disciple with them and project management team is very strong and very large with us. So we continue with the same. Now on the new initiatives like smart metering, we definitely have to add some more capabilities, overseas projects we have to add some capabilities but as far as domestic is concerned, we are more than confident that we can deliver projects at up to a level of Rs.2500 Crores per year without any problem by supplementing them because we start basically by the intake at the ground level, which of course we have not done for last two years, but we will start again as I shared with you earlier we had about 50-60 people every year at the entry level let that builds them up on the job. That has created the team in Techno. We are a 500 strong people team now, which will be now and last to 750 people over next two years by ground level entry. So that is the not challenge. Kolkata is a blessing in turn may be with lot of disadvantages but getting skilled people, loyal and stable with you is one positivity we enjoy with us as well as it gives us it is one city where you can afford these kind of setups at affordable costs or may be the least cost in the country as of now. So lot of positives is there and our challenges are also part of it but in overall I will say we are better placed in doing this business from Kolkata over other cities.

Venkat Subramanian: As you pointed out Sir, given the lack of predictability in the way India functions overall, there are also inherent disadvantages in terms of having more people on your role so are you contemplating or are you already implementing some subcontracting and what are the risks attached to that?



P.P. Gupta: Sir the subcontracting model we have not practiced so far maybe we do it, more of it on overseas basis because the timeline is a key factor in this project in maintaining your EBITDA lines as well as quality of work, which we cherish most and we are known for in the country, so that is where I trust my departmental setups more than any subcontracting because we do not have any strong and organized setup in subcontracting in the countries, which can work as per my culture, my quality norms, and my safety norms, these challenges are still in the country but if these happened to materialize in the coming year, we may like to look it but as of now, we may look at this subcontracting only past overseas projects, not domestic.

Venkat Subramanian: Couple of things connected to that, now that it is actually raining orders now domestically, would you want to wind down some of our overseas emphasis and then look more invert just now at least in the near future?

P.P. Gupta: No, not at all because we trust overseas gives you a better exposure. We run new ways of doing same things which we can implement back in India in our operations, in our way of life, like I must share with you, Uganda may be a small country Sir where we did one project for learning, the way that do things, the way they value safety, quality, sequence of projects, tremendous, the consultants they engage are all your peers and very experienced from Australia, all very Finland, very, very educated and informed. So this interactive part makes you rich Sir all the time. So we would like to bring this global exposure in our operations going forward.

Venkat Subramanian: Sir our execution is as your kind of hinted on the way to kind of doubling and also given the fact that you have a lever where lot of the current lines will want timely delivery and will probably give bonuses for faster execution there must be a decent scope for margin expansion, what kind of margin expansion can have because on the one hand you will have much higher levels of execution, and on the other hand, you probably can have slightly more value added and fast track?

P.P. Gupta: Venkat, your question is double agent, firstly it is expected that as you grow your topline some benefits should figure out in the bottomline, I do not want to commit, but let me share with you a truth also that we are creating our lead position by aggressive competition with the very existing dominant players who have larger earner than Techno, who do not value bottomline as much Techno Values while taking the initiative and timing the entry into a new opportunity, so all those challenges have been inbuilt while bagging these orders, so at the moment, I do not want to make you more optimistic than the level where we are already realizing and practicing. But I am sure our results would speak them out over the time Sir. At least I can guarantee where the levels presently seen by you at 15-18% will continue to be visible or better.

Venkat Subramanian: As other place actually in the market would normally the questions about in terms of working capital days, ours will be far superior, but indicatively what is that number Sir for us?

P.P. Gupta: It is about 80 days Sir, as of now. And we would like to maintain it or better it, but definitely in FGD business, the terms of payment are not that good as in our transmission projects. But lately



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NTPC has also improved the terms of payment post feedback of the industry via CEA, Center Electricity Authority to them and allot four and five tenders now being planned are with better terms of payment Sir so that should help everybody. But we will like to maintain this target if not able to improve on it. But not allow it to deteriorate us.

Venkat Subramanian: Fair enough. I have a followup question. May be I will come in the queue in case Sir other people.

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

Riya Mehta: Sir actually I wanted some insights on the order books on green energy project or actually just missed out the starting part of the call, so actually we were hearing two to three calls of different EPC players, so I heard that the actual tendering and all will happen in H2. So what is your outlook on that and if you could give a brief description on how much tenders have been ordered and what are the status in that area?

P.P. Gupta: You see I do not know you know the history or not, the green corridor funded by KFW where mandatory to partly four years back, five years back where they started these projects to happen and some significant corridor is already in place of which we have been part of like Bikaner, Ajmer, Chittorgarh, coming to Gujarat and then going to Tirunelveli in Tamil Nadu all the way so this program already is going on, but under private TBCB mode, it was first time announced in the month of May basically, which was to be finalized by June end as this program got delayed over a year whether it will be mandated or go under TBCB although a committee was formed in April 2018 by MNRD to give linkages to the projects already awarded by SECI under five or six competitive bids of 10 gigawatt each. So that 50 gigawatt program was announced in May itself, which is under finalization now. Out of this nine packages who are in TBCB at about Rs. 3000 Crores was given as mandatory program to PowerGrid. The total program is 12500 Crores for this capacity. So PowerGrid is ready to award the Rs. 3000 Crores where we are getting one package of Badala, they have got the regulatory approval now already. Now on the TBCB mode also out of nine seven stands awarded or finalized, out of which one we are with Sterlite, Baroda or Lakadiya, now two are left, which are yet to be reversed option or predate is around August 16, 2019 as of now if not extend it further. But another 50 gigawatt program is already approved by MOP and CEA and given to this bid coordinators. That process may start around December, January to be finalized before March. So this is going on ultimate target is to connect 175 gigawatt as of now, but the significant decision of the government is as solar and wind takes lesser time say year or year and a half only to get the generators ready with the power unlike conventional power which used to take four, five years. The systems of evacuation or transmission we kept ready in advance that thinking is going on very strongly at the ministry level. And soon some methodology may be taken approval with the regulators. Once that happens ultimately, they want to have this transmission network for 500 gigawatt to be ready much before 2013 that is their program in renewable energy as of now.



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- Riya Mehta:** If you could help me with the time line of these projects, when do we expect it to be awarded to us?
- P.P. Gupta:** No. Out of this first lot, we stand awarded already as I shared with you.
- Riya Mehta:** One package of PowerGrid that has already awarded right?
- P.P. Gupta:** Yes, absolutely.
- Riya Mehta:** Out of the seven power packages which are awarded of TBCB, the one which we have got with Sterlite that is also awarded, what is pending as of now only the two projects of TBCB are pending right?
- P.P. Gupta:** Pending right in which one will be directly participating.
- Riya Mehta:** Okay, one will be participating.
- P.P. Gupta:** Right.
- Riya Mehta:** Okay and also from the SEB side, do you see any traction?
- P.P. Gupta:** Yes. It is slow but happening like Kerala we have won one order as I shared with you, it is 220kV GIS stations for Rs.100 Crores. We are executing one project for Odisha again which Sterlite partnership, two projects rather there 220kV and 132kV level. One we are executing 220kV for state of Bihar already, so Bihar they are also strengthening their sub-transmission networks parallely but slowly.
- Riya Mehta:** Also for the smart metering segment, do we expect our partnering with the Chinese vendors or is there any criteria that we need the products to be made in India, or something like that?
- P.P. Gupta:** Yes. With the kind of potential of 250 million meters to happen over next three to five years, I am sure some Chinese company will be, the least Chinese companies in China, in this field will be keen to set up as I was mentioning with you in India also. So definitely Make in India criteria has to be complied with additionally.
- Riya Mehta:** As of now the order which I have got on Jammu & Kashmir, matters to be complied by the Indian players or localized Indian players or any collaborations with any Chinese players?
- P.P. Gupta:** So we are with the localized Indian player like L&T, L&T Metering or Genus at Jaipur but additionally they will also make their meters compatible to the communications systems as practiced in China like if you understand this methodology like Nipcard, HES, etc., or MDP is already practiced by Wipro in India as well as HCL. So there are some domestic solutions which are in place but I am sure they will undergo improvements and upgradation with the time of when it happens in this kind of quantity.



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- Riya Mehta:** Any new orders with Jammu & Kashmir you expect to come?
- P.P. Gupta:** Yes. Like I shared with you IPDS, so that is there, so we have participated in further tenders about one about Simla tenders was 700 or 800 Crores, they are all in pipeline.
- Riya Mehta:** This 700 to 800 for smart metering right?
- P.P. Gupta:** Not smart metering only in this. One is smart metering, but others are related to substations, switchyards, etc.
- Riya Mehta:** What would be the total L1 considering all the segments?
- P.P. Gupta:** As I shared as of now it is around Rs. 1500 Crores, which includes part of it awarding to us and part of it is to be awarded in next one month, which is in advance stage of conversion in orders, so all put together is Rs. 1500 Crores.
- Riya Mehta:** Thank you Sir. That is, it from my side. Good luck.
- Moderator:** Thank you. The next question is from the line of Sagar Sanghvi from ADD Capital. Please go ahead.
- Sagar Sanghvi:** Sir can we get the status on the Jhajjar and the Kohima projects when do we plan to liquidate those assets and that was one and two Sir you mentioned there is Rs. 600 Crores of cash in investment in the balance sheet right now and plus will be adding around Rs. 300 Crores of cash from the business as well, so will close the year with around Rs. 1000 plus cash, how do plan to utilize that amount?
- P.P. Gupta:** I did say Rs. 600 Crores, number one. Whether Rs. 300 cash will further get added I have not said so, but definitely we will target it to have it but as regards as Kohima and KT Jhajjar we have signed agreements with China Light and Power along with Kalpataru, where Kalpataru is our lead and we are the partners with them in projects ranging from 26% to 49% but lead is with them so these projects will be hived off post completion only. Like Kohima may happen to best of my knowledge, it may happen by December 2020 but KT Jhajjar may happen during the year, may be by December or by latest by March subject to regulatory approvals but both you may ask Kalpataru about it because they are carrying out these initiatives.
- Sagar Sanghvi:** Sir any estimate of how much amount that we can realize from the stake sale?
- P.P. Gupta:** These two stakes sales will give us about Rs. 250 Crores in cash to Techno.
- Sagar Sanghvi:** Sir should we expect from buyback or a larger dividend maybe by mid of next year or something?



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- P.P. Gupta:** We have been doing it two times, we have done the buyback as you know, but now government has put a tax on it, so I do not know dividend and buyback both are at war now. So we definitely continued to reward the investors that Techno has always done, but we do not want to take away that benefit from a table. So more the prosperity of the company, it all belongs to you, you are trusting us but first of all we have to grow the business additionally, integrally, we want to see Rs. 500 Crores EBITDA by 2021 that is our first goal so definitely all these challenges are on the table. We have to grow up the execution capabilities. So some more working capital may be involved but you can expect at least the existing level of buyback should continue.
- Sagar Sanghvi:** Let me ask the question the other way, so how much is that cash required to run the business and how much of the extra cash that is with us?
- P.P. Gupta:** This is a very magical question to my mind what you are asking, you see we have learned the business of transmission to manage with a very, very efficient working capital, but new businesses which we are entering like FDG, smart metering, we have to learn it, but overseas business cash flow may be better than what we have experienced in TBCB or transmission business in India. So all put together, I will aim to retain by working capital engagement growth improved to the topline between you and me, not more but we should always be ready with some more cash because it is very demanding, if you are able to meet your obligation to suppliers, vendors in time you do not lose out our productivity as well as price opportunities in the market and that all enables us to show a better bottomline over our competitors because of our financial discipline over our financial discipline and trust of our suppliers or vendors who are our partners in this business with us.
- Sagar Sanghvi:** That is, it from my side. That was helpful.
- Moderator:** Thank you. The next question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.
- Ranjit Shivram:** Just again going into that green energy corridor, what we have to understand we wanted some clarity said Rs. 3000 Crores is what PGCIL has got and they have ordered close to Rs. 200 Crores to us and of the remaining Rs. 12500 Crores which is to be given in nine packages, seven has already been finalized and of that from Sterlite we have got the Rs. 250 Crores, right. So there will be other six more packages from the six more packages you do not expect any substation ordering?
- P.P. Gupta:** Yes. We are not part of it. We are not success. We are talking to Adani two packages are won by Adani, they are yet to finalize, but as you know private sector, I do not want to highlight as of now unless we have got the LOI.
- Ranjit Shivram:** So with Sterlite, we did not have a pre-bid arrangement, it was a post-bid tender?
- P.P. Gupta:** It was a pre-bid discussion and became post-award contract.



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- Ranjit Shivram:** For Adani and for others they have an arrangement during the bid itself with some other party?
- P.P. Gupta:** They may not have because they generally look for EPC business that is how they go.
- Ranjit Shivram:** So out of that six, two to three more packages we can possibly get in the next six to seven months?
- P.P. Gupta:** Yes. Not six months Sir. It will happen in next one month because the delivery line of these packages is no more than 15 months. Historically, we have been doing it two and a half to three years, so now all these have to be commissioned by December 2020. So nobody has luxury of time to delay decision, if they really want to avoid the penalties.
- Ranjit Shivram:** Did PowerGrid wind any of these other orders or that was all by private parties only of that?
- P.P. Gupta:** Two have got to PowerGrid?
- Ranjit Shivram:** So PowerGrid can again come to us for substation right?
- P.P. Gupta:** No I think they had a pre-tender tie up. They carryout pre-tender bids like I did not highlight to you there is one tender in UP similarly in TBCB mode, we are L1 with that for Rs. 350 Crores for Rampur or Sambalpur similarly, but PowerGrid has to meet that package under TBCB mode.
- Ranjit Shivram:** You mean that pending two packages you told in that one of it is this?
- P.P. Gupta:** Not this Sir. This is not a part of TBCB Sir. This is a UP state. It is a package UP state separately tendered out by them. Lot of states are now coming out with the transmission packages in the TBCB mode through bid coordinators like REC, PFC. But they are intrastate packages ultimately.
- Ranjit Shivram:** One more thing now we have this J&K being a bigger portion, do you see any risk given the current scenario in terms of payments and other things?
- P.P. Gupta:** No these orders are given to us by REC. REC is a very strong financial body, in Delhi. It is Central Government undertaking, so we do not see any risk, the projects are monitored directly by REC because they are under Prime Minister, Vidyuti Karan Yojna they call it. They are monitored by PMO, MOP, and all Central Governments undertaking are involved. There is nothing to do with the state. We are not dealing with any state body there.
- Ranjit Shivram:** And in terms of execution?
- P.P. Gupta:** All with REC. The state body is only over viewing it as a part of the committee, which is added by CEA/Central Electricity Authority. With now Kashmir becoming a Union Territory even those fears are out that local factor can hamper it.



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- Ranjit Shivram:** Okay and given the Rs. 3000 Crores of order intake guidance you have given for FY2021 if I have to look at kind of an EPC revenue, so 2000 kind of revenue will be possible?
- P.P. Gupta:** It will be 2000 plus for 2021. That is what I have been saying that 2021 will be our peak performance. Out of the previous performance I would like to say that.
- Ranjit Shivram:** Again the margins will have given the mix of the smart meters and all will there be at least 100 BPS reductions in the overall margins or are you confident in that also 15% margins will be possible?
- P.P. Gupta:** It should be possible Sir will make up some where here and there and keep the overall margin levels to be same, EBITDA should be no less than Rs. 500 Crores in 2021, we are committed to guidance given and we are hopeful of achieving it as in the current year we gave a guidance of 2500 to Rs.3000 Crores of order book, God has been kind and we feel blessed to be on line to achieve it.
- Ranjit Shivram:** Anything on the wind asset? How is the performance and is there any clarity regarding our, we were looking at selling that?
- P.P. Gupta:** We still continue to look for selling it Sir, but these assets as of now, they give us income of no less than Rs.60 Crores every year. REC regime is back in force as I shared with you despite floor price of Rs.1000 we would not be surprised if we see by yearend it is Rs.2000 per REC, so all these augments well for us. We will continue to hold and remain with it till it is rewarding, but if some investor gives us a better price why not it is definitely not our core business otherwise, it will always be EPC and PPP.
- Ranjit Shivram:** Lastly what kind of tax rate we should assume for this full year FY2020?
- P.P. Gupta:** 25 to 25%.
- Ranjit Shivram:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanian from Organic Capital. Please go ahead.
- Venkat Subramanian:** Thanks for the followup opportunity Sir. You have been waiting and you have been kind of the guiding that Electricity Act is getting revamped and then it will throw a lot of interesting opportunities and from all reports it is fairly close by, as somebody who has probably the best balance sheet in the industry, you probably will have some fund based opportunities here so are we pursuing it and what your take on this Sir?
- P.P. Gupta:** I am sorry Venkat, you know it. I need more money from you and more like ICICI Pru who have trusted us all through that will be a great opportunity. I can tell you the day these DBT happens in the tariff policy. DBT I mean Direct Transfer of Benefits to the consumer and tariff becomes lot



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simpler and it will reduce by no less than 50% to larger consumers, otherwise power is the only commodity in this country as you know, which is most painful, if you buy more pay more as a unit rate also otherwise wherever you go today buy one, one free, which is the about the case in power. So that is the kind of reforms we are looking in for sector and if this happens, all off grid power which I have seen talking, which many of you may not know all will come on grid and this captive power and DG sets will be a history like China in our country also. Nobody will need it at zero level, why have a DG sets when stable and reliable power is, every of life in the country, which is a minimum obligation, any distribution company should owe it to its customers to consumers as a fundamental right, constitutional right, but these days are to be experienced Sir, for me it is a dream happening reality, so I am sure like Electricity Act brought one status to companies like us if this happens, somebody in the country Sir, I can only assure you that so investments will be away of life.

Venkat Subramanian: Indicatively Sir if you can just give us example in terms of we can potentially be ready for let us say about Rs.5000 Crores investment given aside, given a potential leverage, what kind of investments can we do and what kind of possibilities exist just indicatively?

P.P. Gupta: Sir the question is it depends on how reforms happen and how they are grouped and timed like minister is using many kind of English, when he says there should be a supplier, generator suppliers, but wireman continue with these hopes for some more time, it means he wants to segregate reforms in phase, not in Holdco at a time. Even that is good for us to honestly so that itself will be in the lot of EPC and PPP business to begin with. But definitely once wireman offer is given up by this DISCOMS, a lot of technology and improvements will happen at the last mile delivery also to the consumers in terms of networks. So that will definitely consume investment to the extent of Rs. 5000 Crores. So I would not like to for a company like me, please.

Venkat Subramanian: The example that you gave is more for EPC opportunity but as a fund based investment opportunity and possibly annuity business or possible trading business etc., what opportunity can something like this throw up?

P.P. Gupta: Sir like you take transmission itself presently this itself now the grid way as it is happening, these opportunities at ISDS level, I am using the word or creating a green corridor itself will be no less than 1 lakh to 1.5 lakh Crores, Rs.12500 Crores into 10 times between you and me. Similarly, in distribution that the investment we required at the country level to my mind will be no less than may be 2 to 3 lakh Crores all over India. Like smart metering you take now. In Smart metering you will have to do 250 million it is a Rs.10000 per meter so it is 2.5 lakh Crores involvement at a country level. So these are very large programs, and you can buy it as aggressive you are, but that for rather you know Techno is not aggressive, Techno is conservative. So we will definitely do investments but to our ability but you can expect at least above Rs. 10,000 Crores will be the opportunity level in the next two to three years with this happens.

Venkat Subramanian: Interesting Sir. That is what I wanted Sir. Thanks a lot.



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- Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi. Please go ahead.
- Riya Mehta:** Thank you for the followup question. Actually I wanted to understand that FGD industry should give me some brief idea about how it works and where are we currently and what are the scenario?
- P.P. Gupta:** Madam you visit us. It is a huge industry. We have 200 gigawatt of thermal capacity in the country, which needs treatment of FGD to bring exhaust or emission as acceptable globally on NOx level as well as on the sulphur levels. So that is FGD. FGD is basically a solution to regulate emission at NOx and SOx level. That is what we say. The capacity in India to be fitted with these solutions is 200 gigawatt as of now the orders which may be in market which are awarded is about to my mind 30 to 32 megawatt. Lot more is yet to be done as per as the government, these programs are to be completed by 2022 as per present norms, which may be further extended by a year or two. Or lot more captive powers still not away of life because it is a capex, large capex at cost so if power reforms happen may be captive power may not be required even in future or it may be very limited use. So we are yet to see how these things reconfigure post electricity at amendment or power sector reforms as implemented by the government and talked by the minister loudly in last three months post election. The sector is full of excitement now.
- Riya Mehta:** In this FGD, we are L1 I missed your statement?
- P.P. Gupta:** We are only L1 which we have bagged and awarded is Rs. 300 Crores as of now.
- Riya Mehta:** Lately we do not see any awards or tenders of any of it Sir?
- P.P. Gupta:** No. In this month I said like NTBC will come up with lot four and five, which will see another Rs. 15000 Crores opportunity and we expect to book the order of 500 Crores in this out of this only Rs. 500 Crores because we do not want to overdue. I have always talking. More people are died out of indigestion and nor out of hunger. So book as much you can eat and digest.
- Riya Mehta:** Yes, in the current scenario. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Suraj Sonulkar for his closing comments.
- Suraj Sonulkar:** Thank you on behalf of Asian Market I thank everyone for joining this call and special thanks to the management for taking out the time and sharing the views about the company performance and industry outlook. Sir would you like to add some closing comments?
- P.P. Gupta:** I will like to thank all of you for joining the conference with us, leaving the marketing times, and markets behind too. In case you have any query related to our performance, please drop a mail to us or visit or website and if you happen to be in this part of India please do, do, do, drop in our



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office and interact with us and see how we work as a team on the ground. So exciting times are ahead and we look forward to your greater support. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Asian Market Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.