



“Techno Electric & Engineering Company Limited
Q2 FY2020 Earnings Conference Call”

November 14, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Techno Electric & Engineering Company Limited Q2 FY2020 Earnings Conference Call, hosted by Asian Market Securities Limited. As the 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 “*” and “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhanian from Asian Market Securities. Thank you, and over to you Sir!

Amber Singhanian: Thank you Liza. Good afternoon everyone. On behalf of Asian Market Securities, I welcome you all for 2Q FY2020 earnings conference call for Techno Electric & Engineering Company Limited. We have with us today, Mr. P.P. Gupta, Chairman and Managing Director, Mr. Ankit Saraiya, Director of the company 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 Amber. Very good afternoon to all of you. I welcome everyone to discuss our results for the quarter ending as well as half year ending September 30, 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 company faces and the industry experiences.

Let me quickly highlight our performance which all of you must have seen by now. For our performance highlights, first we had take up the quarterly performance. The total revenue in Q2 stands at Rs.263.76 Crores and is up by 15% Y-o-Y. This consists of revenue from EPC at around Rs.203.83 Crores up 514.95%. Revenue from wind segments stands at Rs.59.92 Crores up by 15.2%. EBITDA for the company stood at Rs.98 Crores up by 41%. Operating profit for the EPC segment for the quarter stood at Rs.42.35 Crores up by 102% Y-o-Y. Operating profit margin for the EPC segment for quarter is at 20% plus. Operating profit for the wind segment for this quarter is up by 15.1% Y-o-Y and is at 55.69 Crores.

The other income is at Rs.11.20 Crores. Our interest cost was down by 64% to only Rs.1.5 Crores as most of the loan stands repaid last year and by now we are fully debt free both on long term and short term. PBT for the quarter stands at Rs.97 Crores up by 46% and profit after tax is at 90 Crores plus up by 68%. This was due to higher PBT at lower tax rate as we



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have adopted the new tax rate as announced by Finance Minister recently. EPS for Q2 FY2020 stands at Rs.8.20.

Looking on the half yearly results, the revenue stands at Rs.501.24 Crores, which includes EPC revenue of Rs.407.25 Crores. The revenue from wind segment is at Rs.93.99 Crores. REC prices continue to be robust and raise due to limited availability, it is almost trading at premium of 70% above the floor price. EBITDA for the company stands at Rs.166.8 Crores. The operating profit for the EPC segment is at Rs.81 Crores compared to Rs.89 Crores last year. Operating profit margin for the EPC segment is at 19.93% comparable to last year. The operating profit for wind segment is up by 10.5% which is about 92% of the total revenue. Our interest cost is down to Rs.2.82 Crores as most of the loans were repaid last year and today we are fully debt free both on long term from working capital loans.

The profit after tax is up by 17.81% and EPS is at 12.83%. The current investments value including our investments in our subsidiaries and associates we had, these are around Rs.650 Crores. Our order intake for the last six months in the current fiscal is around Rs.1500 Crores approximately and unexecuted order book stands at around Rs.2700 Crores. We are L1 in 1GIS package with power grids for Rampur and Sambal projects, which we have won under TBCB bidding an order is expected shortly. The value of the work is about Rs.300 Crores. We are participating in multiple FGD project for various states and central government undertaking. We expect to at least book one more order in this scheme. We are already participated in this project for Rajasthan. The tenders for Chandrapura and similar size projects is already in the market.

We are further confident to book orders for almost another Rs.1500 Crores during the year thereby achieving an order book of Rs.3000 Crores as in the beginning of the year.

Outlook, we expect major reforms in the power sector in the near future. I trust this is the sector for this year and in the coming years. We are eagerly waiting for a new tariff policy which will have subsidy in the DPT route.

The power suppliers will be in place whereas DISCOMS may continue with its monopoly in the meantime. The government will continue to encourage and create transmission infrastructure matching with the renewable power. Already it has been approved for 150 gigawatt, out of which 50 gigawatt stands bidding the next round of 50 gigawatt in process and last 50 gigawatt will happen in June 2020. All these projects are to be completed by December 2022.



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The five year power vision program has been drawn, which can be seen on the CA and Ministry of Power websites. This strongly augments for the sector for coming years. As per the notification of the government, all thermal plants need to limit their sulphur emission. Various state electricity boards and private sector projects have also formed up plans by the FGD other than the very utilities in the center sector

The program of about 35 gigawatt is in implementation. The overall program of the government is to complete this program by 2024. With the implementation of the power sector reforms, many new opportunity will be launched, one among there is smart metering, another Smart Meter National Program we aim to replace conventional meter with smart meters, which are intelligent and are reportedly operating. The government scheme is to install 250 million meters by 2024. In the coming years, we see strong power sector reforms with focus on efficiency stable and reliable cost, particularly to industry. Cost of power and improvement of overall financial.

The focus will continue strongly on generation side of the renewable power with related transmission infrastructure as we corridor. The transmission infrastructure is required for 500 gigawatt of renewable power over next 10 years. We will continue to focus on our EPC at BBB business in PND segment and also the opportunities available in the relative sectors of generation and distribution of power industry. Our trust on overseas market is also getting results. We have booked one order of \$10 million recently we are hopeful of the further orders on the market of TDR and Afghanistan. With this may I now request for your questions or clarification on more details on any part of our working or performance. You are welcome to ask questions.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Ranjeet Shivram from ICICI Securities. Please go ahead.

Ranjeet Shivram:

Hi Sir. Congrats on a good set of numbers given the overall slowdown and the macro challenges. Sir when I look into you annual report and look at the investments, there are certain exposures to DHFL and other papers. So can you give some clarity like what is the status of that, will we be providing for these exposure or are we completely out of this?

P.P. Gupta:

You see I had clarified possibly my last conference call also. Firstly we do not own these bonds directly. They are part with us as a part of the PMS program carried out with reputed entities. Earlier we had IF&LS which were replaced by DHFL. At that time they were doubling believing they will continue to be sold and ultimately if restructuring of DHFL



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fades or do not happen or any kind of concern happens, we will be definitely getting that replaced with the other bonds or may be liquidate it by our PMS entity. So there is no risk on Techno as far as the all these challenges associated with that market as of now.

Ranjeet Shivram: But Sir our question is that we have invested in these entities through this PMS but if this entity itself are unable to pay them back, so they would not be able to pay as back through then we will have to take a provision for that. In that context we were asking?

P.P. Gupta: So we are very confident that situation will not arise, that is not the reason, our relationships are 10 year plus, these challenges are not new like IF&LS have been fully replaced. So why we should suspect DHFL will not be replaced. But yes we have learned many good things out of this journey and they will all be part of our future investment process. We will definitely be balancing risk and demand more in the trust of our investors and company.

Ranjeet Shivram: Okay. Coming to the normal business like last time you were given us an order intake target of Rs.2500 Crores for FY2020. So are we inline to achieve this or is there any changes in that given the overall scenario?

P.P. Gupta: So we are on track and we may better it as I stated already in my earlier remarks. We have already booked business of Rs.1500 Crores already and we are L1 in Rs.300 Crores. So Rs.1800 Crores is already on track. We are expecting to book at least one more order of MTP for Rs.350 Crores and similarly there will be lot more opportunities in transmission business also rather we are hopeful now that it may go to Rs.3000 Crores by end of year.

Ranjeet Shivram: Okay and this IPD as of Srinagar City, we were targeting from Rs.430 Crores, so there is one more tranche which is yet to be ordered out right?

P.P. Gupta: Right absolutely.

Ranjeet Shivram: So we do not see any margin impact due to this smart metering and other thing because these are not our core area of expertise?

P.P. Gupta: Look Techno is basically a solution company in power sector. Yes you may say we need to do some projects before we can say it is our core competent but related competencies are more than what market entities or our competitors may be to have because we are not getting into particularly a meter subline, we are getting into a metering solution business. So these have different involvement and lot more involvement beyond meter also like competition, IT, MPM and holding like IT solution. So we will like to be part of the



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emerging IT application in power sector and we believe this is beginning in that area and we are fully cautious of the requirements and in the past we have delivered very efficiently.

Ranjeet Shivram: Okay and Sir this Rs.300 Crores of power grid is it the part of green energy corridor or is it normal projects from power grid?

P.P. Gupta: It is a normal project in power grid in UP, but it is a PBCB package, which they have won under competition and we were the pre-selected partner for this project.

Ranjeet Shivram: So this has nothing to do with green energy corridor?

P.P. Gupta: Absolutely, you are right.

Ranjeet Shivram: We had shared revenue target for FY2020 EPC at 1300 to 1400 Crores. So we are still on track for that?

P.P. Gupta: Yes. I think 1250 or 1300 should be achievable. Now you see with business next two quarters will be getting more income but definitely larger momentum you will see in the last quarter because all these projects which are now that we are with the compression only, both from power grid and private players like Adani and others so we are fortunate that 1250-1300 should be achievable.

Ranjeet Shivram: Next year we can double from there because we will have a very strong order book?

P.P. Gupta: Not double, at least one and a half times. 50% yes, around Rs.2000 Crores I am talking to you. We will try to achieve, 2021 will be the peak performance delivered by us so far.

Ranjeet Shivram: Okay and what is the status of this green energy corridor ordering, are they going or are they slowing down?

P.P. Gupta: No it is going, now rather going strongly, 50 gigawatt is already completed first part, second 50 gigawatt is in transaction phase which should be over by March latest or earlier and another 50 gigawatt by June 2020 as I said. But completion of all these projects will be over by the December 2022. So we are not getting execution period of more than 15 to 18 months in these projects.

Ranjeet Shivram: In our order guidance of Rs.2500 Crores to Rs.3000 Crores we are factoring in green energy corridor orders booking in the second half that means by Q4 we should get orders from there?



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P.P. Gupta: No in the first half out of this Rs.1500 Crores, Rs.1000 Crores is out of green project only. So that is already booked, which we have to complete by December 2020 or March 2021, so all these are on track already.

Ranjeet Shivram: Sir if we can get some more color on this Leh Ladakh, which is a big opportunity everybody is highlighting, so what is your sense on that? Will we have a play in that project?

P.P. Gupta: Absolutely. We have travelled that area along with REC and seen the valley closely. We will be part of the package of that transmission site, but definitely it is a larger opportunity for line people, but stations also will have some scope, so we are part of it and we are on track.

Ranjeet Shivram: What stage is that? When can we expect ordering from that?

P.P. Gupta: It is on the tendering stage now. First set of tenders have come out. I think the ordering should be completed by March latest for the first level of infrastructure required in the Ladakh, but definitely Leh Ladakh is a huge area beautiful area. Seen to be believed. I have been there personally recently, so we are also excited like rest of the industry. Let us see how it goes.

Ranjeet Shivram: Sir thanks. I will join for further questions.

Moderator: Thank you. The next question is from the line of Priya Mehta from Anand Rathi Financial Services Limited. Please go ahead.

Priya Mehta: Good afternoon Sir. Sir actually I wanted some more color on the green energy corridor, so like you had just mentioned that 50 gigawatt will be awarded by March and another 50 gigawatt will awarded by June 2020 so could give in value terms what will be value of each of them, tender size?

P.P. Gupta: This each 50 gigawatt is around Rs.25000 Crores as involvement. It is has about 40% of station content. Line content is relatively small, so the overall package value also because we are trying to use more of the existing value and only the last mile connectivity is being built as new line or where congestion is there, very congestion area otherwise. Otherwise, transmission system is not built at 50 lakh megawatt. It is generally around 1 Crores plus by and large. These are 25000 packages each with substation component of Rs.10, 0000 Crores. Now the green corridor will involve Stack com packages also. Stack com packages, which we did recently for Godrej. We have delivered about 5 megawatt from stack com in



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the last two years very successfully, so they will also have a place. These are largely high end solutions 760 kV, 400 kV stack com, so we are quite excited about it.

Priya Mehta: If you can give more highlight on the orderings of PDCL and PSTL all we have thought that lately in Q3 we are going to see the orders coming for domestic TND so where do you see it is going to come from apart from the green energy corridor? Do you see any state ordering tendering or how is it?

P.P. Gupta: By and large I think you must already participated in the PGCIL con call also, unlike earlier the TBCB content is now 80% and mandated program is 20% to power grids, but power grids always wins around 40% of that TBCB packages also, which means let us hope the business will go to private sector like Adani, Sterilite or the new power scheme to be brought out CLP so some new players will definitely merge in this way forward, so we are collaborating with most of them. It is increasing our customer base. Earlier it was largely power grid so now we have the Adani and Sterilite.

Priya Mehta: No Sir actually wanted in terms of kV like how much do we see and from where like if the proper tender wise if you have any details you can describe, but where you are seeing the major tenders coming in from or where the traction is?

P.P. Gupta: They are described differently. Each station is around 2 gigawatt to 5 gigawatt in size. They are huge size. There is a lot of reactive load and balancing active loads, carrying capacities, so I think you visit our office so we can brief you on the technical parameters so that today's meeting you can focus more on financials.

Priya Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Vivek Ganguly from Nine Rivers Capital. Please go ahead.

Vivek Ganguly: Thank you Sir for the opportunity. I have two quick questions. One in the notes you have mentioned that of the energy revenue the wind power revenue Rs.23 Crores was for late payment, so should we consider the net revenue as Rs.59 Crores minus Rs.23 Crores for the tariff and the second one is of your receivables how much of that would be attributable to the wind energy space and how much would be to your EPC space?

P.P. Gupta: We are in a region called APPC plus REC and APPC is defined year-on-year so it is not a fixed revenue agreement with the government, number one. Number two all these revenues are always subject to regulatory reviews and updates. We have one case, which entitles us



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additional revenue of Rs.54 Crores, which yet is not part of our books, but the DISCOM has preferred to go for appeal in the Supreme Court. So something or the other will continue even the present tariff, which minimum is approved by the regulator, we have billed on, but we have challenged this tariff also, so it may also go for a review so bringing additional tariff. Similarly REC prices also keep fluctuating as it is discovered on the sitting that we have won, so I will overall say that we should be earning a revenue of Rs.100 Crores a year that is our business target out of this capacity we have by and large, so that is not a challenge.

Vivek Ganguly:

On the receivables front of the Rs.640 odd Crores how much will be attributable to EPC and how much to the wind energy space?

P.P. Gupta:

The wind energy is fairly large because our larger capacity is in Tamil Nadu so it almost Rs.166 Crores is due from Tamil Nadu you can say out of which this interest is time bound payment now, which we have booked. They were not honoring the PPA and the PPA titles have never come out, but finally the agreed formula with the utility and regulator is 6% interest only for the delayed payment having an entitlement of 12% in the PPA, but they are obvious that this payment will be made by 15th.

Vivek Ganguly:

Going forward Sir do we see the receivables from Tamil Nadu SEB amongst others again coming back to a normalized level of the rolling basis or you will expect this to continue to be at an elevated level because we have been hearing that lot of the government either they are not paying up or they are going in for a review of the PPA and so and so forth so there is a lot of flux so to say?

P.P. Gupta:

Sir firstly whatever are these debtors they are coming because of PPA refutes. They are committed payments, number one. That is how what we take in our books only committed basis, so in our case there is no reviews pending other than, not on the lower side number one. Number two we are hopeful that the central government will come out with a package, which will likely strengthen most of the DISCOMS not only Tamil Nadu, but definitely Tamil Nadu is the largest concern than other DISCOMS like Maharashtra or UP, but I am sure this should normalize, that is our wish and hope. If reforms have to be made in power sector, DISCOMS have to be financial healthy and stable.

Vivek Ganguly:

While it has piled on to Rs.160 odd Crores have you been receiving any payments even part payments or is it like zero payment status and because of which it has piled up to approximately 18 months?



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- P.P. Gupta:** It is almost 18 months you are right, but includes payment on account of REC and GBI, which we delayed intentionally to realize more value out of that, so you always get more value of REC in the last quarter of the year. Then obligatory is the entities are under tremendous pressure to comply with and in earlier years if you sell you will get only the floor price or closer to floor price, so we have been holding. This also includes about Rs.40 Crores of such revenue, which we are confident to realize before March definitely, but some payment from DISCOMS should also happen. So out of these minimum Rs.65 Crores will definitely be liquated even if we get no money from DISCOMS.
- Vivek Ganguly:** Thank you.
- Moderator:** Thank you. The next question is from the line of Darshan Mehta from Ambit Capital. Please go ahead.
- Darshan Mehta:** Thank you Sir. Thanks for giving me the opportunity. Sir just wanted to understand from you like what could be market size for this domestic FDGs program and how much time does it take for execution to happen Sir once we bag the order, so how much time does it take for the whole execution to happen and what is the payment cycle generally?
- P.P. Gupta:** You are asking a very generic question, but let me try to help you, which is known to most of your colleagues. The total 200 gigawatt is to be retrofitted with FDG, number one. Number two the cost of this FDG solution lies on the size of the unit and configuration of the unit whether it is 250 or 500 or 660 and how many multiple of that. On an average, you can say it is around 40 lakh per megawatt so this total market size may be around about Rs.75, 000 Crores to Rs.80, 000 Crores as a market size and out of which we would like to address around 2% to 3% as Techno Electric, but larger role will be played by boiler manufacture BHEL, General Electric or may be Thermax, L&T they are strong players with this segment.
- Darshan Mehta:** Thanks for sharing that. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajendra Mishra from IDFC Mutual Fund. Please go ahead.
- Rajendra Mishra:** On this projects in the green corridor and FGD projects how is the competitiveness and how are the margins that we could assume and how is the competition like in terms of bidding and all both across green corridor and FDG projects?



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P.P. Gupta: Competition is of very different nature number one and number two also in terms of the quality is very distinctive I will say. In transmission definitely competition intensity has always been stronger than FGD. In FGD, the players are more jeopardized and stronger and they understand long term involvement because every solution takes about three years. In transmission product guys also compete for projects like ABB or Siemens or GE believing that they have to book some capacity to keep their shop floor going, but largely solutions involved are high end so the competition is among no more than four to five entities by and large. It is competitive, but not unhealthy I would say that.

Rajendra Mishra: How are the margins that one should assume across?

P.P. Gupta: Margin is a very organization specific exercise. If you do projects with great care, due diligence, and realize what is entitled to you under the contract and you are not over chewing then definitely you should make at least 10% if not 15% and secondly the cost of deliverables also is important in every area, so your own discipline, integrity, and schedule. Your cash flows of paying to suppliers so all that matters a lot in achieving economic that we have achieved successfully, so we have outperformed and you can trust Techno for long term.

Rajendra Mishra: Sir one more thing if you could share an update on the working capital? How is the working capital as of now?

P.P. Gupta: As far as we are concerned, the total working capital involves in EPC business of Techno is no more than Rs.200 Crores as of now. So by and large we are able to have a good discipline in the company, good collection from the customer, and achieving milestones in time. With non-fund support we are able to by and large meet all our obligations. Stress on progress, completion and closing is very high, so we are quite financially as I mentioned to you probably we can say with more satisfaction or pride that today we are totally debt free company. Not even working capital debt is there.

Rajendra Mishra: In terms of days, how will this Rs.200 Crores translate?

P.P. Gupta: That you take about 120 days by and large as receivables?

Rajendra Mishra: Which is a normal range that we normally work with?

P.P. Gupta: Yes. Two months to two and a half months maximum.



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- Rajendra Mishra:** Last thing Sir on the wind segment revenue, which is at around Rs.59.9 Crores revenue this quarter so what should we take for the year?
- P.P. Gupta:** Rs.100 Crores.
- Rajendra Mishra:** Rs.100 Crores of wind segment?
- P.P. Gupta:** We have already built Rs.93 Crores. If you see for half it is Rs.92 Crores to Rs.93 Crores, it is a seasonal. Wind is a seasonal industry. By and large it is over, so I do not think we will make more than Rs.10 Crores to Rs.12 Crores more during the year.
- Rajendra Mishra:** This is corresponding to how much megawatt in operation?
- P.P. Gupta:** We have 130 megawatt in operation, so we generally make around Rs.75 lakh to Rs.80 lakh per megawatt as value.
- Rajendra Mishra:** Any plans to monetize this?
- P.P. Gupta:** Absolutely as I have been always saying that we want to monetize, but we still have no hunger to monetize fast because this still gives us almost about Rs.60 Crores post tax bottom line so it is a well deployed money and with this asset we are able to source lot of transmission business around it. We are more legitimate entity in the green corridor because we also have a green power capability on the generation side.
- Rajendra Mishra:** Great Sir. Thanks and congrats on a great set of numbers and a very good balance sheet. Thank you.
- Moderator:** Thank you. The next question is from the line of Gautam Gupta from Nine Rivers Capital. Please go ahead.
- Gautam Gupta:** Good afternoon Sir. Thank you for the opportunity. Sir I had a question on the ABCV project so we have the Kohima project, which is undergoing, so we got the project from Sterilite last quarter and you just announced the project right now in UP so what will be your equity investment, which is pending in Kohima and is there any equity investment for these projects as well?
- P.P. Gupta:** In Kohima there is a pending investment of about Rs.30 Crores. We are yet to inject, secondly as far as Sunlight or Adani project, we are doing they are all EPC. Although they are talking to us to take some equity stake, but that is not finalized as yet.



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- Gautam Gupta:** Understood. Thanks Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Venkat Subramanyam from Organic Capital. Please go ahead.
- Venkat Subramanyam:** I have a couple of general questions. A lot of competitors in our field are neck deep in working capital issues while we are almost debt free even without working capital how is it we manage it and how do you differentiate Sir?
- P.P. Gupta:** Venkat this question is age old. There is no perfect answer to this question. You have to be on your toes all the time and be disciplined and meet your full delivery with commitments, strong emphasis on contract closing and completion. It is engraved in Techno's DNA now and everybody knows what is expected of them. So far so good Sir.
- Venkat Subramanyam:** Secondly you have been hinting over the last few conference calls about possible changes in electricity and we saw some recent interviews from the minister where he has also openly now started talking about it? You think it is around the corner you think there are much better days ahead?
- P.P. Gupta:** I am not a politician by background. I am a Technocrat power professional. I can sense things in the direction they are happening, but how politically they are committed and what is the timeline of these agendas to be implemented over other agendas of the government they will be very speculative Sir, but definitely I will trust power is one area, which will see better days and much better days we have seen never in the past. I am very confident of that now. We are very around it and very near it.
- Venkat Subramanyam:** One question actually that is more Techno specific, in our quarterly numbers when you compare consolidated versus standalone for last year, in other income, there is a difference of almost about Rs.11 odd Crores, so when you compare for instance consolidated other income for the current quarter versus comparable to previous year quarter, we are lower by about almost Rs.10 odd Crores anything specific there Sir?
- P.P. Gupta:** Sir to be honest with you seeing the challenges all around in the debt segment in the market we are extremely, extremely conservative in booking this income. We wait for a little more and see the clarity. So far we are entertaining this income strictly on cash basis and not on accrual basis, so whatever I have got in cash, I have considered it. So whatever we accrued is not considered.



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Venkat Subramanyam: Right and lastly a few months ago there was some newspaper item about our issues with Khaitans with respect to some exposure to McLeod Russel, would you want to throw some light on it Sir?

P.P. Gupta: I told you Techno is out of it. Although when we invested this ICD in the month of September 2018, it was a AA rated company, so my daughter's in-laws were keen to grow their business by acquiring more gardens and they were to take that possession in April so the money has been replaced by Techno stands paid by them and since agreements are in the name of Techno, so Techno is pursuing with Khaitan's for the recovery of the money on behalf of my larger family, so that should happen any day. They are everyday coming out with some proposals, so I am sure it will be completed before the end of this year.

Venkat Subramanyam: So we are totally secured on this?

P.P. Gupta: We already repaid Sir. You can see the September balance sheet. Our exposure is nil on this account.

Venkat Subramanyam: Understood Sir. Thanks a lot Sir. All the best.

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

Amber Singhania: Just a couple of questions from my side. One on the EPC side in the last two quarters, we have seen significantly better margins coming in to the tune of 19% to 20% in both the quarters, so just wanted to understand is there any one off order, which we are executing, which has as very high margin or is this the new normal going forward? What exactly is your view on this and how should we read it for the future numbers Sir?

P.P. Gupta: Our guidance will continue to be 15% plus or minus. These numbers are a little higher only because we are doing our boot project of Kohima out of which we have booked around 50% revenue by now and another 50% will happen in the next quarter, majority of it and the residual will be last quarter. The project is to be ready for charging by March end. Our schedule of this project is made, but we will keep it ready two months ahead. That is one area, which is contributing. The number two is the commodity cycle has gone down as you can see. That has also improved some margins by 2% to 2.5% so all commodities different prices are also altering because of the lack of business with them. It is multiply adding I would say, but largely because of our Kohima boot project.



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Amber Singhania: Sir would it be fair to assume that the coming two quarters also the margins should be better because we will be executing Kohima for another two quarters?

P.P. Gupta: No Sir because in the next two quarters, the Kohima content will be no more than you can say 15% to 20% whereas in these quarters it is almost 30% to 40%. It will not be like that.

Amber Singhania: Secondly Sir on the wind side if I remove this Rs.23 Crores of TNEB order then our revenue stands at around Rs.36 Crores and the EBIT comes in at around Rs.22 Crores, so is there any revision in the tariff, which has happened or is it because of the low wind condition we have generated less? What exactly is this reason because last year we did around Rs.52 Crores of revenue and this year without TNEB one time income is around Rs.36 Crores so if you can just give some light on that Sir?

P.P. Gupta: Amber this is a tariff challenge basically. The generation is around 3% to 5% more than last year. Our tariff has gone down by almost 30%. In APPC, they fixed tariff year-on-year and Tamil Nadu was one state, which attempted to cap the APPC tariff by linking to the preferential tariff so we have already won a case up to March 2018 with entitlement of Rs.54 Crores additionally, which is not yet part of our books, but the customer the TANGEDCO has preferred to go to Supreme Court. Hopefully the case will not be admitted, but even the present tariff, which we are getting is again a matter of dispute so if we get some relief then further billing will happen, so all these variations happen because of the tariff numbers Sir.

Amber Singhania: Approximately Sir what is the tariff now per unit wise roughly?

P.P. Gupta: It is generally Rs.2.15 paisa we are getting as of now, which last year we were getting Rs.3.11 paisa and the APTEL approved for us Rs.3.90, so Rs.0.80 paisa revenue is in dispute in the Supreme Court and Rs.2.11 paisa to Rs.3.11 paisa is in dispute in APTEL.

Amber Singhania: Got it Sir. Secondly Sir you mentioned in your opening remarks about some \$10 million worth of international order if you can just give some more color that what exactly is that order and what is the status of Kenya and Afghanistan orders now?

P.P. Gupta: This is a station we are creating in Towo. If they agree to fund this project and it is two number station of 132 kV and we have to complete in two years. It is a French speaking free condition and WABCO is our consultant here from India. This is regarding this new order. Kenya is progressing. Earlier there was a treat from China that whether Kenya would like to buy from China or India, but now it is more or less concluded that it is India. One team from November 20, 2019 to November 23, 2019 to Nairobi. In their agenda, they have



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included this project also as showcasing. I am sure Kenya should be frozen by March. It has gone through a lot of challenges or may be December itself so we will definitely get the Kenya order, but there are good opportunities in Afghanistan so we should be getting more of them. We are keen to grow the export business but guardedly unlike transmission like companies. We would like to enhance export business more than 10% to 15% of our top line. We are still largely domestic business A1 Company.

Amber Singhania: Sir just two small clarification is as you mentioned on the green energy corridor 50 gigawatt is already ordered, which is roughly around Rs.25000 Crores? Sir as far as I understand it is just Rs.9000 Crores of TBCV has been awarded is it correct Sir and rest the Rs.14000 Crores or Rs.15000 Crores could come in this year or it has already been awarded?

P.P. Gupta: No. I was giving you the numbers that how much a 50 gigawatt is priced for that was the question asked. Here I said that 50 gigawatt is generally around Rs.22000 Crores to Rs.25000 Crores, which comprise of two components one on the TBCV model and one mandated program to Power Grid. Both components are part of this gross numbers. Out of the first lot you see the mandated number to Power Grid was about Rs.5000 to Rs.6000 Crores and another Rs.12.5 Crores to Rs.13000 Crores was in the bidding. Out of which Rs.9.5 Crores or Rs.10000 Crores is already concluded and another Rs.2000 Crores will be concluded in this week or next week. RAR pending only in one or two pockets, this is the first 50 gigawatt because that has concluded now. Now they are starting floating tenders for the next 50 gigawatt also next batch of 50 gigawatt out of which around Rs.5000 Crores will be mandated program to Power Grid and another Rs.50000 Crores will be in TBC. It is now 80:20 by and large. So 20% is mandatory and that 80% is in TBC. Out of TBC with power grid should win around 35% to 40% successfully.

Amber Singhania: Got it Sir understood and Sir just one small clarification you mentioned roughly Rs.200 Crores is your working capital in the EPC business, so if we consider around Rs.1100 Crores to Rs.1200 Crores kind of revenue so that is roughly around 60 to 70 days not 120 days, which you mentioned so just wanted a clarity on that?

P.P. Gupta: In our business, I always explain we carry two types of receivable. One is the receivable, which is billed and due and one, which is to due to us that is called retention money. That is also around 10%, which is equivalents and you must take that equivalent to 10% of two years turnover in EPC. Today if I have done Rs.2000 Crores in two years that Rs.200 Crores is on account of the retention money and the balance Rs.100 Crores is on account of the RAB so that is how for Rs.1000 Crores you will generally see that our receivables is around Rs.300 Crores to Rs.350 Crores at best other than the wind receivables.



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- Amber Singhania:** Got it. Thanks. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Priya Mehta from Anand Rathi Financial Services Limited. Please go ahead.
- Priya Mehta:** Thank you Sir for taking up my followup question. Sir I would just like to understand that for the FGV market you said that each order is for some Rs.40 lakh odd, so in the total space what would our market share like be around?
- P.P. Gupta:** We will not aim for market share of more than 2% to 3%.
- Priya Mehta:** If you can just give on our macro scenario more insight on the industry how does it function and on?
- P.P. Gupta:** FGV is an industry, which largely belongs to boiler people because it is a boiler accessory. The very exhaust of boiler is treated in a reaction chamber and the residual gas of acceptable quality is again emitted to the atmosphere by another chimney other than boiler chimney. The process revolves around the reaction vessel. It is basically a kind of a process plant you can say. We are from some end of the reaction chamber mostly midsize space you inject the gas and if it is a wet line system you create a scenario of wet line. You inject the slurry from all the sides and slurry reacts with the gas and creates a gypsum, so that gypsum is dewatered, dried out and transported out for multiple uses like steam or other industrial applications so that is largely the process in wet which is applicable in 80% of the unit, but there is a dry process also and there are different other type of technologies also, which are straining in small capacities units. Please drop into our office. We will take you through the whole presentation and the type of technologies, processes and how relevant they are to different type of units 250 gigawatt, 260 gigawatt unit or 266 gigawatt unit, it is entirely different.
- Priya Mehta:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Amber Singhania for his closing comments.
- Amber Singhania:** Thank you Liza. On behalf of Asian Market Securities, 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 and also to give us the opportunity to host the call. That is all from my side. Sir would you like to add any closing comments.



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P.P. Gupta:

Amber thank you very much for so much of efforts you take every time to facilitate our call and I like to thank all the participants individually and together for joining the conference call with us. In case you have any queries related to our business, performance or governance please drop in a mail to us or if you are visiting this side of India you are always welcome to drop into our office. I would like to close the conference with this request and submission and I thank everybody for joining the call once again. Thank you very much.

Moderator:

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