



“Techno Electric & Engineering Company Limited Q4
FY2020 Earnings Conference Call”

July 01, 2020



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*Techno Electric & Engineering Company Limited
July 01, 2020*

Moderator: Ladies and gentlemen good day, and welcome to the Techno Electric & Engineering Company Limited Q4 FY20 Earnings Conference Call, hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhanian from Asian Market Securities Limited. Thank you and over to you sir.

Amber Singhanian: Thank you Steven. Good afternoon everyone. I hope everyone is safe and sound in this environment. On behalf of Asian Market Securities, I would like to welcome everyone for 4Q FY20 Earning Conference Call of 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 their finance and investor relation team. We shall start with the opening remarks from the management about the quarter and the outlook for the year and so on. And then we shall proceed to the Q&A session. Over to you sir.

P. P. Gupta: Thank you Amber so much. Firstly I wish each one of you to be safe, healthy. This year we can all dedicate to our families more than business. So very good afternoon to each one of you and welcome to discuss our Financial Results for the Quarter Fourth and Year-Ended 31st March 2020.

Anything said on this call, which reflects our outlook for the future or that could be construed, as a forward-looking statement and the same must be reviewed in conjunction with the risks that the company faces.

Let me quickly highlight our performance for the last year and Q4:

For the last year the revenue stands at 876 crores compared to 988 crores year-on-year. Revenue from EPC business is at 784 crores as compared to 879 crores year-on-year. Revenue from wind segment is at 91.8 crores compare 110 crores last year. EBITDA of the company stands at 216 crores, operating profit margin for EPC segment is around 140 crores compared to 153 crores last year. Operating profit margin is at 17.89% compared to 17.5% year-on-year. Operating profit for wind segment is around 75 crores, profit before tax is at 213 crores and profit after tax is at 177 crores. And the EPS is at 16.04. The current investment value which includes cash, cash equivalent as on March stands at around 600 crores.

Quickly looking on Q4:

Our revenue is at 114 crores, EPC revenue is at 119 crores, shrinkage is because of the wind segment, correction in prices of renewable energy certificates. EBITDA for the company is at 6.46 crores and operating profit for the EPC segment is at 15 crores approximately, the operating profit margin is at 12.5%. The other income is around 9 crores approximately and the profit after



tax is 3.25 crores. Our total order intake for the last year is 1600 crores and the unexecuted order book as of March end 20 stands at 2300 crores.

Multiple factors have impacted Q4 performance and overall the performance which is largely because of the COVID-19 and ultimate lockdown unfortunate lockdown which happened on third week of March and which still continues and impacting the business to the larger extent and in some states to a smaller extent I would say. Our endeavor will be to convert this order backlog into execution this year as much as possible, which makes up for the lost top line of the previous year. As well as we also achieve the desire top line of the current year, that will be our endeavor. We expect to make up at least 200 crores of last year lost top line. Basically, this impacted for two reasons:

Firstly, material worth almost under 20 crores could not be built as the same was either could not be dispatched or whatever was dispatched remained on road and could not be received at sites. So this impacted over the top line billing.

Additionally, our billing to Afghanistan project could not be made because of the closure of the projects. As the material goes via Pakistan and the consignments were put on hold from the very end of February, I'd say which continued as late as mid-May. So these, and thirdly the materials which could not be inspected in the various suppliers were also remained unsupplied additionally.

So, in all I will say the destruction of the planned top line of last year was to the tune of about 300 crores in all put together we were targeting 400 crores plus top line in the Q4 which ultimately narrow down to only 120 crores but gradually as situation is partially opened up we could achieve in Q1 of this year. Retrieve the loss sale of 150 crores of Q4 already and I'd say in rest of the three quarters we will definitely aim to achieve additional top line of no less than 1000 crores in EPC out of the unexecuted backlog. So, we are very hopeful that if you take this 150 crores as last year sale then definitely we are able to retain our top line of 100 crores. But if you take this 150 as a part of current year sale it's some relief. Additionally we also expect to book a similar amount of business of 1600 crores minimum, but we will know more precisely by the time we reach September end. Still a lot of uncertainty continues to prevail.

We expect larger business out of the distribution segment and pollution control segment in generating plants. We expect that there will be a slowdown in the transmission side. It will be limited to the evacuation of renewable power. There is an ongoing TBCB bidding for 50 gigawatt of renewable power. Against the bid submission dates have been extended to July. So we don't see that in execution these orders will happen prior to December end. So there was also a little setback in our case, because of non-handing over or delayed handing over of the site at Lakadia by Adani. That also deprived us of a top line of almost about 30 crores which was planned in the month of March. It is expected to be handed over any day and we expect to work on this project is the current year.



Apart from this, obviously you are reading in media that government is utilizing this opportunity also as reforms which are over pending, over due in the disguised name of Aatma Nirbhar Bharat. So, which is holding up the amendment to the electricity act, amendment to the tariff policy and elimination of gross subsidy, payment of subsidy directly to the power consumers and lot of planning is being made by CA to give a visibility over next five years. But at the end of the day, what gets rolled out will be more important to all of us that plant but we are very hopeful that this power sector is at a very critical juncture and something good should happen going forward.

Coming to the wind segment:

We are again facing head winds because of DISCOMs being poorer and by every passing day and not having money to pay. It has impacted not only the tariff, but also the payments to us. We hope to realize our pending payment of last two year out of the 90,000 crores package accepted by the Finance Minister through REC, PFC to the DISCOMs to pay to the generators of their dues. And additionally, unfortunately CRC has amended the REC policy also, where there is no more floor price and forbearance is at Rs.1000 only, we will definitely be legally contesting this policy both as the association as well as a group of major power generators in REC policy. And we are hopeful of favorable reviews at Supreme Court level as in the past.

The only positive side this year as we can see has been income tax sites where tax rates have been moderated. And we could, despite all this destruction of business in Q4 due to COVID-19 and lockouts and differentially practice in different parts of India. Our bottom line is more or less close to the previous year. That is mainly because of the tax rates being lower. We almost suffered in realizing wind power, revenue of about 20 crores as well as other income which we booked last year out of Bangladesh is off the books which is another about 45 crores. Similarly EPC business, we lost about 15 crores. So, all this put together we lost EBITDA of 60 crores, but we made up with income tax a gain of almost about 30 crores. And we are very hopeful to recoup, revive faster than many others because of many merits with your company, we have dedicated manpower at different pockets, all of our project sites are back to full life. We are employing about 12, 15 people now in different project sites. So, we are hopeful of, at progress in last two months or one and a half months is very encouraging.

Customers are highly satisfied, that is our office is presently operating at 50% capacity level, which we hope to improve to further 70, 80% as the local transport improves in the city. So, we this is the worst result of my career of 40 years in any given quarter, but I am very hopeful that this will remain a memory of the down a year but definitely I'll be able to share with more authenticity, the actual status by September end but, nevertheless we see this year acting as usual in the balance nine months we should be executing at least 50% of the order book in hand with us. All projects are in execution and are in full steam in field execution also. But challenges are there, but our team is very agile, very experienced in this business and cash is very supportive to us, liquidity is had with us.



We are very hopeful that all this setback will be forgotten or a memory of the past only and we'll be back to healthy operations and performance.

With this, I now invite questions. I'll be happy to address if anybody has any concern in this.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Sir my first question is pertaining to some clarification on the order book odd inflow numbers that you gave. So our order book is 2300 crores and inflows stood at 1600 crores for last year. Which means we did not book any order in 4Q correct?

P. P. Gupta: No, we booked only 100 crores. Mainly from Africa in TOGO and also from Adani's balance 30 crores and TOGO is \$10 million. In first quarter we have booked business for about 150 crores now already which we will discuss while discussing first quarter results, this is from PowerGrid. So, technically again a high-end solution project to make Northern Grid fault-free and also, we are in Ladakh area now, we are going to provide power in the Ladakh doing sufficient work there. So we bagged the contract from REC. REC, PDCL who are coordinating a project there. So we are all full off about 15, 1600 crores definitely. But, I will be able to further improve on this number by September end.

Sandeep Tulsian: Okay. And in terms of our revenue and margin target for FY21?

P. P. Gupta: It will remain more or less intact because whatever orders we have in hand if execution happens with no further COVID impact in future, which we hope is behind us, all of us. It should remain at 15% on an ongoing basis, and we should be able to execute at least 50% of backlog this year, out of which 150 crores we have already done in Q1. And the balance 1000 crores we'll be attempting in few quarters, as situation is getting normal.

Sandeep Tulsian: So revenues of about 1150 crores in EPC and margin roughly about 15%.

P. P. Gupta: Absolutely.

Sandeep Tulsian: Also, sir if you could share some numbers. Number one is on the wind business side, how much loss did we book in 4Q on this and what are the exact details versus downward revision of REC inventory that we are holding?

P. P. Gupta: Sir, as you know Techno underwent a merger process, diverse merger process. And in the new name the registration took a lot of time and we could get our REC physically issue to us only in the month of February. Till December we were booking the revenue as per the market rates on the power exchanges realized by the other dealers REC entities, which were on average Rs.1500 a REC, but in February when we went to sell, we realized that about 4 billion, 40 lakh RECs



have been issued to AP DISCOM. The total annual market size itself is no more than 6.5 to 7 million in India as of today. So, with that pressure of selling coming in the market, rates crashed to the floor price. So, we waited for that correction in the last quarter from 1500 to Rs.1000 and we could sell that Rs.1000 also in February and March, the RECs which were allotted to us. And we were also successful in getting a, this also became possible only by getting a stay order against AP DISCOM. That they have not been complied with the REC issuance process properly, which need to be reviewed by them, issuing authority namely and MEC. So, it is sub judicial at the moment.

Sandeep Tulsian:

So, sir what is the number if you can share, how much lot have you booked and what is the current inventory of RECs that we have?

P. P. Gupta:

Sir we have REC left in hand for about 40,000 as of now and loss booked will be about 10 crores out of REC and also another during the year over previous year if you compare there is a tariff loss also of Rs.1 a unit. So, which also get amount to about 20 crores So, in all you can say there is a drop of about 30 crores, but that tariff order also is being contested in APTEL for which relief is expected, but all these takes time sir in our country. So, someday that relief will come as it came last year for us, we got a relief of 54 crores for last five years pending revenue which is still contested in Supreme Court by TANGEDCO and we have not taken it in the books. So, there are lot of similarly, the issues with DISCOMs always remains in dispute or sub-judice what I will say, but at the end of the day, I will say that it's a struggle, but we will not be loser that's what I can assure you.

Sandeep Tulsian:

Okay. And my last question sir is on the boot project deals that we have done, if you could share now what is the cash that we have been able to realize and what was the profits that we have booked as onetime gains from these two deals?

P. P. Gupta:

Still it is only an agreement to sell. So, it is still not a part of the books. We have signed one agreement now with InvIT of Sterlite to sell our Haryana asset where we are 50-50 with Kalpataru. Our realization will be around 85 crores my part, Techno's part I am saying. Our investment was about 40 crores in that. So that way we get a cash of 85 crores and gain will be around 45 crores out of this investment which will happen in the third quarter of this year.

Sandeep Tulsian:

And at Kohima?

P. P. Gupta:

Kohima asset I am doubtful now with a lot of restriction on Chinese happening. So, the agreement which CLP made us go through or may not receive the government approval. So as it happened in case of Kalpataru's Eastern sector asset also, both were sold to CLP earlier by them. There we are only 26% partner and 74 is with Kalpataru. But project is now under commissioning and it will be over in July and we are turning the tariff now, despite all odds we are able to achieve COD on schedule date. Both Kalpataru and Techno has won the heart on detaining the schedule date and containing the IDC cost. But we are sure some healthy partner



will be able to buy it out like Adani bought out the Eastern project of Kalpataru post failure OCL but let's see by the time we get into the approval stage, it may be around November, December and not earlier. But our full equity stance deployed in that project already by Techno which is roughly around 74 crores.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Sir my question is more on the investments and when we look at the current investment has risen from 450 crores to 518 crores, it will be helpful if you could give us some breakup and especially with respect to Dewan bonds and the other investments and the bonds, the bond portfolio was about 300 crores?

P. P. Gupta: Yes, sir we are out of Dewan bonds, as I told you that PMS is done through a third party where we are not directly investors in these bonds they are parked with us under PMS. So, Dewan we are out already. And in the first quarter we have further liquidated Apex Homes also, one more investment was there about 25 crores. So, by the end of this year whatever money is coming back to us is being parked in liquid funds. And as of today the money in liquid funds is almost 400 crores now with us and total cash and cash equivalent is 600 crores as of 30th June, and we hope to end the year with better than this as we liquidate the bonds, money will come back to liquid mutual funds, no more bond business. Either you have AAA in this country or default that is our learning. And this is not our forte sir, we value money of investors, I'd like to utilize more for business of the company or keep it as safe as possible.

Bhavin Vithlani: So which means the bond portfolio which was 300 crores is down 120 crores?

P. P. Gupta: Now it is below 200.

Bhavin Vithlani: Okay, understand. And the other part is if you could give a two or three year perspective on the business, so T&D business what kind of projects that if are looking at two to three year perspective, we also highlighted earlier that we have aspirations for international expansion as well and the opportunity that we're seeing in smart meters as well as FGD?

P. P. Gupta: You are perfectly right sir, COVID has taught us many new things number one, and number two, I will say that power still continues to be strongly state owned and regulated business. So, it has its own challenges, but it will continue to move to be cost competitive as well as more efficient towards losses containment by DISCOMs. So, we are yet to see concrete things happening in the sector to be honest. A lot of announcements are, the work is going on of the announcements, let's hope this now the new announcement of the government as Aatma Nirbhar Bharat brings strong reforms in power sector, which are sustainable and pro-consumer as I've always been saying. So far none of the regulations are pro-consumer in my perspective. So, I see going forward, I've been hoping for the last two years at more so, we are at a right juncture now, where



we hope these changes will be a way of life and that will drive the opportunities. Unless power demand grows, industrialization grows, Make in India grows. We will short of realizing our planning, targets on processes. That is very important, power demand has to grow in the country, which is stagnating or at minus as of now. A lot more demand from the captive power has to move to the grid by taking away cross subsidy from the system, which is going to be a part of the new tariff policy now as announced by the government, that they will not allow regulators and states to have as much like 100% or more, it will be curtailed to 20% only, no more than that and that also will be paid out directly under DVD scheme. So, we are keeping our fingers crossed, but coming to your issue specifically there will always be a transmission demand for evacuating the renewable power, whatever new capacities we are building now is renewable power which is approximately 50 gigawatt a year, that will continue to meet the evacuation. Number two, additionally sub-transmission will also have to be strengthened so that more power can be delivered at the consumer end efficiently and reliably, so that no backup of power is required. Number three, the tariff must also come down so that it becomes affordable to the consumer. Today we procure power at 2.3 to Rs.3 a unit, but ultimately by the time it reaches consumer, it is no less than 7 to Rs.10. So, a lot of inefficiencies are integrally part of the sector, which has to be looked into by the government then only they can realize the true dream of Bharat Aatmanirbhar unless power is be affordable it cannot. Could, I address your questions sir, or I have taken it to new milestone.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Life Insurance. Please go ahead.

Ankur Sharma: Just continuing with Bhavin's question, one over the next one year, if you could just talk about what are the kind of FGD tenders which are there in the pipeline and how much of that could actually get ordered out. And how much are we looking to win out of that, if you could share some color there?

P. P. Gupta: Sir, to our perspective almost about 25 to 30 gigawatt capacity is yet to be ordered out for FGD fixing in the process, we take it around 50 crores a megawatt this business will be worth about 15,000 crores in totality. We are hoping to book two orders more during the year which will be approximately around 750 to 800 crores around. We will be more keen for small capacity projects than large capacity projects so that all eggs are not put in one basket. So, we be aiming any project less than 500 megawatt only, so more of, one of 500 or two of 250 megawatt like combinations we will be....

Ankur Sharma: Okay. And sir on the competition on the FGD side, how would that be right now obviously, I'm assuming Chinese players may not be allowed. So, how that kind of pairing in terms of the number of bidders for these kind of projects now?

P. P. Gupta: We expect there should be about 7 to 8 bidders and they are four or five are the old ones only and two, three new may come in the process. But we are having a very proven technology with



us from South Korea. They are one of the leaders, market leaders in their own country. And our ongoing project is progressing very smoothly, and we are confident of doing projects time bound and with cost. So, we'll be better placed when new entities coming in this segment.

Ankur Sharma:

And sir similarly on the transmission side what would be your expectations in terms of how much could be the industry wide on the TBCB the renewable related orders how much could be done and therefore, how much could come to place like Techno and other EPC players if you could give us some numbers there as well?

P. P. Gupta:

Techno is only in substation business and we don't do lines as you know. The total business under bidding now for 50 gigawatt is worth again 12.5 to 15,000 crores as a CAPEX and in which the substation CAPEX is around, no more than you can say 3000 to 3500 crores. And there are about six, seven layers this is largely high end business of 765 kV and 500 kV segment. So, we will be hoping to win total business of about 500 crores out of this approximately. So, we will see PowerGrid CAPEX is also shrinking in transmission which used to be 20, 25 crores a year, we see no more than 10, 12,000 crores per year basis going forward. So, we may find some business out of Adani as we already have, we are doing about 400 crores business for them now. Similarly, with the new players also we will be at least if not preferred we will be kept in the race by other players also, keeping our track recording new in the past of timely and quality delivery. So, in totality we are hopeful of growth in transmission sites sir as I shared with you, it will be more out of distribution and sub-transmission and metering business, valuation business, these will be the new areas or build stabilization business. Like interestingly we have won a package from PowerGrid now, to make Northern grid fault free, so it is a unique package of its own type. So we enjoy our passion of technology unlocking always like we did, as we did in STATCOM, your GIS packages. Similarly, this is first off, its own kind we will be doing. So we are very looking for more grounds like this.

Ankur Sharma:

Sir, on the STATCOM I remember on the Q3 call you said there were a couple of these which were to be ordered out. Is that still there in the pipeline?

P. P. Gupta:

Absolutely, three packages are in the pipeline now. Two mandated with PowerGrid and one under TBCB.

Ankur Sharma:

And you expect this to come through in this fiscal year in FY21, is that?

P. P. Gupta:

They should be ordered out by October to my mind.

Ankur Sharma:

Okay, got that. And sir lastly, on the distribution side, I remember we had won a couple of orders on the smart metering side as well. So, how is that project going and are there any new opportunities you see there as well?



P. P. Gupta: Actually we see more opportunities in this segment. Our existing project is progressing very, very smoothly and we should be able to complete it by March this year. It's a 2 lakh meter project and our partners are extremely good like Oracle and Dell and we have state of the art supplier's with us in this package. We expect to book business for another at least half a million meters during the year. Not more out of the government program of at least ordering out almost about 100 million meters those are to hugely equipped the DISCOMs with smart metering, pre phase metering. So we expect to begin this year with half a million meters out of this further. Then if say not 100, say 50 million meters are ordered, so we look for at least 1% of it.

Ankur Sharma: Understood. And sir on the debtor side if you could just breakout your total debtors of 570, 580 odd crores number into how much is for wind and how much is for EPC, closing March end?

P. P. Gupta: Last two years we have got no money for wind power so it is about 150 crores and rest is the EPC you can say. EPC we could have realized as locked down would happen in March almost about 90 crores which we got no sooner it got relaxed in April. But government modified many things, extended dates, deep extended dates, but nothing that did in the accounting standards. So, auditors were very fussy that money received in April cannot be accounted as of deemed March receipt so they were shown outstanding. So, you get really knock off by 100 crores. So, they are very reasonable. Other than wind power, now wind power pavement we are hopeful out of 90,000 crores baggage which government has announced to DISCOMs it is being directly paid to the generators by REC and PFC. So, hopefully by September you will find our cash position to be stronger than now also, the 600 crores would improve to 800 crores by September.

Moderator: Thank you. The next question is from the line of Mayank Bhandari from B&K Securities. Please go ahead.

Mayank Bhandari: Sir I just wanted to understand as part of our substation work do we import anything from China?

P. P. Gupta: Sir, you cannot imagine any Indian power sector without China. Let me first tell you the honest truth. However difficult it may apparently look to you. First of all this country has imported 100 gigawatt of power generating stations in this country. 80% of GIS substations are from China, but most of these companies today have factories in India as Make in India initiative of the government of India. So, all these equipment's are today imported as components and locally sourced a part of it and then assembled in India. So, now I should call it Make in China or India I don't know myself, but I like to call it as Make in India only. Because China anyway is world's factory if terms of the equipment, component suppliers. So, that way it will be difficult to quantify in numbers. But there is a huge Chinese investment in India in power sector today as it is in other sectors like auto or pharma or even IT.

Mayank Bhandari: Okay. And sir a couple of foreign projects are on horizon as you highlighted in last presentation for HVDC in Afghanistan, sir any status on that?



P. P. Gupta: Sir it was in suspended animation in Afghanistan, but now the new government and new Chairman is in place. He has again revived the project. We are not sure which way it may go because it's a large value project of almost \$250 million. But in the meantime, we have got an order from TOGO for \$10 million. And Kenya project has also progressed. So our footprint in Africa should grow in years to come and we are already doing as you know, a project of about \$30 million in Afghanistan which will be completed this year.

Mayank Bhandari: And sir how is the situation in terms of execution in the foreign geographies that we are present in like Afghanistan and all?

P. P. Gupta: It's okay, good you have to be low profile not to be very strongly visible. And nobody is against the infra projects. Like we have done so much of infra projects in Jammu Kashmir also, North East also, any political movements we have never seen them against infrastructure because ultimately it helps them only. So as long as you are low profile and not anyway politically active in their activities you are safe. But sometimes you get caught in crossfire, which you need to be very, very safe and secured with. But we normally use local partners and they are good at it. Our project is progressing very smoothly in Afghanistan and we hope to commission it by March 21.

Mayank Bhandari: Okay, and lastly sir we are also looking for more tie ups in terms of our technology for FGD. So is there any further discussion with any other global player like we have from KC Cottrell?

P. P. Gupta: Not at the moment sir, we had with one or two Chinese players, so we would like to be on back foot as long as Chinese are concerned. When Cottrell is good we are in the meantime our relationships have further matured and deepen, respect has grown more between us. So we trust it is good timing.

Moderator: Thank you. The next question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.

Ranjit Shivram: Sir, what should be the order intake for FY21?

P. P. Gupta: As I said 1500 to 1600 crores but I will be more precise by September. Let's see how next three months rollout but we are very sure of 15, 1600 crores but whether it can be better I'll come back myself no that.

Ranjit Shivram: So, which are the major orders in that you told this PowerGrid 500 crores?

P. P. Gupta: No, sir transmission, I transmission 500 crores in which PowerGrid may be around 350 crores another 150, 200 crores from private sector. But more business should be from FGD, smart metering and sub transmission like we have got a break through in Ladakh now from REC, PDC we are doing a 100 crores package for them. We got about 100 crores package from PowerGrid also making Northern region fault-free. Some technology, some contents will always be part of



the system. STATCOM three numbers are in tendering in process of evaluation we are hopeful of at least securing one if not two. So, high end solutions will be there for us, we are hopeful transmission business may not grow but we'll hold on to it. But growth will come more out of the smart metering, FGD and sub transmission.

Ranjit Shivram: Okay and was there any impact because of this migrant labor, is that the reason why the margins were low?

P. P. Gupta: No, sir rather it turned out to be a boon because Techno never used migrant labor as I've been mentioning earlier also, we have almost 1500 workers on our permanent contract payrolls, where we carry them from site to site. We take care of their full health safety and they are loyal to us. So, this has helped us a lot in the present crisis, more of our competitors are adopting this policy like Techno. Whereas we don't see more problem out of migrant labor as well as power side is concerned.

Ranjit Shivram: Because you are confident of 15% margin while this quarter the margin were low?

P. P. Gupta: It is because of the top line sir. If top line is low then overhead do not shrink proportionately, so that impacts a bit, but still EPC has shown 12.5%, despite top line being 50%. So that resilience is very much in place sir. So, you can trust us if we are able to achieve 1000 crores and above top line in the current year also which we are confident, 15% is achievable.

Ranjit Shivram: Okay. And anything regarding the FGD market what are the, of this 1500 crores of order intake how much will be from FGD?

P. P. Gupta: We are targeting about 750 crores from FGD segment.

Ranjit Shivram: Are we participating in that NTPC new lot six?

P. P. Gupta: We have participated already sir, absolutely lot six, we are part of it.

Ranjit Shivram: So, apart from NTPC which are the big opportunities in FGD?

P. P. Gupta: Rajasthan is there, Haryana is there and TBC is there.

Ranjit Shivram: Any private sector?

P. P. Gupta: No, we are not keen to be with that sir, we are very shy of private sector.

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



- Gautam Gupta:** Just clarification, one on the power given receivable. So, I remember from our last call the tariff had fallen from about Rs.3 to Rs.2.15 odd in Tamil Nadu and we are going to stay on that. But in terms of our receivables have we taken a write off for this or are we still valuing it at, is there impact on receivables?
- P. P. Gupta:** No, receivables were always created at Rs.2.15 only because if you bill at any different number bill is no accepted by the utility.
- Gautam Gupta:** Okay. So while we contested being booking our receivables at Rs.2.15 only?
- P. P. Gupta:** Yes, we are billing at the moment at 2.15 so is the receivables based and whenever we get a better tariff order differentials will be billed accordingly.
- Gautam Gupta:** Fantastic sir, that's great to know that makes life easier so no worry on that. Sir you mentioned 20,000 REC is what we have in hand as of now am I right 20,000 was the number?
- P. P. Gupta:** Right.
- Gautam Gupta:** And we would have valued this right now at the same Rs.1000?
- P. P. Gupta:** Rs.1000.
- Gautam Gupta:** Okay. And we will liquidate this in the coming quarter, or will we hold on and wait for the situation to clarify?
- P. P. Gupta:** Yes, let's see we are going in appeal to the CRC order. Hopefully, we are hopeful of getting a stay because they have provided no floor, but they have provided a more various number which is constitutionally wrong. Either both should be without or with, you cannot have one way. A lot of lobbies work at these levels no doubt. But in higher courts, more sense prevails, legality prevails also we have seen in the past. So, we are very hopeful of getting a fair justice in the matter.
- Gautam Gupta:** I just heard that we have booked about 10 crores of losses on account of the REC because of surprise and the overhang of APE.
- P. P. Gupta:** Yes, because we had earlier book till December at Rs.1500, when we sold it was Rs.1000 only. Rs.500 has to be taken off.
- Gautam Gupta:** Taken off as loss on sale. Okay, I just wanted to make sure that I've understood it right. That's it from my end, all the big questions have already been addressed.



Moderator: Thank you. The next question is from line number one Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Sir, can you help us with the terms of trade, in terms of payment or the milestones when we go to a PowerGrid or when you go to Adani for a TBCB and how is it for the FGD projects?

P. P. Gupta: Sir, these two segments are not comparable firstly, in transmission, I will say it's a very standard set of solutions. So the terms of payment are little more liberally in practice, PowerGrid also is 90% progressively and 10% on completion for commissioning. Whereas in FGD there are difficult milestone base payment because it is more like a process plant. So, unless performance of the process is established, they are not comfortable in paying you. So, you're tail-end payments are no less than 20, 25% in any FGD project as compared to 10% only in transmission projects.

Bhavin Vithlani: Understand. And how about the TBCB like when we do business with say an Adani or are the terms of payment better or worse off?

P. P. Gupta: It's the same 90, 10 by and large, it is more or less same practice.

Bhavin Vithlani: And Adani, et cetera do business purely out of TBCB that is their business as of today. Whereas PowerGrid has both the branches of business mandated and TBCB. But modality is same except that in TBCB the prices are firm, no PV in mandated business they keep the PV loss, if duration of the contract is more than 12 months.

Bhavin Vithlani: Understand. So as the share of the FGD goes up, would it be fair to assume that our receivable days can in jump of it?

P. P. Gupta: Absolutely, it may go up sir but that is Techno has a merit of liquidity in hand, that operationally we won't be washed off. We are not to borrow to meet those kinds of obligations. So we are well prepared for it,

Bhavin Vithlani: Sir just one last question from our side. Assuming the Kohima project sale goes through, we will have about 200 odd crores of fresh cash flows from the sale of boot assets. Along with that we will have 150 odd crores of cash flow which will generate from our existing businesses, what is the thought process on the capital allocation, what percentage you would want to retain and what percentage you would want to distribute it back as dividends?

P. P. Gupta: Sir, we have a policy to distribute dividend to the extent of 25% of the bottom line. We are a bit hesitant in this COVID period. But we may come out with interim dividend going forward. And out of the sale of asset also we will be getting some dividend from the next new buyers. So it will be paid back-to-back, I would say. So, cash is always king sir it is good to have it. But nevertheless we'd like to definitely give a heads up dividend to our investors, stakeholders with



us. You can expect good dividend in the coming year, sir. Earlier it was a buyback, now it will be dividend because buyback has become taxable and dividend is tax free as well as company is concerned. So it makes sense to pay out more dividends than buyback.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

Rohit Balakrishnan: Sir, just one question on the overall environment right now. So sir, I understand right now things are quite unpredictable. But sir before this, during the Q3 concall and even in the last earlier concall of Q1 and Q2 you were quite hopeful that FY21 would be like one of the best years for Techno given what we were seeing in terms of the ordering in green energy corridor. So, while I understand that could have, that has definitely impacted because of this COVID issue, but am I, so are you saying that whole opportunity is now sort of an abeyance now because this crisis has sort of impacted that entire opportunity because you mentioned that transmission is, you're seeing slowdown in that so is my understanding correct or was I missing something earlier, if you can please clarify?

P. P. Gupta: You see, question is a COVID type situation is definitely unknown, uncertain and it took most of us by surprise and fear is larger than the impact of the opportunity. Let me be honest, that is how I am taking in my side, but we are operationally disrupting, and it is differentially disrupted countrywide. That is a bigger issue what Tamil Nadu does Delhi does not do, what Delhi do, Bengal does not do or North East does not do, these are keeping track of this impact differentially in different pockets of India is causing more stress than the very stress out of that situation between you and me like Nagaland. They are so fussy over the rules that anybody flying to Nagaland from Dimapur and then have to quarantine initially for 15 days then home quarantine for 15 days, who would like to go there now you tell me and I have a deadline to meet. The problem is businesses are deadline based. Now people get so much slowdown that nothing is like ports or even customers like PowerGrid or state utilities, as a customer I'm not allowed to visit them. Everything is happening on virtual platforms. So, these are very, very disruptive moments and how much time it will take to get normal. I don't know myself. You are right till December I was so upbeat and hopeful that we had definitely planned last quarter to be one of the best quarter of the companies in last 40 years. But as usual, everything becomes the last moment and which so much of uncertainty slowdown started happening from mid-February itself. Somewhere something is happening, what impact it will bring nobody knew and ports were not fully operational. Factories were differentially operational, a lot of drivers left the material on the highways and left, went back homes, materials could not be inspected which were in the pipeline's because the inspectors could not reach that spot as usual. So, so much of disruption I had not experienced in my life in 40 years. This was, I will never, this will be in my dream also it will be horrifying me at any moment. But nevertheless life is larger than all these setbacks, you have to move on, keep moving on towards betterment and we have definitely



prepared ourselves to be better off. So, whatever we lost, we have to make up this year that is our commitment as a company. And that is what we will be trying for.

Rohit Balakrishnan: Sure sir, just on this point, thank you very much first of all for being quite frank and open so, sir we have lost 300 crores in this quarter in the Q4 largely that you said that 150 we have achieved in Q1 itself and 150 over the next subsequent?

P. P. Gupta: Now Q2 will be achieved easily. The spikes slow down generally in Q2, but this time it will be good Q2 that is what we are aiming for, hoping no more COVID and the issues with us and no more.

Rohit Balakrishnan: So, sir this 300 crores in addition to that you are saying 1100 to 1200 or this is. So, you are saying the total?

P. P. Gupta: Sir 300 crores plus you can say another at least 859 crores which we achieved last year. Last to last year rather which was a target. So, in totality it should be around 1150, 1200 crores this year out of EPC only.

Rohit Balakrishnan: Right. So which will make us, so out of the 2300 crores of order book you're saying about 1200 will get executed in this year is broadly what you are saying, is that right?

P. P. Gupta: 50% we were likely to definitely.

Rohit Balakrishnan: Sorry, could you repeat that, I couldn't hear that sir?

P. P. Gupta: 50% I said we'll definitely of 2300 crores.

Moderator: Thank you. We take the next question from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

Keshav Garg: Sir first thing sir you said that you will prefer a dividend instead of a buyback but you please appreciate sir that taxpayers have to pay 43% on their dividend whereas a company has to pay net 23% on buyback and sir taxpayer then has to pay no capital gain tax nothing. So that's one thing and secondly sir dividend ones given out. So that's the end of the story, but sir buyback will reduce the share capital permanently and our earnings per share will go up permanently. So, that also sir please consider and secondly sir this, in our wind division the loss that we have made sir you have explained it quite well, but going forward in the first quarter are you expecting this loss to continue or otherwise sir for the year as a whole what kind of basically operating profit can be expected from the windmill division going forward?

P. P. Gupta: Sir, I'll request you please visit us. Firstly, what may look like a loss in the initial short term may not be a loss in the midterm let me tell you. We definitely understand regulatory side of this



business and we'll definitely handle in a way like still my 54 crores is the last leg of approval in Supreme Court. So, that is not part of my top line. Similarly interest income we have not booked which regulator is proposing at 6% and central government is talking of sanctity of contracts, if they all get approved we will be entitled by another 40, 50 crores. So, there is a lot off the books also simultaneously. So somewhere as and when tariff will get revised you will get the bulk of the past payment also. So, this is a business where some struggle carries on which detains of the deferred entitlements of the past, but of course books are kept off the current entitlements only. We cannot imagine and give accurate debts or credence to such possible income or deferred incomes, they are not part of the books as per the accounting standards. But never the less they do exist as a part of the business.

Keshav Garg: Okay, sir. So basically in this financial year FY21 winds what kind of PBT are you expecting?

P. P. Gupta: PBT should be no less than 40 crores and it maybe go higher also.

Keshav Garg: Okay, sir. Sir, that's it from my side, sir one last thing wanted to dividend and buyback anything you want say?

P. P. Gupta: We will examine, we'll take note of your suggestions and we will definitely examine it deeper, I had call for suggestions from our large investors also.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Amber Singhania for closing comments.

Amber Singhania: Thank you, Steven. We thank everyone for participating in this call and special thanks to the management for giving us an opportunity to host this call. We would again request everyone to be safe and take care of your and your family's health. Sir would you like to add any closing remarks?

P. P. Gupta: Absolutely. Amber surprisingly you did not ask any question?

Amber Singhania: Sir the time was already overshooting so I thought I will take it offline.

P. P. Gupta: Okay. Thank you all for joining the conference and we are grateful that most of you must have joined from your home and may not be part of the offices. I fully appreciate that part. Still in case you have any query related to our business performance or industry, drop a mail to us and I would like to thank you once again. I will again request all of you to stay home, stay healthy, stay safe, look after your family. And this year we dedicated to the family more than businesses. But nevertheless, we are there to take care of your business at our end and with this while thanking everybody for joining. I will once again say thank you so much once again.



*Techno Electric & Engineering Company Limited
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Moderator:

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