



“Techno Electric & Engineering Company Limited Q2  
FY-21 Earnings Conference Call”

**November 13, 2020**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Techno Electric & Engineering Company Limited Q2 FY21 Earning 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 do 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. Be note that this conference is being recorded. I would now like to hand the conference over to Mr. Suraj Sonulkar from Asian Market Securities. Thank you and over to you sir.

**Suraj Sonulkar:** Thank you, Janice. Good afternoon everyone. On behalf of Asian Market Securities, I would like to welcome you everyone for 2Q FY21 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 and Mr. Ankit Saraiya, Director of the company along with their Finance and Investor Relations team. We shall start with the opening remarks from the management about the quarter and outlook for the year. And then we shall proceed to Q&A session. Over to you sir.

**P. P. Gupta:** Thank you so much Suraj and a very good afternoon to all of you and wish you a very Happy Dhanteras and Diwali and welcome everyone to discuss our financial results for the quarter ended 30th September 2020 or first half of the year 2021. Anything said on this call, which reflects our outlook for the future or that could be construed, as a forward-looking statement must be reviewed in conjunction with the risks that the industry carry and company faces.

Half yearly results are not comparable on year-on-year basis due to heavy impact of COVID-19. During the years starting March, in the quarter and we lost around 40 potential days in this quarter also and still continues to be affected with the local lockdowns and quarantines rule of difference states. Let me highlight quickly our performance of the second quarter 21, the total revenue of Q2 F21 stands at 257 crores compared to 263 crore year-on-year. Revenue from EPC business stands at Rs.223 crore up by 9.6% year-on-year. Revenue for the mid segment was Rs.33.75 crores, the mid revenue was lower as compared to last year for two reasons the season started late and it spilled over to October. But as of October end the generation of 200 million is like-to-like and also last year we had included late payments surcharge of 23.51 crores as part of per the regulatory order of the local regulator CRC and DNERC in compliance to the terms of EPO.

EBITDA for the company stood at Rs.75.32 crore in this quarter operating profit for the EPC segment for the squatter stood at Rs.45.67 crore up by 8% year-on-year, operating profit margin for the EPC segment for quarters to get 20.45% compared to 20.77 last year. The operating profit for the win stood at 29.65 crore other income was Rs.50 crore compared to Rs.11 crore last year. It includes profit from sale of investment in dedicated transmission as to integrate and we have a total profit out of this transaction around 44 crores comprising 16 crore as dividend and 28 crore as a capital gain. Profit before tax for the quarter was at Rs.114 crore compared to 97 crore



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last year up by 17% and profit after tax for the quarter was at 96 crore compared to 90 crore last year up by 7%. The EPS for Q2 stands at 8.76.

Look on half yearly results, the revenue for this first half said that Rs.427 crores, revenue from EPC is at 374 crores compared to 407 crores, we have been able to cover most of the ground, lost ground rather despite lower revenues in the first quarter due to the challenging stress because of the COVID. Revenue from which segments stands at Rs.52.43 crore, compared to 94 crore last year. Apart from one time amount which we received on account of TNERC order is included.

In the first quarter the wind has started late around June which lasted up to October end, but the total power generated is more or less same like last year at 200 one year, as of October end and we anticipate by the close of the financial year, we should achieve to 30 million as we did last year. The tariff was down by around **(Inaudible) 6:54** but it is under appeal, under adapting and we are hopeful of getting favorable order.

The company has availed the GPI benefit is full as eligible, there has been filings REC pricing as explained in the last quarter. But we expect the same to recover in the remaining part of the year. The trading REC is not happening since July 2020 which is expected to resume from this point onwards. EBITDA for the company stood at under 19.66 crores the operating profit for the EPC segment is at 75 crore compared to 81 crore last year. The operating profit margin is 20.06% compared to 19.93% last year as year-on-year the operating profit for wind segment was 44.55 crore and this is at 84.9% compared to 91% last year. Other income for the half year stood at Rs.64 crore compared to Rs.24 crore of last year. The profit before tax for the half year is at 160 crores, profit after tax stood at Rs.132 crores. EPS for the first half is 11.90 crore, the current investment value including cash and cash equivalent as of year at as of September end stands at around Rs.800 crore. The order intake stands at around 300 crore but additionally we are L1 at 200 crore which will be converted into orders and we also have as a L1 MOU with Power Grid to the extent of 350 crores but it will be the outcome of the same will be subject to power grid winning bids to TBCB route. Under competitive bidding which is scheduled in November at this year.

We expect larger business of the distribution segment at pollution control segment in generating plants to continue to be strong over the other businesses of transmission, FGD segment as per notifications of government of India all thermal plants need to limit their NOx and SOx emissions to the acceptable levels. In our prospecting almost SEB private sector firms have yet to go ahead with the procurement of these systems. This is almost about 80 gigawatts yet to be FGD. So we expect a business of out of this around 150 billion in next three years and we will be targeting out of this business of no more than 5%. The overall plant for the government to implement in FGD system is still 123 gigawatts by 2024 which we expect did miss the extended on request of the impacted entities. In the budget as such specified that the old thermal plants will be asked to shut down if there ambition are not as per the acceptable norms. We are bidding



for four projects in FGD all about six gigawatt and hope to win at least two of them during the current year.

In the transmission segment, the business is as usual it is largely dominated by the evacuation of the renewable power happening in Gujarat and Rajasthan. There is an ongoing TBCB bidding process of 66 megawatt out of a total target of 175 megawatt which is expected to be tendered out by June 20-21 full. Against the bid submission dates have been extended till November, so we don't see that in the execution of this order will happen during this year. But we do intent to bid for four projects in this category.

We are seeing a good interest from large InvIT funds and also Infra funds to take bids along with that in partnership this will then enhance our access to be capital and this will helps us bidding far more projects in coming bids. So, the smart meter segment business is growing strongly, the government scheme is to install a fresh 200 medium meters by 2024 which may again be extended by another three, four years. In the current budget finance minter of the states and union territory to replace conventional meters by smart meters or prepaid meters which will not only improve the health of the DISCOMS by containing T&D losses, but will also give consumers the freedom to choose the supplier and also to know how much power they have consumed or how much they could plan their consumption as per their financial ability to pay. We should mention special project in J&K there is inquiry which is already in the market for about another 6 lakh meters in the state of J&K and also there will be good potential in Northeast states. Apart from this, there are also reports in media that the reforms in the electricity sector are overdue and they may be taken up in the winter session of the Parliament and we are finally hopeful that something happen in under the disguise of Aatma Nirbhar Bharat scheme now in implementation due to COVID.

The attempt will be by the government to make the sector's self-sufficient, free provide open access to the consumers and also make tariff free of gross subsidy. So that consumer is benefited usually and as rejoice by power of competitive rates. The government has also extended subsidy of 1.0 almost around the 1.2 trillion to the DISCOMS to clear out the outstanding bills of the generators and transmitters, as of September 2020. We are also hopeful of getting 136 crores from auditioning against REC TANGEDCO in this month.

Regarding mid segment we are facing the headwinds and regulatory headwinds in this sector. But as DISCOMS are not having any money to pay, this has not only impacted the tariff but also timely payments. We are hopeful to realize our vending payments out of this 1.2 trillion package is extended to PFC REC out of this Aatma Nirbhar Bharat schemes. These dues outstanding are also part of the CA website at property. Net debt go has also acknowledge our dues of 136 crore as of August 2020. We are equally hopeful of receiving the delayed payment charge for the balance period post 14 and the necessity affirmative regulatory orders in this regards are in pipeline and for years up to 2014 we have already received



Additionally CRC has modified the REC policy, but we have strongly contested in April and are hopeful of getting this order set aside so that the old policy continues for next two years. So, that our assured return out of REC sale is not rescheduled. In the first quarter of REC, prices have experienced correction due to oversupply by APSPD share of allocation of 44 bank non-solar REC but then it is favorable order as against our appeal as nullified this issuance and SRP supply side now spends very modest which can be easily absorbed by the market and we can able to see the co-relates that like last year.

As committed in last quarter we will be, we are hugely focused on recovering our performance of the year 18-19. And shall be executing at least 50% of the unexecuted order backlog during this year and we will see the growth in year 21-22. In the coming years we see strong power sector reforms with focus on efficiency, stability and reliable power supply, cost of power and improvement of overall financial health in this sector. The focus will continue to be more on renewable power with dignity transmission infrastructure as wind corridors and we were the first one in this segment. The transmission infrastructure which will be required for 500 megawatt or above over next five to seven years. Our trust on overseas market is also baring fruits. We are hopeful of getting further orders from the markets of Africa and Afghanistan. With this, I will now request participants to open the session for question and session.

**Moderator:**

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ranjit Sivaram from ICICI Securities. Please go ahead. As there's no response from the current participant, we take the next question from the line of Ankur from HDFC. Please go ahead.

**Ankur:**

So, a couple of questions. One, just checking on your FY21 guidance on orders and same, so last quarter, you said you would be doing about 1100 odd crore in the EPC business for FY21. And close to what 15 to 1600 crores of orders is that broadly intact now or any change over there?

**P. P. Gupta:**

Yes, it's perfectly intact. In fact now the full even good season and good atmosphere and believe me strongly that COVID is behind us. We should easily be able to add another execution of 700 crores or 750 crores over next two quarters without any challenge. Somehow new orders are getting postponed but we are very hopeful that all this will get decided before March end. So, the order book should be there but we are expecting some execution out of this order book which seems now difficult. But order book of 1500, 1600 crore is feasible as I told you we have in this quarter also booked a business of 200 crores and we are L1 in another 200 crores which is definite will be converted into ordering this month and additionally we have MOU with Power Grid 350 crore where they will be going through TBCB process and if they happen to win this is generally very competitive, very strong in this segment so this business will be back-to-back transferred to us. So, there is no issue of FGD we are already a participant in new tenders, the price bid should happen in November, December and we are very hopeful of getting a business of not less than 500-600 crore in this segment also before March end similarly and at least one



fourth in smart meter. So we see no reason why 1500,1600 should not be achieved more. But definitely we were hopeful a little more but conservative to saying, --23:31 which seems to be – 23:34 as of today also.

**Ankur:** Sure. So just to check, so what has been our order inflow in the first half of this year?

**P. P. Gupta:** Yes, we got two orders, one from Sterlite Power for their Karnataka project they would be and another is for Ladakh from REC to setup a substation in Ladakh area for power operation. So this 200 crores we have received already.

**Ankur:** So, sir in value how much is that the first half, the total value, I think you said 300 odd crores is it, in your opening comments or?

**P. P. Gupta:** No, I said 200 crore in this quarter.

**Ankur:** Okay. So, sir on the translation side you have said that there are some of these bids on the TBCB basis, which have been again delayed quite a bit now you suggested these may open in November. So, what is the size of these bids in megawatt, gigawatt overall and what would be the opportunity on substations which we are targeting, you said you have obviously join hands with power grid for about 350 odd crore, is what you said if you can just clarify it?

**P. P. Gupta:** We are, there is another traction now in the market, is that they are looking one our strong track and performance and InvIT and infra are directly teaming up with us. So that we also can bid directly as a developer along with that so, that (Inaudible) 25:28 of the project, it will be part with us. So that is another additional opportunity, so we did get double benefit out of it that a power grid does not succeed anywhere, where we have been also along with that indirectly. So, we will definitely target TBCB bid should be completely to my mind by no later than December end and this is the final dimensional change over mind as given. And we should be getting distance of almost about 350 crore out of this. The total business bidding is happening or almost about 15000 crore and the power cover is about 50 gigawatt in this category.

**Ankur:** Okay. Secondly, on the FGD pipeline, are you seeing any delays, either from NTPC or from state obviously, from the state and private side, it's already been quite delayed but NTPC, was targeting to order out everything this year. Is that already on track and also on the state and private are you seeing any pickup yet and finally deadlines obviously have been extended by another couple of years. So how things went?

**P. P. Gupta:** See so far we have seen more serious interest from CPSUs like NTPBC, or NLC, but we have not found more from the states and private players. Now Aptel has already pass the order in August, where they have permitted this CAPEX to be passed through in the tariff that is a very positive order. And I'm sure how private sector should pick up from there, and they should we strongly pick up market in two, three months. So we at private sector owns no less than 60%



capacity in thermal power as 100 gigawatt plus is in private sector or captive segment. So, all that market is use, timeline is always a question in the IT zone, we firstly aim that the target I of not more than 19-20 and extended to 24, maybe it will be extended by another two years. But the program will definitely happen, that we are sure but we will relax any more SOx and NOx commitment. Matching or meeting, there are some penalties they may allow that profit and for another year or two. But the government is serious to achieve it and give some more capacity goods out of the system. And maybe power reforms also enables more captive capacity to move to the village if gross subsidy is taken out of the system. The reforms can do magic in this sector let me put it, any kind of roadblocks are there only because of the regulatory regimes as followed in our country, that's why we could not be as efficient as telecom or aviation. But there is a good scope of it let me put it, we are at the bottom of it everything happening in this sector will be better only. I have to invest in the sector all-time low.

**Ankur:** Fair point sir. Just one last question on the balance sheet and cash flows, I believe the total debtors is close to about 600 odd crores of which about 130, 140 is wind related. So, if I heard you, right, you're saying at least on the wind side, you're hopeful to get the views by end of November, right?

**P. P. Gupta:** Absolutely, yes.

**Ankur:** Okay. So then what would be, and what would be the number you are looking at by end of the year, would it be back to around 500, 550 odd crore number, is that a number you are looking at on debtors?

**P. P. Gupta:** No, for that, 500 crore for what?

**Ankur:** Overall debtors, how would you see that by the end of the year by March, the top line will pick up again over the next two quarters but do you think once you receive this money on the wind side?

**P. P. Gupta:** It should be below 500 sir or even more, because today 200 crore debtors are because of the wind or late business surcharge payments. So, firstly, we are expecting energy bills payment, and followed by late payment surcharge payment which has also been noted by the government and approved the issue of power that any late surcharge up to 1% per month eligible is eligible. So good things are happening slowly, but implementation is starting no doubt. We have to have patience as usual. So, the days had good and better that's what I will share.

**Ankur:** And last one sir, this is short term borrowing there of about 46 crores offsetting this quarter, so should that also go away and what was the lead for this borrowing?

**P. P. Gupta:** Yes, we go this money at a very cheap rate against supplies and export at 2% only from the bank. So we thought that it's a good money, we can make some sense out of it. So, that will also keep



our debtors, manageable because they are against Afghanistan supplies which we intend completing the whole package of 175 crore and we have spent our committed time and they are all through letter of credit. Funded by EDB so there is no risk in this respect as such. So, additionally **(Inaudible) 32:17** one more package in Africa from Togo. That is funded by Axis Bank \$100 million, that again is good project. But execution they happen in the last quarter of this year a part of it.

- Ankur:** Okay sir, great thank you so much and best of luck.
- P. P. Gupta:** I thought you people asked let me share a good news with you. We have commissions, COD, we have achieved for our Kohima project along with KPTS, the project stands commission today.
- Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** Sir just wanted to first reconfirm the order book number I heard 2300 crore at the end of September if you could reconfirm that number for me?
- P. P. Gupta:** No, sir the order now is roughly 2120 as of September end.
- Sandeep Tulsian:** 2120 okay.
- P. P. Gupta:** And L1 in another 200 crores.
- Sandeep Tulsian:** Okay. And this 2100 crore is excluding all the L1 and including the 200 crore inflow that we have booked during the quarter.
- P. P. Gupta:** Yes, absolutely and these are the unexecuted or unbilled, we always declared unexecuted orders as unbilled orders. If some order is already partly built, that is taken as executed, not going monthly unexecuted category.
- Sandeep Tulsian:** Got it. Okay, and sir second question is on the update on the Chinese partners that we had which you were explaining to us during the last call for FGD that they have offices based out of UK, what is happening over there, there any restrictions put on that they will make in conjunction with this partner, and also on the G&K smart meter project as the?
- P. P. Gupta:** Yes, it has definitely impacted us partnerships with the Chinese party's. Transmission, it is not impacting that much because it is competitive bidding and everybody is keen to have the best of the suppliers at competition in place, but our smart meter partner we could not retail we have to change the partners and we are there to our old suppliers for the outgoing project with L&T and **(Inaudible) 35:25**. And we expect to complete this project now in the next one successfully. So,



that project definitely got impacted firstly because of COVID and then because of another plant. Government putting restrictions on use of Chinese equipment, particularly the sensitive pockets of Jammu and Kashmir. But our relationship with that party is very strong, they have a India subsidy, they are technically highly competent or one of the leading ones, but cyber days in all we are developing a partnership with a Korean company called Neru, they are very good in these communication solutions. So, then we will be able to rearrange our relationships so that we can continue to be competitive and be a healthy part of this business.

**Sandeep Tulsian:** Sir if you could repeat the name of the partner which you have replaced for the existing project and will it lead to any kind of cost increases since you have switched the partner for us?

**P. P. Gupta:** No, that is where the good thing happened, that we could more or less achieve the domestic supplier on the same prices more or less, because markets have corrected a lot in the meantime and they are very nearly the same level as of Chinese level now.

**Sandeep Tulsian:** What's the name of the partner sir?

**P. P. Gupta:** L&T, I said we have discussed with a domestic supplier called L&T on the beta side and communication we are going with **(Inaudible) 37:18** is a UK company.

**Sandeep Tulsian:** Okay. And sir last question is one bookkeeping question, looking at the other income number. So, we have given a breakup that we have 16 crore of dividend income and 28 crore of profit from sale of this asset. So roughly 44 crores comes from there and balance other income is only 3 crores So, is there any mark to market losses that we have booked because our cash balance was very healthy (+500) crores the end of March, so while the first half other income ex of the asset sales gain is so low?

**P. P. Gupta:** It's not so low you can say we are now conservative before pricing the other income, and whatever we received in cash only is taken as a income, we are not counting the accrued income to be part of it. Maybe we'll do it by the last quarter and all which can reseed by them. And you can also take although we expect no under recovery of our investments, but if any contingency happens like 5, 10 crore, the same can be taken here out of this current other income only. So, that capital account there is no adjustment requirement. So, we have been continue to monitor and watch and be conservative in our reporting.

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

**Rohit Balakrishnan:** Sir just few questions, so you mentioned to an earlier question that 15, 1600 crores of order inflow still looks plausible, we still have to do a bit of heavy lifting the second half but you still think that's possible, is there any chance that this number can get over sought and we can do much better than this now things are normalizing?



- P. P. Gupta:** There is no guess so far because the government is very good in labeling many initiatives, yesterday they announced many kind of stimulus, but implementation is very tardy. So, I don't like to set on any measurement as of today, maybe by another month or two with more reliable, we will be able to say for reliable. As of now, I would maintain that 1600 crores is definitely we are very comfortable or okay to achieve it.
- Rohit Balakrishnan:** Got it and sir congratulations on getting the COD for Kohima project. So on the sale of that, we will get clarity in a couple of months, whether CLP?
- P. P. Gupta:** Is there or not you will have that clarity by December end, before December end. Kalpataru, is taking the initiative and definitely.
- Rohit Balakrishnan:** Right, they were pretty confident that in their concall they mentioned that they are confident that it will go through with the current buyer only, with CLP only. But just sir if there is any contingency do we think that we can sell, there are other interested parties there. Just to get a sense?
- P. P. Gupta:** Absolutely very strong interesting they are from Adani, L&T, at all are very keen to be part of this asset **(Inaudible) 41:34** even they want to be part of it, this is a very strong asset let me share with you. Someday we would like to take you to Ladakh, Kohima, Nagaland and show you that the best of the India's station can be built in such a remote pocket.
- Rohit Balakrishnan:** Sure sir. Sir also just wanted to understand, actually last two, three concalls, there's been a lot going on in the wind and I'm sorry, you've explained it well but somehow I got confused, so REC sales have been, they've been stopped because the prices have fallen and there's no trading that's going to start from this month. But in general, apart from there have been couple of issues that are there that we have also fall into a litigation. So, if you can just summarize in these sir it will be really helpful. I'm actually sorry, because you've explained it well, but I have not understood it that well.
- P. P. Gupta:** Sir if they have any long history of one year and more, if you visit us on one to one basis will be better, because explaining in the investor conference will be taking away the rights of many others.
- Rohit Balakrishnan:** Fair enough sir I will reach out to you and maybe over a call.
- P. P. Gupta:** We have a full control of the situation; we understand regulation better than many others in this machine. And we'll be able to survive successfully and honorably, the trading has been definitely about happenings since July because of certain issues created by CRC of the flow and for dividend supply, I don't want to name under whose lobby but it did happen lobbies are working strongly and it's a way of life but, I can assure you that on the metric of the grounds, of the case



we have a very good case at APTEL, and we are very hopeful of receiving if any favorable order and the life will continue as usually.

**Rohit Balakrishnan:** Sure sir. Just two more questions one, so on this DISCOM relief package, we will receive some, have we have started receiving money or we are yet to receive?

**P. P. Gupta:** We are yet to receive sir. At the moment TANGEDCO was the last because they were needing certain concessions in the norms given by the government under of Aatma Nirbhar Bharat scheme, which can be cleared only as late as September. So, I think by next week the list of generators those dues are pending will be handed over to REC Chennai office and there after within a week or 10 days they should be able to pay all of them. The trend will go as we sanctioned the largest checkout of 1.2 trillion, almost 25% of it that is 350 crores all of you have read in the media reports. So, same amount is under disbursement now, in REC Chennai office.

**Rohit Balakrishnan:** So sir we will get this as one bullet payment of 170 odd crores?

**P. P. Gupta:** Absolutely sir, in two parts.

**Rohit Balakrishnan:** Okay. So, sir this brings to my last question sir so now right now we have about 800 crore of cash and then another probably around 170 from here and you will generate also from our office. So, more than 1000 crore of cash will be on our balance sheet this is a great asset in this time. So, we have already declared a Rs.3 divided but just wanted to understand what is our thought process and sir one suggestion I had is, given the stock price and the valuation and the strength of our business and balance sheet, if you can probably consider buyback because I know buyback is we will pay 20% extra as tax but dividend in the hands of shareholders is anyway taxed at marginal rate. So, that's for an individual investor, but an investor the difference is not much. So, want to understand one, what is your thought process on tax and second suggestion sort of is, that if you are thinking of distributing or any other things, then maybe we can also conduct a buyback given the very low share price, very low valuation that we have.

**P. P. Gupta:** Yes, absolutely, we are working on various models including buyback and post receipt of this money from TANGEDCO within a month or two we will come out with specific solution as to how we want to reward our investors, it will be significant reward as per permissible, in the form of buyback or maybe in some other form like convertible debentures or something at zero cost, something will come out with as permissible under the law. So, we have engaged a consultant for this, who is working on it. So, whose report and will be shortly coming back to you within two months with a proper solution or earlier.

**Rohit Balakrishnan:** Right. And sir so you're saying you will, but we'll still be left with a significant amount of cash. So, just want to understand what is your thought process, not immediately but maybe for the next couple of years, what are we thinking to where we see seek opportunity, because you have also talked about reforms in the past and that can throw up opportunities as well?



**P. P. Gupta:** That is what we are eagerly awaiting sir. So, let this what minister is now saying that more or less he will be in Parliament in December so, we will see if any distribution or DISCOMS undergo reforms, they give us opportunity to partner with our government and privatization process. Otherwise, also we are evaluating some value added opportunities like data centers, it's a power centric business at the moment more-and-more people in AIT are coming in it, like Hiranandani and others, like Rani scheme to be part of this segment. So, this is what another segment which is going to revenue sharing but real actability lies with Techno, building that they are operating it. So, this is another segment under evaluation. We have again a consultant recruiting one of the four multi nationals to give us a business plan in this segment also. Lets see, money is to have cash as king sir and it is always valuable. We will definitely generate viable, healthy and value added opportunities to deploy it.

**Moderator:** Thank you. The next question is from the line Keshav Garg from CCIPL. Please go ahead.

**Keshav Garg:** Sir just wanted to understand your plans to divert our wind based assets. First over two years we have been trying and until the case with Tamil Nadu state electricity board is going on, so sir you think that the sale time still go through or we have to wait for the litigation to finish first?

**P. P. Gupta:** Yes, we are working on the alternative modes of sale on his power, either through third party mechanism or maybe becoming effective use of this power by creating some facility there, so we are looking at it seriously. The question is that you get a right asset value only when business is regarding, unless the revenue stream is healthy, then no asset value remains healthy, it on back-to-back bases. So at the moment, this sector is facing some headwinds unfortunately, they have happened sooner than anticipated. So, we will be able to fix it by approx. this year say March maximum and then evaluate alternatives to how to make this power that we are going to gain. So, we have to realize no less than Rs.5 a unit as we have realized for around 7, 8 years. So that is our goal post. So, I cannot tell you the exact mechanism, which may succeed but we will be able to achieve that value and then look on the sale of asset.

**Keshav Garg:** Okay. Sir, and last sir I just wanted to repeat what the previous speaker said regarding the share buybacks is the most superior and tax effective way and sir moreover sir, even this bonus debenture side onetime thing, the cash goes out of the company and that's the end of it. But share buyback, number of shares permanently come down ROE and UPS permanently goes up so in my humble permission so that's the best option sir, rest you are the best person to judge, thank you very much.

**P. P. Gupta:** Thank you for your suggestion we will keep this. We are also seriously evaluating pipeline. Thank you.

**Moderator:** Thank you. The next question is from the line of Renjith Sivram from ICICI Securities. Please go ahead.



- Renjith Sivram:** Okay. Sir, I just wanted to get your thought regarding the growth for this year, what kind of your revenues you're looking at and what will be for next year?
- P. P. Gupta:** For which year, current year or next year?
- Renjith Sivram:** Current year and next year.
- P. P. Gupta:** This year as we are guided we will definitely achieve a top line of Rs.1100 to Rs.1200 crore as we have been always mentioning. And next year we will definitely be growing by more than 10%, 25%, because given the government the right policies and initiatives as implemented, I am very obliged to announce more than the implement but I hope that will be over by end of this year. So, next year will be a lot more healthy for us. No, doubt growth should have happened this year but because of COVID and the resultant impact around the government finances this is rolled over to next year. So, we should be able to see a growth of 20%, 25% next year.
- Renjith Sivram:** Okay. And how much will be the order input for this year which we are targeting?
- P. P. Gupta:** 15 to 1600 crores sir.
- Renjith Sivram:** Okay, that's great. Sir just last two quarters our EPC margins have been very good and we are happy about that but just wanted to understand is there any, any particular one off inside that or what will be the, will it normalize to 15% going forward, what was the surprise element in that EPC margin?
- P. P. Gupta:** Sir, I have been always maintaining that we will be having a margin of no less than 15%, 16% on an annual we are demonstrating it uninterruptedly for last 10 years despite concerns of investors, prudent investors likely and definitely this quarter is a little better because of our supply was much impacted and rupee depreciation, so it has helped to revise a little more.
- Renjith Sivram:** Okay. So, there is no one off surprise in that, margin of EPC.
- P. P. Gupta:** Not at all, it is only one off surprise to the bottom line, the top of the margin.
- Renjith Sivram:** Okay, that's great and sir like this smart meter now we are collaborating with L&T but in tenders we generally compete with L&T so how does that work then?
- P. P. Gupta:** So, now L&T is no more L&T sir it is Schneider. So many things have changed in the market and we have now used relationship with Schneider. They are not into project industry, but they want to focus more on products and secondly this market will also move to OPEX and CAPEX as what order has been bagged by India Power from government. So, like us we will have a strong presence in this market.



- Renjith Sivram:** Okay. And how much is our pending last quarter is on outstanding of 150 crore from TANGEDCO is that still remains or have they paid up something?
- P. P. Gupta:** They have paid up nothing sir, the entire money will be paid in this month. Now, only they are processing the payments and handing over to REC for these generators.
- Renjith Sivram:** So, what's the outstanding currently?
- P. P. Gupta:** We have a total outstanding of energy bills other than this charge bills, the energy bills alone is about 162 crores.
- Renjith Sivram:** Okay, that is over and above 150 crores.
- P. P. Gupta:** No, 150 crore the exact number is 162 crore plus late payment surcharge and another.
- Renjith Sivram:** Okay. So, we are confident that by this quarter we should get this.
- P. P. Gupta:** Astutely, we should get 160 ERPs.
- Renjith Sivram:** Okay. And regarding the Kohima project what is the deadline that we are currently working?
- P. P. Gupta:** Today we have achieved the COD sir and now, you can add six months from here after within which we should get our money. So, it should happen, cash should be realized around first quarter of the next year. But Kalpataru will be the good, as the process is led by them, they will be more authentic of insights.
- Renjith Sivram:** Okay. And sir we have some investments made, some bonds and last quarter you have told we have reduced the bond exposure to 30 to 40 crore. So, what is the current exposure to the bonds?
- P. P. Gupta:** Yes, at the moment it is no more than 200 crore now, which includes 40 crores of new exposure. And 160 crore is the old exposure now.
- Renjith Sivram:** So, is there any risk of any right off in those investments?
- P. P. Gupta:** No sir not at all. We are very confident to get all the money. We are getting around 25, 30 crore per quarter which we got in this quarter also and that is how we have come down to 150 crore and we hope that by March end it will be no more than 100 crores.
- Renjith Sivram:** Okay, that's good to hear. And sir we would like special dividend from you because thereby you will be giving more money to us rather than the government. So in that aspect, it will be great that you give a special dividend rather than a buyback. Thank you sir.
- P. P. Gupta:** Yes, different people have different views but your view is great, taken and noted sir.



- 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 1500 crore of 1500, 1600 crore of order intake in H2 sorry for the full year, what would be the composition of this, like you have highlighted 500, 600 crores from TBCB and another 500, 600 crores from FZD and what would be the rest?
- P. P. Gupta:** And 200 crore will be smarter meter.
- Mayank Bhandari:** And 200 crore will be smart meter?
- P. P. Gupta:** Yes, one more order of smart meter sir.
- Mayank Bhandari:** So, in the last quarter you had said 500 crore from smart meter and sir STATCOM orders?
- P. P. Gupta:** STATCOM is a part of TBCB now sir.
- Mayank Bhandari:** Okay. So you had highlighted like 500 crore from TBCB includes STATCOM?
- P. P. Gupta:** Yes, absolutely right.
- Mayank Bhandari:** Okay and FZD, two FZD orders of amount 750 crore?
- P. P. Gupta:** Right.
- Mayank Bhandari:** Okay. And sir just a theoretical question like what would be the, right now if I have about 1600 crore of inflow expecting in FY21, so I would probably be ending my FY21 by order book of about 2500 crore?
- P. P. Gupta:** Yes, 2500, 2700 crores approximately.
- Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** My first question was regarding the windmill, I agree with your comments about waiting a little bit, but do you have a some timeline in your mind as to when we like to monetize it by?
- P. P. Gupta:** Sir, at the moment as I told you, the big business is facing some headwinds and we are busy in resolving it and with regulatory authorities, some orders are awaited at that level both in terms of the past tariff as well as the REC pricing. So both are in APTEL at the moment, so that is one expectation and second is that we are also waiting the payment from the TANGEDCO through this Aatma Nirbhar Bharat scheme of, which is another around 160 crore which we should get in this one. And that late payment surcharge we have to collect about 50, 60 crores. So once we



had done with all these headwinds issues at the light, these never price out of the wind power and not the skewed value as of today, that only asset will have a right value to dispose-off. In the meantime, we are also exploring to get out of the PPA from the TANGEDCO and get it to third part sale or our own captive power consumption. That, is how we are exploring that how we can make this power more valuable to us and that exits the capacity to some investors.

**VP Rajesh:** Right. And, and sorry to pester on this point, so your sense of timing is, let's say next four quarters, or do you think it could be longer to resolve all the issues you've just highlighted?

**P. P. Gupta:** I will trust it will be no more than four to five quarters.

**VP Rajesh:** Four to five quarters, okay and if I may, I would suggest that you should think about doing a buyback for the simple reason, as one of the previous speaker said, your product should go down, your ETS and return ratios will look better and obviously, you will as a promoter should be able to increase your stake in the business as well. So rather than giving out special dividend we like this business and it's better to do a buyback.

**P. P. Gupta:** Thank you so much, we will keep this in mind sir.

**Moderator:** Thank you. The next question is from the liner Rohit Balakrishnan from Ridhi Capital. Please go ahead.

**Rohit Balakrishnan:** Most questions have been answered just one small bookkeeping question I couldn't understand this, sir in your other income standalone other income is greater than the consolidated other income. So 50 crores for this quarter in standalone versus 34 crores and in the notes also you've mentioned the dividend from the subsidiary which is there in standalone and not there in consolidated. So, I just wanted to understand this what is the just a bookkeeping question?

**P. P. Gupta:** This is bookkeeping only sir, as you all know that a subsidiary whenever makes a project you have some reserves in the subsidiary created over time and in IndAS you are required to value your investment in subsidiary on the very market value or book value of that stock. So, it is only a difference of the face value versus the book value versus market value as you have realized. So it gives off standard alone, it is face value versus market value, it case or subsidiary it is book value versus market value that is the only difference.

**Moderator:** Thank you. The next question is from the line of Vikash Baid from Jupiter Business. Please go ahead.

**Vikash Baid:** I get the feeling from all the institutional investors that they're looking for a buyback or a dividend because of the worry on the low share prices for a very, very long time. But. fundamentally the money's invested into the business probably that gives a long term growth



and reward for the investor, so how are we looking at putting the money in the business apart from the buyback or dividend that you may be considering?

**P. P. Gupta:**

We are also keen to at the moment the bidding in TBCB is extremely aggressive between Power Grid and Adani. So, we don't want to get into a space which is beyond viability long term viability space. Number one, but we will keep scouting good opportunities to invest in this space we are experienced, we understand the space better so we are partnering with some kind of funds, infra funds, InvIT funds, here we directly deal for them, rather than we are buying from the secondary market. So, that is one way so that we continue to top up our line and also continue to invest in this market. Additionally, as I shared with you that we are also exploring an opportunity, given the power sector reforms, that how we can strongly be part of the DISCOMS business, because ultimately that is the last buying relationship between consumers and any distributor like telecom or like aviation. So we want to be part of B2C not B2B which remains very different. So, if any kind of that relaxation or reform in power sector happen by virtue of amendment to the Electricity Act as proposed, then it will become a huge opportunity for us to invest going forward. Additionally, we are also evaluating power.

**Vikash Baid:**

We have a large number of institutional shareholder so we have to rectify in terms of share additions and I hope you can do a good buyback or a dividend so that, as we go ahead their patience is rewarded.

**P. P. Gupta:**

Absolutely. We will like to keep although you are the people who create value in the marketplace, and we don't want to be market participants at all in any capacity or in any manner, I am a power professional, I understand my business best and how to generate best return out of my businesses. Market value is to be created by you people. So, I look on you, but we can we can assure you that we will do the justice in using the surplus money for the benefit of the investors.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to have the conference back to the management for their closing comments.

**P. P. Gupta:**

Thank you all for joining the conference call with us. It has been a pleasure to answer your queries, curiosities way forward outlook. It gives us a very huge satisfaction of your ownership and appreciating the way the company is performing or delivery to its investors, shareholders, stakeholders, still in case you have any query related to our performance. Please drop a mail to us and if you happen to be this side of India, you are welcome for our office, to experience how we really work and do the projects different than others. With this, I would like to close the conference and thank everybody for joining and again wish Happy Dhanteras and Diwali. Thank you so much.

**Moderator:**

Thank you. On behalf of Asian Market Securities, we conclude today's conference. Thank you all for joining you may now disconnect your lines.