



“Techno Electric & Engineering Company Limited  
Q3 FY2021 Earnings Conference Call”

February 15, 2021



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earning Conference Call of Techno Electric & Engineering Company Limited 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. Be note that this conference is being recorded. I now like to hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you Sir!

**Amber Singhania:** Thank you Margaret. Good afternoon everyone. On behalf of Asian Market Securities, I would like to welcome everyone for 3Q FY2021 Earnings Conference Call of Techno Electric & Engineering Company Limited. We have with us today. Mr. P. P. Gupta, Chairman and Managing Director; Mr. Ankit Saraiya, Director along with their management team representing the company. We shall start with the opening remarks from the management and then we will move to the Q&A session. Over to you Sir!

**P. P. Gupta:** Thank you very much and very good afternoon to all of you. I welcome everyone to discuss our financial results for the quarter ended December 31, 2020. 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 our industry faces and in turn company is exposed to.

Nine months results are not comparable on year-on-year basis due to the impact of COVID-19 in the quarter April, June, 2020 where we lost almost about two months in this quarter in the first quarter of this year and we continue to be impacted with the local lockdown laws and quarantine rules by different states and particularly northeast where these rules are even serious.

Let me quickly highlight our performance for Q3 FY2021. The total revenue in this quarter stands at around 259 Crores against 270 Crores in last year. The revenue on the EPC stands at around 210 Crores. Revenue for the wind segment is at 45 Crores approximately, the company has recognized the differential of the tariff payable for this year and last year pursuant to Airtel order dated January 28, 2021 where they are surprising reduced our tariff over 2018-2019 by 0.975 per unit, which stands at a site. EBITDA for the company stood at Rs.77.51 Crores in this quarter. The operating profit for the EPC segment for this quarter stands at Rs.36.5 Crores approximately, operating profit margin in EPC segment is at around 18% plus minus compared to 17% last year. Operating profit for the wind segment is at 41 Crores, other income is at 11 Crores nearly at par with last year. The profit before



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tax for the quarter is at 75.71 Crores compared to 42.5 Crores last year that thereby it is up by around 77% year-on-year. The profit after tax is at 56.6 Crores compared to 32 Crores last year signifying higher by 75% year-on-year. The EPS is at 5.15.

Coming to nine months results, the revenue in nine months stands at almost around 748 Crores compared to around 795 Crores last year and similarly the revenue from EPC stands at around 580 Crores approximately; we have been able to cover most of the grounds despite lower revenue in first quarter due to the challenges faced because of the COVID. The revenue from wind segment is at 97 Crores at par with the previous year. EBITDA for the company stands at 197 Crores, operating profit for the EPC is at 111.5 Crores compared to 125 Crores last year. The operating profit margin is at 19.3 compared to 18.8 last year. The operating profit for wind segment is at par with last year more or less at 85 Crores. The other income is at 74 and around 75 Crores compared to 36 Crores last year, it is basically high because of the profit from the sale of investment of Rs.28 Crores from KT Jhajjar to IndiGrid and dividend we received from the JV for about 15.8 Crores. The profit before tax is at 219 Crores, profit after tax is at 171 Crores approximately, the EPS is at around 15.67 or 15.7. The current investment values including cash and cash equivalent is at 800 Crores. The order intake has seen a major growth or improvement in this quarter compared to previous two quarters. We have almost booked a business of about 300 Crores in this quarter from Power Grid and from Kerala State Government and we are further L1 in another about 665 Crores business, which majorly includes a one FGD order from DVC for 500 Crores, another 1 TBCB package with Power Grid. If Power Grid wins we will be awarded back-to-back and this would take our total intake for the financial year to the around 1000 Crores plus. The unexecuted book as on date is around 2000 Crores.

The outlook for larger business shifts more towards as conveyed earlier also towards generating plants for pollution control systems and also towards the distribution segment. So the major is one FGD segment where as per the notification of Government of India all coal-fired thermal plants need to limit their sulfur emission where SEBs and private sector have yet to implement the plan, but the CPSUs are really advanced in this case and we expect business of around Rs.150 billion in the next two, three years at the industry level out of which we may be eyeing about 1000 Crores over the next two to three years. **(Audio cut) 8:56** business also for another 500, 600 Crores, so that this segment continues to give us a space of execution at 500 Crores a year.

The transmission segment continues to be stagnant and it is limited only to the evacuation of renewable power at the moment. There is ongoing TBCB bidding for 66 gigawatt of renewable power, which is expected to be tendered out by June 2021. Against the bid



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submission dates have been again extended or revised from time-to-time so we do not see that in execution these orders will happen during this year. We also planned to bid for four projects small value each less than 500 Crores in the state of Maharashtra, MP, Karnataka and Rajasthan, and the union budget for 2021-2022 has allocated 3 lakh Crores to be spent over next five years for the power distribution and the funds will be linked to the financial performance and viability by the distribution companies. We are seeing that government is keen to implement reforms in power sector, which are overdue and they are even gone to the extent of talking about delicensing of the distribution segment, which will be a milestone in itself. We are seeing the good interest from large investors InvIT funds to participate in these TBCB bids along in partnership with us, this will enhance our assets to capital and will be able to participate a bit more aggressively although market is really aggressive and intensive. On the distribution side we see lot of activity happening going forward in particularly in the case of smart metering and also the power distribution networks will also be accordingly made more smart and intelligent as a backup to the metering. The main aim of the government is to improve efficiency and contain losses so that the health of DISCOMs could be improved and a choice could be given to the consumers in terms of the power supply, which will be again I will say a very big breakthrough.

We had mentioned that the projects that in the near future we will be interested is a 9 lakh meter project in the state of J&K where we are already implementing a project with REC of 2 lakh meters. Apart from this there are reading in media that government will be utilizing the opportunity as reforming the sector, which are over depending in the name of Aatma Nirbhar Bharat, which is also a longstanding demand of the stakeholders. This is holding up the amendment to the Electricity Act to the tariff policy and estimation of gross subsidy, payment of subsidy directly to power consumers and lot of planning is made through CA to give a visibility over next five years on improving efficiency and stability in power supply. As usual I will restate that the power sector at the moment is at a very critical juncture and something good should happen very shortly going forward and it will be a game changer.

Wind segment, we are again facing headwinds because of the poor financial health of the DISCOMs and delays in payments and there is a pressure on the tariffs also which we have to constantly fight at regulatory regimes. We hope to utilize our pending payment of last two years shortly out of the 1.2 lakh Crores package announced by the Finance Ministry through REC, PFC to DISCOMs to clear the generator dues up to June 2020. We have already received 38 Crores and 28 Crores is expected in this week making it 66 Crores out of the total dues of around 132 Crores, which is a 50% as first tranche. Additionally, we have been speaking about the REC price issue since the last few quarters. (inaudible) 15:23



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the trading of REC pursuant to CERC revising the floor and forbearance prices and we are hopeful that the order is out in the month of October will be delivered shortly and CERC order will be satisfied and normal trading resumed, that is our expectation. In the coming years I will again reiterate that we are strongly seeing the power sector reforms happening with focus on efficiency, stability and reliable power supply, cost of power and improvement of financial health of the DISCOMs and the sector. The focus however will continue to be on renewable power with related transmission infrastructure as green corridor where your company has been the first mover. The transmission infrastructure is required for 500 gigawatt over next 10 years with thrust on overseas market is also bearing fruits. We are hopeful of bagging further businesses in the markets of Africa and Afghanistan.

I want to discuss another interesting opportunity going forward. Techno has always been good in selling in DC power base solutions particularly in power guzzling industries like aluminum earlier, now we see this opportunity emerging in data centers. The pandemic has created lot of stress on digitization as well as online systems and by virtue of huge population in our country and rising penetration of internet and mobile telephones is led to a significant data proliferation. To handle this data, to preserve this data and also the privacy of the data as per the requirement of INB Ministry India will be needed to add lot more data center capacity, which currently is at no more than 550 megawatt plus minus and we anticipate that this will grow to at least 2 gigawatt in the next three years and to 5 gigawatt in the next 10 years. With such growth and related investment we plan to develop an ultra scale hyper-density data center of 25 to 30 megawatt I will say in the city of Chennai. We will be captively consuming the wind capacity we have in that state and our data center will be carbon neutral and we will meet the requirement of hyper-scale customers like Microsoft, Amazon, Google, Facebook, etc., because of their ESG commitments. The total capex on this facility will be 750 Crores, which we intent completing in no more than one-and-a-half years and 60% to 65% capex out of this happens in electromechanical works, which are the core competency of your company. So we will not only benefit by utilizing the renewable energy produced by us in Tamil Nadu to be used as captively, but we will also be able to leverage in-house expertise of doing these works and also in future we will be able to take up these works as EPC after demonstrating our capability in this area. With this now I invite questions and any further elaboration you need on any of the points of my presentation.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.



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**Ranjit Shivram:** Congrats on good set of numbers and I hope the growth prospects will be encouraging after the budget.

**P. P. Gupta:** Absolutely led this quarantine rules a bit more settle down as a nation. Today we are become 28 country nation no more 28 state nation, that is a huge challenge to Airtel.

**Ranjit Shivram:** Sir just on the order outlook for this year and the next year if you can give some more clarity and the GEC is still getting delayed so when do we expect this green energy corridor orders to happen and subsequently our order to improve that will be my second and third is possibly this distribution reforms so do we also plan to come out with some products because that will be a huge opportunity 3 lakh Crore of this distribution reform so is there any thoughts from our side to participate in that?

**P. P. Gupta:** You see as far as the order book is concerned I shared with you that we have booked order of 300 Crores already, which includes one package of Sikar from Power Grid, which they have won recently in this TBCB bidding we are further L1 with Power Grid in another almost about 300 Crores packages, which have to go through TBCB bidding and they should be mostly over by March 15, 2021 to my mind as they are happening one-by-one. So Power Grid is fairly aggressive as we see in the past their success rate is almost 80% so we are very hopeful of securing this business. Additionally, there is a business happening selectively in different states also where we will pick up like Kerala we got 85 Crores order now recently to build a 220 KV to GIS stations, so similarly we expect more business from MP as well as from the state of Telangana and Karnataka going forward, but overall if you ask me I would like to say growth will happen out of FGD business more where we expect to book almost about 500 Crores is certain to we will get tomorrow's board meeting and we will see it should be approved. So that will be another 500 Crores where we are L1 and we are also talking to a private entity very closely order to mature about 400 Crores so FGD should give us a good strength, transmission will continue to be stagnant at 500 Crores a year, but this data center addition will be another business to us that out of our capex we will have a EPC of around 500 Crores in our books that is to be executed over the next 12 to 18 months and also we are seeing traction of businesses from other entities also in data center as much as we are finding interest from the investors from US and Singapore in this business. So overall I will share that business prospects are good. Now coming to distribution sector reforms you see making product is never a forte of Techno, we have always been a technology high-end complex solution based company by virtue of DISCOM or distribution power getting delicensed I am very sure this sector will sea through change. My apologies I got logged out, so what I was trying to say that as far as Techno is concerned we are fairly in a good position and constantly moving up the scale in the



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solutions, but coming to distribution reforms and par of this 3 lakh Crores we will definitely be looking more on reforms not by financial injection into the DISCOMs but by definite steps, which brings efficiency and improves performance contains T&D losses all that should be the major agenda of the government so that these are sustainable reforms and money is wisely utilized not throwing good money after that money so some part of distribution has to be privatized if not all of it so that new technologies can be deployed, new modern day solutions can be a way of life, consumer can have a choice like telecom and there is a competition in place in every market so definitely it will sound good for everybody, a product manufacturer, solution provider or even a power distributor, power aggregator or power distributor, all will be good, so delicensing is a very sensible thought of the government, but we need to see the political will to go through it as we have seen in the past many good things have been talked about, but implementation has been very time consuming or tardy.

**Ranjit Shivram:** Sir just a followup, is energy meters is one area where we are already giving some solutions so would not this distribution reform also give rise to lot more of energy meters kind of products?

**P. P. Gupta:** Sir not only energy metering but I am sure even the networks will undergo a reconceptualization there is so much of scope. The entire networks will be reconfigured technologically and otherwise and you will see that like telecom today wise is no more a product it is value added services so same future I see down 10, 20 years in power also that if you can produce power at Rs.2 a unit in renewables and it can be so distributed the power at every rooftop at every country side it will be a revolutionary change once we have energy storage solution in place, we have renewable power, next corridor being produced at competitive prices, this will be altogether a different world that is what I see in next 10, 20 years, for young people it will be totally a new lifestyle.

**Ranjit Shivram:** Okay I will join for further questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

**Sandeep Tulsian:** Sir firstly just want to understand this order book and order inflow numbers I was not able to tally so this 300 Crores inflow that we mentioned is the nine month number right not the third quarter number?

**P. P. Gupta:** It is a third quarter number Sir not nine months.



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- Sandeep Tulsian:** Sir but our order book was 2100 Crores what we shared at the end of 2Q we have done about 200 Crores of revenue in EPC so ideally if you book 300 Crores worth of orders it should have increased by 100 Crores right but it has gone down by 100 Crores sequentially?
- P. P. Gupta:** You see what is happening is that some business becomes unexecutable also over the time by some of the orders with us, so we do make some minor adjustment here and there so you can say executable value is around 2000 Crores plus minus.
- Sandeep Tulsian:** Can you share details of these Rs.200 Crores orders, which we have excluded from order book like which were these orders just to get some understanding around that?
- P. P. Gupta:** You want me to name the order specific?
- Sandeep Tulsian:** May be yes orders or the customers, in which area transmission PGCIL state.
- P. P. Gupta:** One order is obviously FGD for Bokaro of 300 Crores and then we are executing one order for Adani at Lakadia; we are executing one order for Sterlite at Karnataka now.
- Sandeep Tulsian:** Sorry, my query was to understand which are these orders that you have removed which you mentioned because that gap is almost 200 Crores I want to understand which are these orders that you are now...
- P. P. Gupta:** You send me a mail I will send you because I am in Delhi now so I am not in my office so it will be difficult to give you it may be distributed over 15, 20 orders.
- Sandeep Tulsian:** Understood I will get in touch separately for that and secondly just want to understand so order inflow wise used to guide that maybe annually what you are mentioning 500 Crores odd we should look at it on transmission side annually another maybe say 400 to 500 Crores on FGD side and maybe 200 to 250 on the smart meters so that should be the larger opportunity of about 1200 to 1250 Crores odd annually is the way we should assume?
- P. P. Gupta:** 500 Crores from the data center now which we are starting with.
- Sandeep Tulsian:** Correct so that will add it up to 1700 Crores where first order we will do on our own and then we will pitch it to the external customers?
- P. P. Gupta:** Right, absolutely.





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**Sandeep Tulsian:** For these two areas which you mentioned one is data centers this 750 Crores entire thing will be funded by Techno from its cash or is it a project under JV?

**P. P. Gupta:** To begin with we have taken up this project and lot of interest is shown by the foreign investors from US and Singapore, but we are under NDA so we cannot share more details with you at the moment but ultimately there will be a JV partner at the SPV level.

**Sandeep Tulsian:** Second thing which you mentioned was this 500 Crores bids in each of Maharashtra, MP, Karnataka and Rajasthan so those are what essentially these are booth projects that we would be bidding for?

**P. P. Gupta:** Yes, booth these are TBCB booth projects we will be taking part in four of them which are each around 500 plus minus and collectively at 2000 Crores so we would like to win one of them if possible.

**Sandeep Tulsian:** Win one out of four is what we are targeting got it and last question if I may please on that mutual fund side if you could just give us what is the exposure of those bonds reduced to since you have been sharing consistently the progress on that part?

**P. P. Gupta:** Now the exposure has come down to 150 Crores, which we are hopeful to bring down below 100 by March that is what it is and next year it will be a full exit and that is not a mutual fund I will say that is a bond exposure and the lessons learned are that whatever money you get you keep in mutual fund now, which is safe and healthy, so the present balance in mutual funds is also around 500 Crores in cash other than this and another 150 Crores is investment continuing in our SPVs with Kalpataru in transmission.

**Sandeep Tulsian:** Thank you so much Sir. I will come back in the queue for further questions.

**Moderator:** Thank you. The next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

**Deepesh Agarwal:** Sir my question is on the data center side so do you have in-house expertise on setting up data center or you are relying on some other party for this?

**P. P. Gupta:** You see I cannot claim to have a capability to give a Tier-IV data center in-house so definite but we have lot of capabilities in element building of a data center let me put it because data center by and large is a multilayer power solution, which has to be ensured to be available in any circumstances so that availability and reliability no less than 99.9 and additionally you have to supply a quality power to the DEX so definitely we will be



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working for only first project with a global consultant who do these jobs day in day out so they will be handholding us so that first project and customization happens together in partnership with them, partnership I mean on that they have consultancy and detailing and once we have gained experience definitely we can be on our DEX.

**Deepesh Agarwal:** You mentioned a capex of 750 Crores so at 750 Crores capex what would be the power requirement on this data center and would we be able to win the asset entirely for this data center?

**P. P. Gupta:** Absolutely that is our objective; we have a capacity of 112 megawatt in the state of Tamil Nadu, which at a given PLF of 25% if we translate like to like to a stable powerhouse it will be equivalent to 25 to 30 megawatt depending on the power produced. To be more precise we produce about 200 to 220 million units per year, which will be our availability of power with us and a data center of the size we will be consuming needing that kind of power within plus minus 10%.

**Deepesh Agarwal:** So basically this will solve our issue with respect to working capital and this will also give us an opportunity to have a higher rate than what we currently touch on the data side?

**P. P. Gupta:** You see the power which data centers buy from the state is at Rs.8 so your power gets better value, your power asset gets better value and you are in a sunrise sector called data center and once we do one of it then we will also be recognized as EPC, which are needed in the country to setup these capacities so it will be and our aim is like transmission we started as a EPC then came in TBCB we do not want to see lifecycle of the TBCB projects so we parked with IndiGrid and InvIT. Similarly these data centers also find ultimately REIT or InvIT happens in this segment of business also worldwide. So the business model will continue to be same that you develop it, you operate it with a global partner, rent out to one of the digital data companies like Facebook, Google, or Microsoft and they are parked in REIT or InvIT like Singapore there is a company called CapitaLand and funded by Government of Singapore itself so they take care of itself it is a simple business model ultimately.

**Deepesh Agarwal:** Of this 750 Crores capex what portion of the capex will be executed by Techno's EPC arm and would you be earning an EPC margin on this?

**P. P. Gupta:** You see basically we will be doing the power saving then power conversion from EHV to HD and medium voltage to LT then captive power as another layer of power then another layer of energy storage solutions or a kind of a UPS solution around it the battery backup as practiced, so multilayer power solutions are within our forte apart from cooling systems or



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fire fighting system, safety security systems, which are integrally part of these stations. So we have already taken land in the state of Tamil Nadu and Chennai land has been given by the industrial estate in SIPCOT and we are in a very advanced stage to now launch the project.

**Deepesh Agarwal:**

Sir would it be fair we will be at least doing 50% of the value in-house?

**P. P. Gupta:**

Almost two third.

**Deepesh Agarwal:**

Making company level margins also on this EPC side?

**P. P. Gupta:**

Margin levels maybe 1 or 2 now which is lower or upper, but it will be lockdown margin. We will ultimately leverage margins, but wind will become more valuable to you as we have said.

**Deepesh Agarwal:**

That is very helpful. Thank you Sir.

**Moderator:**

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

**Rohit Balakrishnan:**

Sir in terms of your FY2021 this year so going by your earlier guidance this quarter Q4 we should have an execution of 500 odd Crores if you could mention 1100 odd Crores as like that would be the revenue so is that a correct assessment or there is a change in that?

**P. P. Gupta:**

Yes you are right we would like to target that, but presently what we are finding is that DISCOMs are short of money so we do not want to put more working capital in the business unless cash is visible with the customer that is how Q3 we could have done another 50 Crores, which we did not mainly because we are not getting payments from DISCOMs over the last two months they are starved of money funds whatever you say due to pandemic so if their funds position improves and government funds comes in we are definitely hopeful of 500 Crores otherwise 400 Crores should be the fair achievement. So you can say that if 1100 Crores of EPC we do not achieve we will definitely achieve it with our wind power other than other income. So that is purely a realignment of progress with the availability of funds, we do not want to create more book debts and by raising our topline.

**Rohit Balakrishnan:**

Next year are we looking at like probably what you said excluding this data center are we looking at like 10%, 12% kind of growth only on the overall EPC side or I am talking again excluding data centers?



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- P. P. Gupta:** No are you talking of this year or next year 2021-2022?
- Rohit Balakrishnan:** 2021-2022 I am talking about Sir.
- P. P. Gupta:** 2021-2022 will be definitely a better year as far as I can see, vaccination has started and government is serious on economic growth, budget is very sportive, so I am sure liquidity should not be an issue after April onwards. This is an issue only temporarily limited to this year, but then FGD will be another growth center other than data center, which to this year we wanted to do 100 Crores, but could not do even 40, 50 Crores so next year FGD will continue no less than 500 Crores so another 750 Crores we can easily expect from transmission distribution and obviously data center will also be adding to the topline so we are very confident that 2021-2022 we will achieve a topline of 1500 Crores.
- Rohit Balakrishnan:** For this data center business that you just talked about so 750 Crores is what is the overall investment so I mean how should one look at it from a company perspective because there will be some EPC revenue also and then there will be some big business also coming through this and we will be using it captively so from an ROI basis what kind of ROI are you looking at from this business?
- P. P. Gupta:** You see if you study this segment or business today it is a very healthy and rewarding sector as of today; the EBITDA is not less than 50% in this market at a full power cost because power is the biggest material post commissioning of the data centers other than the manpower cost. So power is our in-house availability with us, which will contribute at least 150 Crores operationally apart from another 100 Crores happening as a rental value so Techno's delta will be largely out of the power side and the EPC capability to do in-house is almost two third of the project cost. If you can compare this with another TBCB project that you create a project and you do an EPC in-house and ultimately you happen to park it with REIT or InvIT at a market driven price, but we will continue to be power supplier to this facility, which will continue to give us at least about 150 Crores topline as a power supplier in the process.
- Rohit Balakrishnan:** Eventually you would sort of like you do in TBCB you would sell it to...
- P. P. Gupta:** We will hedge it through REIT or InvIT accordingly down two years and secondly we will also be developing these facilities in a JV and this be at a separate Holdco for this business, which will be jointly held by a foreign investor along with Techno Electric. We would not like to take whole risk on our books that is our wish at the moment.



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- Rohit Balakrishnan:** We have already around 800 Crores on the book and another 100 odd Crores are expected from TANGEDCO and similar number from Kohima perhaps even more than that and then obviously they are generating cash flows so you had mentioned last time that like we would be distributing a hefty amount, but that in terms of you have done a interim dividend but it is certainly not very high from the kind of PAT that we have, I just want to understand your thought process what is your thinking because in the past also we have been generating cash flow in the form of buyback and everything so I just want to understand what is your thought process at this point of time?
- P. P. Gupta:** You see we have already paid Rs.3 last quarter, Rs.3 in this quarter now and the final dividend which is due which will be a part of March quarter so in all go we will be definitely distributing around 40% of the bottomline as per our policy and government taken out tax on the buyback we would have preferred buyback option, but now dividend is tax free and taxable in the hand of recipient and our major investments are mutual funds and who are largely tax free you see and if they are part of grow scheme even investors are tax free in those months so that way the market response was more in favor of dividend, so trust me you will be handsomely rewarded for going forward it will be no less than buyback and it will continue like that.
- Moderator:** Thank you. The next question is from the line of Nishit Shah from Aequitas Investments. Please go ahead.
- Nishit Shah:** Sir I wanted to understand the smart meter opportunities of 9 lakh meters in Jammu & Kashmir so in revenue terms how big can this be?
- P. P. Gupta:** Sir generally you can take one smart meter project is around \$100 per meter as installed.
- Nishit Shah:** Sorry Sir I did not get.
- P. P. Gupta:** I said one smart meter has installed is \$100 to \$120 per meter so it means per meter the price level is about Rs.8000 without taxes as installed so you can multiply 9 lakh by 8000.
- Nishit Shah:** Where is this project right now?
- P. P. Gupta:** Which one?
- Nishit Shah:** This 9 lakh meters.



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- P. P. Gupta:** It will happen in the whole state Sir, presently we are doing 2 lakh meter, 1 lakh in Jammu city and 1 lakh in Srinagar city, so 9 lakh meters will be in the other parts of the states.
- Nishit Shah:** But is there any timelines that it would be done within two years, three years and the bidding and if bidding is out?
- P. P. Gupta:** You see at the moment in power sector and the way DISCOMs and government works you can easily take it about three years it is not four.
- Nishit Shah:** I wanted to get clarification, so in your opening remarks you said that there was some reduced tariff of 0.975 as per some orders to 2021?
- P. P. Gupta:** It is enhanced what happened was in 2018-2019 the regulator gave an order reducing tariff to 0.97 to the earlier paid tariff up to 2018 from 2015 to 2018 so we challenge that move of the state regulator I am saying in April, which is a high court kind of a regulatory body, so they have set aside that order so the tariff reduced by them two years back stand now billable and payable to us as per the present mandate. So that is what we are talking that we were presently accounting our billing at Rs.2.14 as against Rs.3.12 two years back.
- Moderator:** Thank you. The next question is from the line of V P Rajesh from Banyan Capital. Please go ahead.
- V P Rajesh:** I am sorry I have joined a little late. So on the data center side what I understand was you are doing a JV where you will have a capex of 700 Crores in the next year or so, so my question is that what would be our contribution to that JV and what time will it take to come up the plant of the data center how long will it take to be put up?
- P. P. Gupta:** You see generally it is a two-year project as industry norm is, but definitely since it is our in-house facility we would like to do in lesser periods in no more than 18 months preferably 15 months if you ask me and secondly obviously even if you take a ratio of 1:2 then 250 Crores of capital and 500 Crores of loan will be there in the SPV level so this 250 Crores equity will be shared with the foreign investors depending on his appetite generally they look for majority as we have told in this business, but we have to experience it and we will be more clear when we talk with you March results sometime in May, mid we will have all the clarity on this issue.
- V P Rajesh:** My second question is next year fiscal year 2022 your growth seems to primarily be driven by FGDs and the smart metering did I get that right or am I missing another piece of growth?



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**P. P. Gupta:** FGD, smart metering and additionally data center will also crystallize into a way of life for next four, five years to come once having done our own captive data center.

**V P Rajesh:** What is the market opportunity for data centers you see over the next four, five years?

**P. P. Gupta:** It is in my presentation Sir that presently we have only 550 megawatt capacity in the country, which should grow to 2 gigawatt in the next two, three years it will be so rapid and 5 gigawatt in the next seven to ten years this has been growing phenomenally at least 10 times in the next seven years that is what I know. In foreign countries almost 10%, 12% of the power gets consumed by data center itself if you look on experience of Singapore or US or Hong Kong similarly this industry India was deploying of earlier because of this industry being in the hands of large foreign entities and aggregators now by virtue of pandemic digitization and data growth phenomenally online services education and all that, e-commerce, so lot many foreign and privatization of data policy of government of India so all these come to me are looking on India as a hub now. So whichever cities are now globally connected by undersea cable earlier it was only Mumbai so all data centers 80% are in Mumbai, now Chennai is connected in last one-and-a-half year to Singapore by undersea cable, so Chennai has become a bet, now Calcutta cable connection is happening through Jio at Digha as the first and then two more stations will come so this is how this industry will go on expanding with global connectivity wherever global connectivity fiber is available these kind of hubs becomes viable and practical.

**V P Rajesh:** Thank you very much. I will get back in the queue.

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

**Keshav Garg:** Just wanted to understand that next year FY2022 you think that you can hit around 1500 Crores topline?

**P. P. Gupta:** Absolutely no doubt.

**Keshav Garg:** So basically regarding this data center so by FY2023 you think that we can expect revenues to start in the second half of FY2023?

**P. P. Gupta:** Absolutely you are rightly said we are ready with our facility by June or September.

**Keshav Garg:** That is all from my side and thank you very much and best of luck.



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- Moderator:** Thank you. The next question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.
- Ranjit Shivram:** Just on this data center asset is 750 Crores we invested completely next year or what amount we are planning to invest next year?
- P. P. Gupta:** Sir at the moment to be very precise is little difficult but you can take roughly around 75% in 2021-2022 and balance 25% in 2022-2023.
- Ranjit Shivram:** What kind of return on equity that we are projecting at least from this investment from our internal workings?
- P. P. Gupta:** If market continues to be what it is today then at least 20% we can expect as a ROE.
- Ranjit Shivram:** Any particular site that we have bought or we have in our mind?
- P. P. Gupta:** I have shared with you my presentation earlier that Chennai is the city and there is a SIPCOT industrial area in a place called Siruseri on OMR road, we have already bought the land from the Government of Tamil Nadu and it is just opposite to Airtel data center and next to Adani data center it is IT park, IT hub and we will be part of it, so land is already in place now.
- Ranjit Shivram:** Okay Sir that is it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vriddhi Capital. Please go ahead.
- Rohit Balakrishnan:** Sir just two questions so TANGEDGO you had about 160 odd Crores to be received out of which we have received how many Crores you mentioned about 38 Crores?
- P. P. Gupta:** Sir 66 Crores out of 132 Crores dues up to June 2020 through REC, PFC, scheme first tranche of 50% we have got.
- Rohit Balakrishnan:** So we have got 60 to 66 Crores?
- P. P. Gupta:** 66 Crores out of 132 Crores bills forwarded to REC.
- Rohit Balakrishnan:** Sir how much is spending so far now, also the overall payment?





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- P. P. Gupta:** Total 66 Crores plus dues from July to December of another 20 Crores so we have to get another 86 Crores.
- Rohit Balakrishnan:** On the Kohima project so any update we had earlier said in January so I mean CLP is still expected to be the buyer or somebody else and when do you think that will be closer?
- P. P. Gupta:** Sir as far as my update is with me we have achieved the COD successfully that three months we have to give to CLP to put their approvals in place, which will be over by March end or mid March, so I have told they are trying hard, but if they succeed it is good, if they do not then also we have alternate buyers ready to buy this asset at a better value than CLP also.
- Rohit Balakrishnan:** Do you expect this to get close based on your timeline somewhere in the first quarter of FY2022?
- P. P. Gupta:** Yes absolutely sir by June we will have this done with them.
- Rohit Balakrishnan:** Okay and we will have the money also realized with us or that will be...
- P. P. Gupta:** Absolutely otherwise it has no meaning, if you do not get money **(inaudible) 1:00:54**.
- Rohit Balakrishnan:** Yes right absolutely. Thank you Sir. Thank you very much and all the very best to you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Amber Singhanian for closing comments.
- Amber Singhanian:** Thank you Margaret. Sir just before closing two questions from my side is one you mentioned about Tamil Nadu pending receivables of around 86 Crores the recognition of this 36 Crores in this quarter will be over and above this?
- P. P. Gupta:** Yes obviously it will be over and above this sir this is not a part of it is yet to be built, we have got a regulatory offer and entitlement, now pursuant to the notification by TANGEDCO we will be able to bill it in March, but it will be retrospective billing for those debts.
- Amber Singhanian:** So basically 50% will be from FY2020 and 50% is from...
- P. P. Gupta:** Yes, what I am saying is we are still uncertain but our money they got from REC, PFC they have availed up to June 2020 loans, now balance money has to come out of the DISCOMs



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own resources so presently their resources are all strained because of the pandemic. So no sooner they get better we are being assured that we can expect regular payment and government maybe helping them out of this 3 lakh Crore payment, which they have talked about in this budget spread over next five years so we are very hopeful that in 2021-2022 not only old dues will be over but also we will be getting paid regularly as usual. The backlog issues will be over done with as promises are being shared by the government but let us see reality will lie in eating the pudding than talking about it.

**Amber Singhanian:** Out of this pipeline of TBCB projects from four states and also that the FGD tender which are there in the pipeline any project out of this are expected to be bid out in this financial year or mostly it will go into the next financial year?

**P. P. Gupta:** No, I expect they should be over in this year failing which I am sure they should not spill over beyond June anyway, but we are more hopeful that this Power Grid where we are L1 still with them we got one job of Sikar 765 KV as we did Bagla, which is complete now, which already secured. We should be able to get business of 250, 300 Crores from Power Grid itself by March end or maybe maximum April by between you and me and additionally we will like to win at least one out of four as our own TBCB package along with one of the InvITs in the country where we are trying so that is the scene behind it. Our one are getting postponed at the moment, which I believe may go to May, June if not March, April. At the moment final dates are yet to be received from them.

**Amber Singhanian:** Sir just one clarification out of this 2000 Crores of order book this 300 Crores which we have got from PGCIL and Kerala state is included in this?

**P. P. Gupta:** These are included in this 2000 Crores Sir and whatever we have executed in this quarter goes out, this is one executed we are talking, we have executed book with unexecutable portion taken off the executable part left with us now is 2000 Crores as of today.

**Amber Singhanian:** We have a L1 of 665 Crores over and above this?

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

**Amber Singhanian:** Got it Sir. Sir that is it from my side. I think we are already over for the time. On behalf of Asian Market Securities I would like to thank all the participants and special thanks to the management for giving us this opportunity to host the call and I would like to request the management to put their closing remarks. Sir over to you for the closing remarks!



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**P. P. Gupta:**

I would like to thank all the participants and their overenthusiastic participation in the call and in case still if any of the participant or other anybody else has any queries related to our performance you please feel free to drop us a mail and if you happen to be in this side of the country you are welcome to drop in our office to see how we really do jobs and all. With this I would like to close the conference and I thank everybody for joining once again. Thanking you and wish you a pandemic free next year and get vaccinated soon.

**Moderator:**

Thank you. On behalf of Asian Market Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.