



TECHNO ELECTRIC &
ENGINEERING CO. LTD.

“Techno Electric & Engineering Company Limited Q2 FY2022 Earnings Conference Call”

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TECHNO ELECTRIC &
ENGINEERING CO. LTD.



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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY2022 Earnings Conference Call of Techno Electric & Engineering Company Limited hosted by Asian Market Securities Limited. This conference call may contain forward looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict as the results may differ from such expectations, projections, etc., whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamlesh Kotak from Asian Markets Securities. Thank you and over to you Sir!

Kamlesh Kotak: Thanks Rituja. Good day everyone. On behalf of Asian Markets we welcome you all to the Q2 FY2022 earnings conference call of Techno Electric & Engineering Company Limited. We have with us today, Mr. P.P. Gupta, Chairman and Managing Director and Mr. Ankit Saraiya, Director representing the company. I would request Mr. Gupta to take us through an overview of the quarterly and half-yearly results and then we shall begin the Q&A session. Over to you Sir!

P.P. Gupta: Very good afternoon to all of you and wish you a very happy Diwali, Chhath Puja, and all festivals, Dussehra, Ganesh Chaturthi and welcome you to discuss our financial results for the quarter ended September 2021 and half year earning of year 2021-2022. 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 company or the varying industry segment in which we operate.

Now let me quickly summarize our performance. The total revenue in Q2 stands at 273.5 Crores which is almost around 45% higher on quarter-on-quarter and 6.5% over year-on-year. The revenue from EPC is at 225 Crores similarly which is around 42% higher on quarter-on-quarter and 1% over previous year. The wind business revenue is at 48 Crores compared to 33.75 Crores last year which is up by 42% as we booked this year as compared to last year. EBITDA for the company stood at 85 Crores in this quarter compared to 75 Crores in the same period last year up by 54.7% quarter-on-quarter and 13.4% year-on-year. The operating profit for the EPC segment similarly is at 41.35 Crores which is very similar to the last year. The other income for this quarter is at 32.28 Crores compared to 50 Crores last year last which includes last year income included onetime profit from the sale of our Haryana transmission asset comprising of 28 Crores of capital gain and a dividend income



of 16 Crores approximately. Profit before tax for the quarter was at 84.35 Crores compared to 70 Crores last year if we adjust from the onetime profit up by 20% and Rs.16.29 Crores quarter-on-quarter up by 40%. PAT for the quarter was at 63.48 Crores compared to 52 Crores last year after adjusting onetime profit that implies it is up by 40% quarter-on-quarter and 20% year-on-year. The EPS for the quarter is 5.7. Similarly now taking up our half year results, the revenue for the first half year is at 463 Crores, which is up by 8.5% year-on-year. The revenue from EPC sale is 388 Crores compared to 375 Crores last year, which is around 3.5%. Revenue from the wind segment is at 75 Crores compared to 52 Crores last year; EBITDA for the company is at 140.62 Crores up by 17.5% year-on-year. Operating profit for the EPC segment is maintained compared to last year which is more or less same at around 75 Crores. The operating profit margin for the EPC segment for this half year is at 18.9% compared to about 20% last year. The operating profit for the wind segment is at 67 Crores, which is roughly around 89.55% compared to 84.5% last year. The other income is at 27 Crores compared to 62 Crores last year as the other income includes the onetime profit if that is taken off it is very comparable. The profit before tax for the half year was at 145 Crores compared to 116 Crores last year up by 24%. Profit before tax stood at 9 Crores compared to 27 Crores last year if we take-out one-time profit. The EPS is at around 10 Crores. The current investment values including cash in hand for the quarter ending September 2021 is at 850 Crores and we have received new orders and the collection has started in the market, which is roughly around 500 Crores in this quarter and around 575 Crores in the first half. The unexecuted order is around 200 Crores.

The outlook is much better than what we have achieved, seems COVID is behind us and now we can look forward to life as normal as possible. We expect a larger business out of FGD segment; we already won in one more or less around bids worth 20 billion so far. The FGD segment will continue to be in focus for the next 5 years as per notification of government of India all coal side thermal plants need to limit Sulphur emission and notified by the Pollution Department by December 2024. There is a considerable progress with CPSU is placing the orders and for implementation of the same will be happening now by SEBs and private sectors. We expect business of around 15 million in this year and this level of business will continue for the next three to four years and 50 gigawatt is yet to be ordered out by the balance remaining CPSUs mainly SEBs and private sector.

The transmission segment we expect a kind of a status quo from the transmission side, it will be limited largely to the evacuation of the renewable power. There is an ongoing TBCB bidding for 66-megawatt renewable power out of the target of 175 gigawatt, which is expected to be completed by December 2021. Against the bids submission dates have been extending over last year, we plan to bid for at least 5 projects totaling to about 2500 Crores in different states in partnership with some of the individual entities. In the Union Budget there was a new norm in place, which also entitles us based on our construction



expenditure. The Union Budget allocated 3 lakhs Crores of power distribution to be leased over 5 years and fund would be based on the viability demonstration and financial performance by the distribution companies. We are seeing good interest of large investors, InvIT funds to participate in TBCB bids by making the company a significant partner. This will enhance our assets to capital and will help us in bidding for more projects.

Bidding segment on the distribution side we see a lot of activity happening now particularly in the case of prepaid automatic smart meters and also the power distribution networks to be strengthened along with it. The main aim of the government is to improve efficiency and contain losses so the health of the DISCOMs could be improved and we had mentioned earlier also that we are interest for a project in the state of J&K for 6 lakh meters and we have already executing project for 2 lakh meters. Apart from this there is reading in media number of promoters are in the market to do this project where the part of the funding will be made by EPC. The Electricity Act amendment which is going to be a big, big reform in the sector as this is being awaited for many years and government like to eliminate the non-subsidy and subsidy will also be paid directly to the agriculture sector, etc. We are very hopeful that power sector is at a very critical juncture and something good should happen going forward.

Wind segment, we are pleased to announce that we have received our major outstanding from the DISCOMs that is up to June 2020 under PFC REC the scheme of Rs.1.2 trillion. We are also pleased to announce that APTEL in its recent order of November 9, 2021, certified the CERC order by June 2020 and now revised CERC previous order they did March 2017 wherein the trading on REC will be resumed with a float price of Rs.1000 and Rs.2400 as usual. We are hopeful that this loss of one-an-a-half years will be made good by the RPO compliant companies in the next 4 to 5 months and whenever stock of inventory we have in hands we should be able to liquidate by March 2020. As committed in last quarter we will be recovering our performance of the last year and shall be executing at least 50% of the unexecuted order backlog during the year and we definitely will see the growth in the year 2022-2023. In the coming years we see strong power sector reforms based on efficiency, stability and reliability of power supply, cost of power and improvement of overall financial health of the sector. The focus will continue on the renewable power with related infrastructure as green corridor and you can declare that your company has been the first in green corridor constructions. The transmission infrastructure is required for 500 gigawatt over next 10 years. Our thrust on overseas market is also bearing fruits. We are hopeful of bagging further business from the market of Africa.

Data Centers, COVID-19 has impacted our life in multiple ways but one positive outcome of this is the growth in the digital space. With the growth in digital data also bagged by IT policy of localization of data it is expected that third-party data centers industry grow



significantly from the current level of 500 megawatt to 2 gigawatts in the next three years and about 5 gigawatt over the next 5 years. Till date most of the data centers are located in Navi Mumbai, but now for the last one year the Chennai has become the hub of installation of undersea cable. Airtel, Adani, and NTT are already in the process of setting up of data centers at Chennai. Techno is also in advanced stage of setting up of data centers of 5 to 30 megawatt of IT loads of ultra scale hyper density data center for which the master plan is ready has already said that land has been acquired and we are hopeful to start the construction in this month. Additionally we will captively consume the operational wind power of 109 megawatts to classify the data center as carbon neutral which aligned with the policy of major hyper-scale customers because of their ESG commitments. With capex of over Rs.800 Crores say 60 to 65 capex is always in electromechanical works which is in-house per the capability of Techno Electric and we will be able to give this expertise of executing such works not only for Techno but also for third parties. With this I just covered most of my part of the presentation and Ankit would you like to add something?

Ankit Saraiya: No, I think we will take on the question and answers and if there is any clarification required we will address it at that point.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Sir, first question is on this order inflow numbers that you shared of 500 Crores in the current quarter if you can share some more details, which were the larger orders that you have received in this and I also heard in the opening comments that your order inflow expectation for the current year is around 2000 Crores just would want to reconfirm that number?

P.P. Gupta: Absolutely, you see during this quarter we received a very prestigious order from Power Grid to setup a GIS substation at Mohanlalgunj in Lucknow city for 200 Crores, we got a order from KSEB to setup 220kV GIS station in state of Kerala, we got a order from Sterlite Power, project won recently in TBCB that is about 75 Crores and other released orders by REC and PDC worth about 200 Crores for augmenting PMDP works so this in total if you put it will be around 490 Crores

Sandeep Tulsian: Got it, KSEB order was what value for it?

P.P. Gupta: Which one?

Sandeep Tulsian: The KSEB 220kV GIS station that you mentioned?



- P.P. Gupta:** It is 83.6 Crores to be precise.
- Sandeep Tulsian:** Got it, alright and the annual order inflow number estimate is about 1500 Crores or 2000 Crores?
- P.P. Gupta:** 2000 Crores, we are already L1 in more than 2000 Crores in FGD order, which is going to be going to be the major flow of orders I have been talking, it is taking a bit of time to finalize both with DVC in state of West Bengal and state of Rajasthan where we are actively in all and we are L1 in all the states. I am very hopeful that by December following which by January end we should be able to have these orders in hand.
- Sandeep Tulsian:** If you can share some more colour on the FGD orders where are they now in terms of pricing on a per megawatt basis and as you mentioned DVC, WB and Rajasthan are the major states so there are no orders coming in from the private sector as yet?
- P.P. Gupta:** You see the private they do take orders from us, enquiry from us, we do not list them until we receive the order, but still having their presence, we are not quite sure of the process as such, we are able to discuss that, but private also has taken a number of orders so much and we are serious with one or two of them, but I will not commit it may happen now or it may take, but simultaneously there were two impacts we are facing, one is minor capacity projects, the per megawatt cost proportionately becomes higher so there is no one set of cost, a cost per megawatt, which is delivered for say 660 megawatt is different from 500 megawatt and it will also differ vis-à-vis 250 megawatt so that is number one. Number two definitely commodity prices has also impacted, the cost per megawatt, but most of these tenders do have PV clause which we generally would not quantify it but PV is sufficient to utilize, but in the new tenders obviously there is impact almost about 20% on account of commodity prices, copper, aluminium, and related industrial materials. If you want my takeover depending on the configuration and cost that is now earlier we used to say that cost per megawatt is around 55 to 70 megawatt per megawatt it has definitely gone up to now 75 to 90 per megawatt.
- Sandeep Tulsian:** Got it and one last question from my side before I get back in the queue will be on the update on those ICDs, which you were expecting any status update on that when will it be released?
- P.P. Gupta:** There is a significant improvement we have settled arrangement with McLeod, got all the money number one and there is also DHFL money has come in so that is one of the positives, and orders in the pipeline we are very confident to resolve these issues we were close on the year.



- Sandeep Tulsian:** What is a balance amount, if you can share what has come in and what is pending?
- P.P. Gupta:** The balance amount now if you ask me is no more than 100 Crores.
- Sandeep Tulsian:** Alright Sir. Got it, I will get back in the queue. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Deepesh Agarwal from UTI Asset Management. Please go ahead.
- Deepesh Agarwal:** Good afternoon gentlemen. My first question is in October there was a bidding by NHAI for a solar project and you had participated so what is the thought process, are you looking to deploy your cash and own the solar assets or you are looking at solar as an EPC opportunity?
- P.P. Gupta:** See firstly we are at the moment not a participant in any power projects nor we have participated number one, we are looking for buying solar power for our data centers or evacuating, creating transmission links to evacuate solar power being set up by companies like Adani or ReNew Power or other companies in renewable power space that we have no interest to be a renewable power generator anymore in this market at the moment, if at all we get into, it will be only to meet our own power requirement but not to supply power to grid or utilities.
- Deepesh Agarwal:** Understood, secondly on the trend asset what is the outstanding receivable right now and what is the timeline for the monetization of the thing?
- P.P. Gupta:** You see at the moment we got our money worth about 120 Crores from PFC, REC under Aatma Nirbhar Scheme of 1.2 trillion announced by Government of India. So present outstanding as of today is Rs 100 crore, of which Rs 50 crore will be released by liquidating our REC certificates which was on hold due to trading ban since July 2020 which now stands settled in our favour by CERC order. On 24th November the first trade will happen.
- Deepesh Agarwal:** Sir, by when do you expect to get this outstanding 100 Crores from the customer?
- P.P. Gupta:** Million-dollar question, Discoms are challenged financially, and they need to upgrade their tariff and PFC / REC should come forward. With the change in government in Tamil Nadu we hear that the government is planning to clear the dues by March 2022 and the dues will be paid in time.
- Deepesh Agarwal:** Understood and thirdly what is the status on the strategic tie ups on data center?
- P.P. Gupta:** It is all in discussion, Ankit would you like to update?



- Ankit Saraiya:** Yes, we are under discussion with multiple data center operators based in Singapore and US and the discussions are ongoing, they are getting deeper and we are hopeful that we will have some strategic tie-up by March.
- Deepesh Agarwal:** On the smart meter side there is a lot of capex, which is likely to happen, so how far we would be from seeing a large order being happening out there?
- P.P. Gupta:** See, we will be very selective and choosy and will not like to commit more than 500 Crores in this segment between you and me at a given point of time like presently we are doing 2 lakh meter which is purely EPC contract next 6 lakh meter would have 40% component from the supply side which would be paid over 5 years so our takeaway will be that we would like to see top line contribution from the segment of almost around 200 Crores to 250 Crores a year and with the financial exposure of no more than 500 Crores.
- Deepesh Agarwal:** Understood, thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Kapoor an Individual Investor. Please go ahead. As there is no response from the line of Mr. Kapoor, we will move to the next question, which is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** Thank you for taking the follow-up question, I wanted one clarity on the wind segment revenues of 48 Crores in the quarter, are there any one-time receipts that we have gotten factored in or this is purely the wind power generation revenues that we have booked?
- P.P. Gupta:** Balance sheet is always based on revenue and not on collection, but definitely in this quarter we collected also about 62 Crores from REC PFC, but this is purely based on revenue booking.
- Sandeep Tulsian:** If we back calculate we have typically not reported such high PLF historically in second quarter so that is the reason I want to check on that?
- P.P. Gupta:** Wind season is always the second quarter year-on-year if you look at it and this year also there has been a robust year because of the cyclonic weather and lot of depressions in the east coast so we have benefited out of that and just this year we will be generating the power as good as 13, 14 roughly 15 million, as of today we have already generated 210 million and it is almost about 7% to 8% higher than last year.
- Sandeep Tulsian:** Second part was on the EPC segment, since raw material prices have gone up how should we look at it from margin perspective, I know we have always guided for margins in that



16% to 17% range, but we have been delivering higher margins of 17% to 18% in the last two years, so going forward with this raw material cost pressure do we go back to that 16% to 17% range or we still continue to deliver the current margins what we have been doing?

P.P. Gupta: Sir, our guidance has always been 15% because of GST we do make because of the base line becomes lower so percentage becomes a little different to be honest otherwise you take it at 15% by and large and this commodity price rise in most of our contracts are defended by PV clauses in the contracts so they generally neutrally though don't benefit. But we have to constantly recast our L2 networks as now government has permitted 6 months on account of COVID so all L2 networks got recasted and as you usual Techno is a very heads-on when it comes to operational management of cost so we are able to hedge this and you can safely take 15% as the overall margin.

Sandeep Tulsian: So, 15% pre-benefit of GST, so post benefit should be that same 18% what we have been doing is it?

P.P. Gupta: No, let us give GST off because it is not part of the books, earlier we had that but it may not happen in future so overall we should gain around 15% as EBITDA operating margin.

Sandeep Tulsian: Lastly in terms of order inflows for the year which we are guiding for these 2000 Crores if you can broadly segregate smart meters, FGDs and the base T&D, how much we are building in and have we built in anything on the data center?

P.P. Gupta: No, it does not include data centers because that is our in-house number one, 2000 we have been only talking of the utilities business, which largely comprise of 200 Crores for smart meters, about 500 Crores for transmission and another 550 for only FGD that is the breakup we carry.

Sandeep Tulsian: This is basically we are expecting two out of three FGDs?

P.P. Gupta: No, it is 2 out of 5 not 3 out of 5.

Sandeep Tulsian: Got it, alright. Thank you so much.

Moderator: Thank you.

Kamlesh Kodak: Gupta Ji I wanted to understand you touched upon the bidding pipeline under the joint venture route for projects can you just share some more details how is the pipeline looking at and what kind of bidding we are looking at in terms of the newer project?



- P.P. Gupta:** This is basically TBCB participation in a JV route, but with the recent amendment which we got on a week back now we are qualified because we have made eligible by construction experience in the systems, if you have done 500 Crores of construction in last five years so you are also eligible to bid, but trust me you know that the market is extremely competitive, it is basically like soda if the yield got cut there I doubt personally that Techno will be able to have significant competition unless that is strategically located in pocket where others may not have interest like we did Kohima, Northeast package, which we are now handing over to CLP in a month's time so those kind of packages are coming up now on the balance sheet as well as to the main renewable evacuation packages. We have good performance in fact with PowerGrid or Sterlite or Adani we have preferred EPC because now they need their project to be done in 15 months as against two years, three years as the industry norm is, so all put together I would say that we will be able to rather we may or may not we take a bid, but definitely we will get EPC business we will definitely remain a supplier for them.
- Kamlesh Kodak:** But are we looking at deploying our own capital and bidding for our own project as well, Sir?
- P.P. Gupta:** Yes, we will be taking a chance as I told you here and there which we will believe in the difficult pockets where others may not believe, so those kind of opportunities do keep coming one or two, if there are 10 bids then one or two bids are always we did a lot like with Sterlite we got a breakthrough in Assam which crossing Brahmaputra but we are only doing station but Sterlite will be doing that line and crossing so we do spoke that you know at the time of bidding itself so that they succeed and it becomes a back to back comfort works like we were back to back partner and we succeed with them. Already we have completed Rampur Sambhal in UP so it became a very major presence in the state on the ongoing basis, so those kind of relationships of Techno is very strong in the market and we are trusted for our timely and quality performance.
- Kamlesh Kodak:** Sure Sir.
- Moderator:** Mr. Kamlesh shall we move to the next question?
- Kamlesh Kodak:** Yes, please.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Sir, just want to understand on the Kohima project you mentioned you are selling it to CLP, so what are the pending milestones as of now?



- P.P. Gupta:** If you technically ask me nothing, but major one is we have to get officially 281.
- Bhavin Vithlani:** Sir, pardon my ignorance, if you could help us what is 281?
- P.P. Gupta:** It is generally a procedural requirement a part of a fixed asset from your books; you need an income tax department consent.
- Bhavin Vithlani:** Sir, the approval from the central government, the union government?
- P.P. Gupta:** That all have been obtained, land bank approval is also obtained now, so we are hopeful to complete in this month.
- Bhavin Vithlani:** The second question was you highlighted that the transmission TBCB has become extremely competitive now when the developers wins the project at such competitive tariffs they usually try to pass on the buck on the next value chain of EPC or equipment, if you could just comment on the margins or the profitability on the EPC side are these developers able to pass on and companies like ours are able to maintain the profitability?
- P.P. Gupta:** Sure, I have already maintained profitability in something which is a really dynamic journey of any EPC company, it is linked to the quality sourcing, optimum engineering, time bound execution, wastage management, productivity management, you see no doubt markets are competitive, all are flattened out, now there is no more special margins for the developers or equipment supplier or if we see they are all on the same line, but still you know HPD has helped your maturity in the business to make some money more than the competitors and that is the experience all about if I cannot make 5% more than my competitor despite all challenges in that situation.
- Bhavin Vithlani:** Understand and appreciated, the last follow-up on the same lines because couple of the transformer companies did highlight about increasing lead time because of surge in the demand conditions wherein earlier a transformer could have been delivered over a three to four month timeframe now the lead time has become as high as 14 to 15 months and the underlying value chain has become really tight and consequently they are talking about better profitability, so on the value chain, on the equipment side, how are we seeing now and are we seeing that after the imposition of cozy ban on the Chinese with respect to the border areas and neighboring areas, are we seeing tightness on the EPC or on the equipment chain and that can have some impact on our profitability?
- P.P. Gupta:** Not at all number it is one line I am sure because we have sufficient capacity now in India, which we have built over last 5 years for GIS front and transformer over last one decade more or less I would say in this country, we have a capacity of almost 500000 everywhere



now by and large, the trend to which transformer people are telling you is another way of expressing the same thing that we are all becoming conscious of the IDC cost in the process of setting up of these packages, we want to bring the equipment at site, which you got put to use immediately on the seeder site like transformer is one large value shipment, which earlier one who showed the topline used to bring at least 6 to 9 months before requirement, today we bring only one month before the requirement because we did the last equipment at the project site we did to integrate it to the other nation so this is how everybody is arranging its finance, cash flows, cost of finance as well as productivity gains associated with it, but everything else is ready, your control room is ready, formulations were ready, all enabling works are ready, bring transformer and put it on the foundation and make it ready for charging in two months why you need eight months as we used to do earlier, so lot of things get shared when there is some kind of compulsion along you, so it is a natural process of improvement like in automobile they have family shops only, everybody, every supplier warehousing is done by the supplier itself and he gets the component in his factory, he does not carry any bad inventory in auto shops, so similarly we are also learning and innovating how to rearrange our sequence of supplies, readiness of supply in the fields, related works in the field, optimize the way of creating facilities in the field.

- Bhavin Vithlani:** Absolutely, Sir. Thank you so much for taking my questions.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Nippon India Asset Management. Please go ahead.
- Amber Singhania:** Sir, just two things, most of the questions have been answered, just two small things, if you can just give us some colour about the total capex required for the data center on an annual basis FY2022, FY2023, FY2024 and will that include just Chennai or there is other site also which will be counted in that?
- P.P. Gupta:** Ankit, would you like to this?
- Ankit Saraiya:** The total capex requirement for the data center in Chennai will be approximately 1000 Crores and I think one can assume that the capex by the time we commission in March 2023 it will be about 500 Crores and post that maybe gets divided into somewhere around 200 Crores to 225 Crores per year for the next 2 to 3 years.
- Amber Singhania:** Out of these 500 Crores mostly it will go into FY20223 only right?
- Ankit Saraiya:** Yes and the remaining 500 Crores will be divided amongst the next?
- P.P. Gupta:** Ending March 2023.



- Amber Singhania:** Got it, Sir and Ankit, any colour on the other sites which you are planning will that also go towards construction from FY2023 or prior to that?
- Ankit Saraiya:** We are hopeful that we should be able to bring another site into construction by December 2022 depending on the allotment of land from the state government, we are awaiting favorable allotment from them over the next quarter and once the allotment is finalized hopefully we will be able to take another data center into construction by December 2022 or maybe first quarter 2023 calendar year.
- Amber Singhania:** Got it, thank you. Just one clarification on the current order book of 200 Crores odd, this does not include the second FGD order of the DVC, right?
- P.P. Gupta:** No, not at all.
- Amber Singhania:** Thanks, that is all from my side and all the best for the future. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Kapoor an Individual Investor. Please go ahead.
- Abhishek Kapoor:** One is on the investment policy we have as a company because in the current annual report I can see that we have invested in shares of Suzlon entity and debt of two companies, it looks to me that we are taking a little bit of quick share in that part?
- P.P. Gupta:** You see we have gone through the earnings call as I shared with you earlier also our company used to do some ICD, some debt funding and post IL&FS we also went through learning. At the moment our policy wise we invest our money only in business or mutual funds or we will at best utilize them for buyback or dividend to the shareholders, so you can see now whatever money we had recovered from my ICD, debt funds they are all partly cash that is how our cash has gone up to 850 Crores now which used to be below 500 a year back, and we are shortly coming out with the buyback option that is what we are arranging really in the last quarter of this year.
- Abhishek Kapoor:** If we have got the money from Talwarkars also be cause it was due in last year ?
- P.P. Gupta:** Right, absolutely.
- Abhishek Kapoor:** When we got the money?
- P.P. Gupta:** We got about 40% not the full money; from the promoters we could get 40% of it.
- Abhishek Kapoor:** But we are not writing it off as of now is it?



- P.P. Gupta:** No, because it is still in NCLT and whatever outcome will be we will deal accordingly, it is a very small amount in the total cost.
- Abhishek Kapoor:** My next question is with respect to the data centers, the first one you are talking about to in Chennai and then followed by Hyderabad and Mumbai, do we have the land for these data centers or are we planning to acquire them?
- P.P. Gupta:** In Chennai we already have, master plan is ready and construction starts this month, which we hope to make it ready by December 2022 and commissioning by March 2023 latest that is number one, Kolkata already we have allotted the land, but registration had to be done and spending capital approval, similarly in Hyderabad also we are having this question with state government as well as debt fund for acquiring land in the industrial estate at Chandivali, so all these will be achieved by March 2022 and we are hopeful to take up the construction by second half of 2022-2023 in both the pockets additionally.
- Abhishek Kapoor:** Right and had we tie up with any companies or we will be looking up for the client after once we have the planning admission?
- P.P. Gupta:** As Ankit highlighted you we are seriously in discussion with large data center operators who generally takes care of clients, users and as well as they invest money and they also operate, our role will be only to maintain infrastructure and as a power supplier post commission.
- Abhishek Kapoor:** What is the IRR you are looking at from this business?
- Ankit Saraiya:** We may look at an IRR of approximately 23%
- Abhishek Kapoor:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Venkatasubramanian Raman from Organic Capital. Please go ahead.
- V. Raman:** Sir, thanks for taking my question. We had almost about a year ago indicated that the current financial year and the next one will fairly be one of our best years, the pandemic should have actually pushed it back by some time with almost 2000 Crores odd of orders coming through in the next 6 months, do we have capacity to rule out large execution for the next couple of years?
- P.P. Gupta:** Techno only had capability into execute projects at no less than 25 to 30 pockets as I have discussed, present scenario is only changing for us is that per pocket output is growing, it is



not adding to number of pockets, now it is a very concentrated focus business and each pocket will be 250 Crores plus by and large, so we have the capacity to deliver these projects to 2000 Crores by 2025 as we have discussed in execution, but order booking also generally in FGD you require no less than 30 months to deliver a project because these are chemical process based, electromechanical solutions, so it has a number of facilities for civil, structural, mechanical, electrical instrumentation so it is kind of a process plant so the capacity will not be a challenge and we will be able to strengthen wherever required.

- V. Raman:** What kind of EPC buildings can one look forward to actually over the next year or two?
- P.P. Gupta:** You see this year as I shared with you that it has been stabilizing and we are definitely looking for 1000 Crores to 1100 Crores as a billing in EPC only out of which we have achieved 400 Crores so in the next two quarters we should do about 700 Crores at least, this quarter we are assured of 350 Crores minimum.
- V. Raman:** Years that will follow 2022, 2023 and 2024?
- P.P. Gupta:** Yes, so 2022-2023 we will be given the order book, 2022-2023 we should target no less than 1300 Crores and growing by at least 25% in 2023-2024 it will be at least 1750 Crores by then.
- V. Raman:** My second question was on the electricity act it has been a work in progress for quite a while now, qualitatively how can things change in Techno we all know it is extremely well positioned, what kind of opportunities can it throw and it probably can even help us deploy some of chance that we are sitting on?
- P.P. Gupta:** Sure this act and implementation of act do you think in our country has always been a challenge when it comes to confrontation, act is very promising let me say government is very assuring, the word aspirational when you read it looks like that, but the problem is the period of implementation, I will not have simpler reforms more market related reforms and it happened in the telecom or in airports, but hopefully the game seems to be little guarded kind of reforms which should keep some flavor of political regulatory still making sectors more financially healthier and stable so let us see how it will be when it gets legislative, and how it rolls out, but definitely I see one thing that whatever the role it refers, the role of private sector will definitely grow in the private sector, the format content I am not able to at the moment translate, but definitely like in meter you can see now the most of the scheme now on 60:40 basis, 60% funded by government and 40% by the EPC and we do a lot of escrow account on the guarantees of government background so all those are in place.



V. Raman: You had indicated Ankit that your discussions are on with respect to the Chennai data center, when do you think you will have some announcements to make with respect to either funding pattern, participation by investors and also about that possible client?

Ankit Saraiya: I am hopeful that we should have some strategic partner on-boarded by March 2022.

V. Raman: That is when the other two announcements can happen it is a funding pattern, their participation and also the clients?

Ankit Saraiya: Yes, I mean once the strategic partner on board we will have much clarity on the funding, the involvement of equity from both the partners and the responsibility of client acquisition will be with the strategic partner because that is what he brings as a capability on the table.

P.P. Gupta: But I must add here Venkat one thing, we are not stopping when partner crystallizes, we have taken best of the consultants, Ankit can you highlight what arrangements and how you are going about doing this project irrespective of the partners.

Ankit Saraiya: Absolutely because partnership is not extremely important to us today it will be pleasurable to have them on board as far as land acquisition is concerned, but on our own strength we are very confident that we should be able to deliver the data center and when the time comes acquire customers, today we have best of a consultant on board with us whether it is on design consultancy side, we have a design consultant from New York, we have peer review consultant from Hong Kong, we have project management consultant from US, we have a business consultant again US based firm, so we have best of the people associated with us, we have our independent data center division, a team and we are confident that we will be able to deliver the project whether a partner comes on board or not to be transparent here we already have a term sheet with one of the partners, it is us who have been delaying the further deepening of relationship with them because we believe that somewhere as we are getting deeper into the relationship our confidence for delivering the data center independently is increasing as well, so we want to explore more, we want to see how things develop going forward and then hopefully have a stronger strategic partner by March.

V. Raman: Understood, thanks a lot, all the best.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I now hand conference over to Mr. Kamlesh Kotak for closing comments.

Kamlesh Kotak: Thanks Rituja. On behalf of Asian Markets we thank everyone for joining for this call. Special thanks to Mr. Gupta and Mr. Ankit for providing us insight about the company's



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business and financial performance. Gupta Ji any closing remarks you would like to make Sir?

P.P. Gupta:

Absolutely Kamlesh. I would like to thank each one of you and all of you joining the call and making it so huge success and again if you have any query related to our performance or industry or business we are in or you happen to be on which side of India you are welcome to drop a mail or drop in our office or as you like you are welcome, you will be honored guest with us and company will continue to outperform as usual and with that I like to close the conference and thank everyone for joining and wish you a very happy festive period ahead and recently gone by, so thank you very much.

Moderator:

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