



TECHNO ELECTRIC &
ENGINEERING CO. LTD.

“Techno Electric & Engineering Limited
Q3 FY '23 Conference Call”

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TECHNO ELECTRIC &
ENGINEERING CO. LTD.



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MR. ANKIT SARAIYA – WHOLE TIME DIRECTOR – TECHNO ELECTRIC AND ENGINEERING LIMITED

MODERATOR: MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES LIMITED



Moderator:

Ladies and gentlemen, good day, and welcome to Q3 and Nine-Month FY '23 Earnings Conference Call of Techno Electric & Engineering Limited hosted by Asian Market Securities Limited. Please note this conference call may contain forward-looking statements about the Company which are based on the 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. Actual results may differ from such expectations, projections, etcetera, 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 star, then zero 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 Limited. Thank you, and over to you.

Kamlesh Kotak:

Thanks, Yashashri. Good afternoon, everyone. On behalf of Asian Markets, we welcome you all to the 3Q FY '23 earnings conference call of Techno Electric & Engineering Company Limited. We have pleasure in inviting Mr. P. P. Gupta, Managing Director; and Mr. Ankit Saraiya, Director, from the Company. I request Shri. Gupta-ji to take us through an overview of the company's quarterly results and then we shall begin the Q&A session.

Over to you, sir. Gupta-ji? Thank you.

P. P. Gupta:

Thank you, Kamlesh. A very good afternoon to all of you, and I welcome everyone to discuss our financial results for the third quarter ending December and nine-months results for the nine-month period ending 31st December '22 and future potentiality of our sector and company in this sector.

Before I go through the details, I will like to share that anything said on this call, which reflects outlook for the future or that could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the sector faces and in turn your company faces. To bring to your knowledge that we have sold all the wind assets in the state of Tamil Nadu aggregating about 110 megawatt and have signed them. With regard to this, the operation of this segment has been disclosed as discontinued operations in the results as per Accounting Standard 105.

Let me take you through the highlights of our performance. The most important, again to repeat, is to bring to your knowledge that we have carefully sold major or all the capacity of the wind in the state of Tamil Nadu and have already realized around 50% of the money against the assets structured as reported in the exchange, and also advanced we received from various MOUs which are to be paid out by the end of this month. With regard to this, the operation for the same has been disclosed as discontinued in our results in compliance to the Accounting Standard 105. The total revenue for this quarter stands at around INR 190 crores. The revenue from EPC is around INR 185 crores.



The decline in revenue in EPC is purely incidental, which are largely because of the delay in landing over of these new sites by partly at Sikar and Goa at -- by Sterlite. And the supply chain remains a bit disrupted due to non-availability on semiconductor, electronic components and particularly 765 kV GIS modules from our Chinese manufacturers who are eligible to supply the same in India.

The FGD execution has just picked up and its impact will be felt in the coming quarters. Due to above reasons, we wish the revenue by around INR 100 crores, which will be largely made up in next quarter or the ongoing quarter, Q4. This is what I believe -- due to the above-mentioned reasons, the results do not reflect our outlook for the future as we continue to be all-time bullish for the current year as well as for the coming years.

The EBITDA for the Company stands around INR 25 crores. The operating profit for the EPC segment is around INR 23 crores. We experienced some pressure in the EBITDA margins due to high commodity prices, which are lately correcting, and also high overseas rate for our export contract. The other income for this quarter stands at INR 40 crores compared to INR 120 crores for the last year.

The last year income has included profits realized out of the sale of our joint venture company with KPTL, the assets at Kohima, Nagaland for INR 110 crores. You may expect this to happen now in Q4 out of our wind assets. The profit before tax for the quarter is at INR 41 crores. The PAT is at INR 31.5 crores approximately. The difference in bottom line was majorly due to other income as stated earlier. The EPS for this quarter is at INR 2.9. Coming to nine months results, our top line is at around INR 600 crores and EPC is at INR 510 crores. The EBITDA for the Company stands at around INR 145 crores and EPC segment is at around INR 72 cores.

And operating profit margin for the EPC segment is at 40.2% which is 40-plus. The other income for nine months is at around INR 52 crores as against INR 148 crores last year. The difference continues to be basically because of the profit booked in Q3 last year out of the sale of Kohima asset which of under INR 10 crores, which this year will happen in Q4 by exit of the wind assets.

The profit before tax is at INR 168 crores and profit after tax is at INR 146 crores. EPS is at INR 11.65. The total cash in hand after meeting expenses as well as other diversifications is at INR 1,200 crores that is more than INR 110, which is around INR 110 per share. The wind power asset sale will further add up to about INR 450 crores of cash surplus in our books, which will strengthen us to bid for smart meter projects on contracts basis or DBFOT model and our datacentre projects.

During this quarter, we have booked further business worth about INR 500 crores, as major orders are from Sterlite Power at Goa for about INR 130 crores and from REC Power Distribution Co. to install 2.5 lakh smart meter under TOTEX model or under DBFOT model for INR 338 crores.

But to achieve this, we have floated a holding of subsidiary the night we choose to do transmission assets Techno AMI solutions. The order intake over the nine months is approximately INR 3,000 crores, and unexecuted order book has on this upper end is at around



INR 4,000 crores. We have bids in the pipeline for over INR 5,000 crores, which are yet to be opened. We are hopeful of making at least INR 2,000 crores business out of the same. The outlook is extremely positive as I've been sharing with you.

I trust the difficult tie-ins are behind us, and we have shown growth in business bookings and we foresee significant growth in our top line and bottom line too in the coming quarters. We expect this growth momentum of business as well as execution to continue for the coming three years. At least for the year '24, '25 and '26, we expect larger business at present out of FGD segment, AMI segment and datacentres and status quo in our transmission and distribution business. As you are all aware that power sector reforms are strongly pursued by government and additionally the Electricity Act pending for last three, four years, has been approved as of the December end '22.

This will bring new opportunities to the Company as the consumer now stands provided with the choice of the multiple power suppliers as in case of the mobile and internet services. And also, that shows slight repayment to the generators and onshore adequate tariff, the reasons to ensure financial viability and health of discoms.

On the business side, I will take you through each segment we are catering to. The FGD segment continues to be focused. As per notification of Government of India, all coal-fired customer power stations need to limit their sulphur and nitrogen emissions as notified by the Pollution Department. There is a considerable progress already as informed by CPSUs and we see now strong traction by these solutions by the private sectors and at CPSUs.

We have already got orders worth INR 40 crores, INR 50 crores, and we expect this level of business to continue for next three, four years. In the transmission sector, the renewable power target of 500 gigawatt by 2030 is already in place, and I expect this maybe more than -- the evacuation or transmission networks for which the bidding is in pipeline for about 60 gigawatt should be completed by 2023.

And now I think that is going at a faster pace with no extensions. The interstate transmission system for evacuation and grid integration of 13 gigawatt renewable energy from the Ladakh has been progressing well and we are already part of it. The total -- involved in this is about INR 207 billion with central government INR 83 billion.

AMI segment. Apart from RDSS, the major element of the power sector reforms is installation of smart metering solutions to contain the losses, metering of power properly had a powering the consumers to view their power consumption, quality of power supply to them, and also regulating their total power consumption and timely payment of which. The budget 2023 provides for all these incentives to the SEBs and to the discoms.

We are witnessing strong focus on distribution network strictly and making them more smarter and intelligent through RDSS scheme for which government has allocated INR 3,00,000 crores for the next five years to be funded by the addition of PSU. The main aim of the government is now to improve efficiency, contain losses, improve the financial health of discoms. And out of



this, we have already got one order from J&K for 2.5 lakhs smart meters for INR 338 crores under TOTEX models.

The Electricity Amendment Bill 2022 is already in place at which we will see the implementation. It will facilitate non-discriminatory open access to the generators as well as multiple power suppliers as well as scrutiny in consumers. This may open up new areas of power distribution licensing and private sector investments in distribution as it has happened in the generation and transmission in a big way.

This scheme provides for the use of existing networks by new licenses also, and the handling fee to be provided to be decided by the regulators. Even the tariff of the power can be upgraded not once in a year, but maybe more than once in a year going forward. We are very, very hopeful that power sector is now at a very critical juncture and only something good should happen going forward.

The checkpoint we have taken a generic resolution to sell our wind assets in the state of Tamil Nadu. We have already told that by announcements that Techno has transferred and sold 37.5 kilo megawatt of wind assets out of 110 megawatt situated in Tamil Nadu at a consideration of INR 159 crores and entered into MoU with commitment to buy and with the advancement of 25% for another 71.4 megawatt.

This will add around INR 415 crores to our balance sheet with a way similar to last year as given in Kohima exit. The sales of wind power assets announced today is likely the one strategy to exit the grid -- to exit the generator business and investing in our high rewarding growth areas, which includes like datacentres, AMI as well as our overseas businesses. Techno remains focused on executing its strategy for pursuing growth, a targeted core EPC businesses, and also developing new capabilities in areas like -- or moving our capability in areas like datacentres, smart metering, power distribution, etc.

Now the third segment where we are present is datacentre now. We have already stated that datacentre business will see multiple growth in coming five to seven years. The capacity in that three years is likely to grow from 500 megawatt to [inaudible 0:18:59], and over the next seven years to 5 gigawatt. Most of the datacentres are located in Mumbai and Chennai.

Airtel, Adani, Equinix, Sify, STT are already in the process of setting up of datacentre at SIPCOT IT parks, Siruseri, Chennai, where we were the first mover and this also validates our choice of the execution. Techno is in advanced stage of completing these datacentre of 24 megawatt IT load of ultra-scalable, hyper density nature.

We already achieved the progress up to the casting of this lab of second floor and we have spent around INR 100 crores on this project right now apart from the land cost. The long lead equipment already stands order to the extent of 50%. All that sale of datacentre building will be completed by May '23 and we are hopeful of commissioning first phase of the datacentre by September '23. We are seeing aggressive interest from strategic partner to enter into a JV with us for developing datacentres in India. We are evaluating the available options and will be concluding the sale soon forward.



With capex of around INR 1,400 crores that is around INR 50 crores per megawatt, about 60% to 65% capex is involved in electromechanical works contractors about, which is our in-house expertise. And we would be able to leverage on the same for executing the works. With EPC capability and prior experience of developing infrastructure projects, we are in a unique position when compared to the industry and we are approached by others developers now to take up EPC for them for datacentre works.

With this background, I would like to invite your questions.

Moderator: Should we begin the question-and-answer session, sir?

P. P. Gupta: Yes. Yes.

Moderator: We have our first question from the line of Sandeep Tulsian from JM Financial.

Sandeep Tulsian: Sir, first question is on the revised revenue guidance. You said it is started by INR 100 crores. If you could also share the absolute numbers, what you are expected to do close FY '23 by? And also, what is the expected number for FY '24 in terms of revenue?

P. P. Gupta: Sandeep, I trust, this year, we should conservatively INR 2,000 crores to INR 1,100 crores in EPC business and another INR 100 crores will come out of the wind business, which we are exiting and built already. As regards, '23-'24, you can safely take a top line of INR 1,600 crores, at least INR 400 crores per quarter.

Sandeep Tulsian: So sir, we have not done such high execution in any of the quarters with INR 500 crores. So we are targeting INR 500 crores to INR 600 crores in the fourth quarter. So based on the current employee strength and the contract workers that we have at various sites, you think we can ramp up revenue so sharply in the fourth quarter?

P. P. Gupta: You see, let me first highlight to you what happened in Q3. You see, we are ahead in the field progress, where there is no decline in work. All sites are ready to receive equipment. But somehow, we could not match up the supplies with these site requirements. So our field progress of INR 250 crores is intact for the year already, out of which we have already built about INR 175 crores by December end. Where we lag is supply content. The supply of INR 50 crores we could not take delivery because they were meant further projects where sites were not handed over to us.

We are promising, next week, next week, by power cut at Rajasthan, in Sikar as well as by Sterlite in Goa project. And another INR 50 crores got suffered because of the varied components not being there with the -- because of the semiconductors, our electronic components, procurements of GE or AVB, all of them raise their hands stating we are scarce supplies, which reasons you can also collaborate with them.

Thirdly, some GIS modules which were expected to be delivered. You see, after Chinese are out, the suppliers left for 765 kV countries only two now. One is GE and other is Hershall, which is acceptable to the government. So these are all overloaded and their modules are also not



complete because of, again, electronic components not being with that, and they are not able to make ready their LCC banners than others despite promises.

So supply side has let us down in Q3, not the field side. Techno has always been strong in the field, as you know. I am a services company. I'm not a manufacturer of any equipment. So supply from that point is all sourced, whereas field is our reporting. We have the capability to do work at 30 sites at one go, and we have sufficient manpower for that, which are always underutilized over the last two, three years.

So whatever growth is coming is mostly out of the component of the solution as a know-how capability, component, design component or your supply component additionally with it. So we are not ready to achieve. We could have easily done if you include free supply materials from the customers. We are very happy with like transformers, power grid or many other private, Adani, they prefer to supply transformers themselves. So we prefer that.

Why have that in the top line unnecessary with low margins? So in the past also, the top line has never been our belief sir, nor we have bothered to be the largest in the country. My belief is to be best in the sector, which I have always been claiming in terms of technology, solutions, latest solution for anticipating what our requirements in the emerging solutions. We want to be there.

We want to be the lead player in those areas and ahead of others. That is where Techno is always there over others. So bottom line is my key sir, which we must achieve. And that is why we want to be shareholder. If I can deliver the bottom line with lesser risk and with a lesser top line, I don't think it should worry my investors.

Sandeep Tulsian:

Right. Fair enough. Also, attached question is on the margin side. You have been guiding conservatively that your margins will be lower in future as FGD execution picks up and you have guided ahead that there is some commodity cost pressure as well on the company because of which margins are trending downwards. Sir, how should we build in the margins?

And if you look at margins for nine months, they were at 14.5% in EPC, but they were at 12.2% in third quarter. And your guidance in the past has been somewhere about 12.5%, what I recall from earlier calls. So should we still stick to this 12.5%? Or do you think because of this commodity price pressure they can further trend downwards in the future?

P. P. Gupta:

No, sir. I will say, sir, that you keep 14.5%. This 12.5% has happened only because of our overhead appropriation over lower top line. With the commodity compression, our margin at 14% is already assured for you, and we've maintained that. And next quarter, it will be again distort because we have built up the organization, overheads we are transforming. We are evolving in new segments.

So a lot of new people are joining our company as a manpower resource, both at Delhi and Kolkata. Delhi has been -- wherever IT and power are bulging together, we are undertaking more growth in Delhi office now. So this compression in pressure is basically because of our overhead counting and other expenses. It has nothing to do with the commodity side in the third quarter.



Sandeep Tulsian: Even in the past, you have guided actually for 12.5%, 13% margins. So I was just alluding to that for FY '24 also or FY '25. So maybe that is being conservative on your side, but this 14.5%, is it your guiding it from next year now? So is it like an upward revision in that margin guidance?

P. P. Gupta: Yes. This year also, you take 14% minimum, if not better. We have tied up all the supplies and our field costs. We are very confident to be at 14% this year also, sir.

Sandeep Tulsian: Right. And one more question from my side, sir, is on this wind power asset sale. In the past, you had guided that we'll reserve some 50 megawatts for in-house captive consumption for the datacentre. But now it seems that you have off-loaded almost 80% of your capacities, only 20 megawatts will be left with the company. So where will that captive power requirement will come from?

And also, in terms of utilization of the funds, we'll, of course, spend some INR 200 crores, INR 250 crores each year on datacentre and maybe another from INR 300 crores to INR 500 crores amount on distribution projects. Still, there will be a substantial amount, which will be there on the balance sheet out of the INR 1,500 crores balance. So what is your pay out policy going to be? Is it going to be stepped up? Because right now, pay out is still very low, include in terms of yield, but out of the INR 1,500 crores balance sheet, you are still paying less than INR 150 crores a year to the shareholders. So where do you foresee that amount going to be? Last question.

P. P. Gupta: Sir firstly, I would like to answer your three, four questions in equal steps. Firstly, I could not have got a better time than now to exit my wind assets. You see, due to energy crisis and change of government in Tamil Nadu and this business has been so local, we are able to realize now almost 80% of my purchase value. Having used these machines for 12 years, I could not have expected like that ever, between you and me.

So number two, the renewable power in the country now is growing multi-fold and open accessing renewable power has been allowed by the Amended Electricity Act already. I can buy this power in power exchanges, I can get into a group prepping model in intrastate with some generators there who already are well known to us. So keeping your money locked in assets was no more making a sense with the present times, I will say.

Even if I want to come back, I may again come back now with the solar, some joint venture with some generator taking an interest of 26% in solar capacity, or even in wind with the latest technologies, which have gone a long way in improving CUFs over what we add CUF with our machines where we procured in time. So all those factors are properly taken care by us.

Our datacentre will be fed more competitively by procuring power from other eligible means than holding on to your own generating assets. It was not making business sense any more. Given the present I would say, the direction in the market in buying these assets by local industries market peoples. Number one.

Number two, now coming to the cash in our books, sir. Obviously, cash belongs to our investors. They are very valued to us. If the pay out will also go up, buyback will also continue. And I can assure you and all the investors will be multiple in the years to come. You see the more important



part where I'm excited now is which I never see in my 40 years of career in this sector, sir, that we got this company was no more than INR 100 crores when Electricity Act 2003 happened.

Today, we are at INR 1,000 crores plus, minus. Now another amendment has come. So there is no reason why Techno should not be INR 10,000 crores top line and a bottom line of at least INR 1,500 crores by 2030. I see no reason. Every year, we will see magical growth in this company now. In my lifetime, I have not seen these types, the kind of business available in the market, the kind of cash, eligibility we have, sir, which most companies don't have in our sector today.

They are starved off their own capital, they have starved-off their own execution phase, and they are starved off their own eligibilities to commit more in this sector. So it is a very exciting time now. And Techno has all kinds of experiences, EPC, developer, asset owner, O&M, what is required to be in this market now and play with so many technologies around us. We have been always up to date with the technologies all beyond. If any technology a multinational knows among EPCs, I can claim it with pride, sir, that it is only Techno who matches that.

Sandeep Tulsian:

Sorry to continue, but the only question over there was, we were always an asset-light company focusing on high ROICs. And with this DBFOT investment and datacentre investment, we might become a bit more asset heavy in future. So I just wanted to get your more thoughts on this capital allocation because one thought maybe that these are temporary investments and you may monetize them or we may continue to run some of them for a longer period of time. So, just wanted to get your thoughts on capital allocation part of it?

P. P. Gupta:

I'm coming to you, sir. My capital allocation in this business will never be more than INR 500 crores, even if it is DBFOT model or any model, sir. There is a concept called securitization on the deferred bids. Once the project has achieved the COD, sir, you can securitize your bids. That is what we intend to do. We already have to -- to securitize our bids of this particular order also because there are many financials who want to wrap up the book.

There are many PE funds who are approaching us to invest in our AMI subsidiary to scale up the books. Funds like NIR and others. So there is no dearth of funds now to fund these kinds of operations. And definitely, I'm going to keep my balance sheet asset light, that's why we quoted a subsidiary and let that subsidiary take care of its business in its own merit.

Moderator:

We have a next question from the line of Ashwani Sharma from ICICI Securities.

Ashwani Sharma:

Yes. Good afternoon, and thanks for the opportunity. Sir, my first question is again on the revenue. So Q3 was impacted because of the supply chain, as you mentioned. But what gives us the confidence on the supply chain that we will be able to do INR 500 crores in the Q4?

P. P. Gupta:

First of all, I'll say that in EPC business quarter-on-quarter, it's a very big puzzle, number one. And number two, definitely you can appreciate that not being getting supplies in Q3, definitely we called for our intensive meetings, all reputed vendors have definitive progress with them, have backup LCs with them from us.



Now the priority is programs are all fully committed and tied up in whichever format they support our projects and how much they mean as a value to us. So definitely, you cannot give a homework to the market forces anymore. In Q3, we were believing in the normal course things will go. So slippage has happened, but we cannot continue to happen. So now all programs are committed and tied up with them, sir.

Ashwani Sharma: Sir, my second question is on the datacentres. What is the update on the JV partner that we have been scouting for quite a bit some time now?

P. P. Gupta: Ankit, will you like to answer this question?

Ankit Saraiya: Yes, sure. So as far as JV partner is concerned, we are in active discussions as mentioned earlier. We are already in receipt of a term sheet from one of the JV partners. With confidentiality, obviously, we cannot disclose right now the details. But we are in progress, and we are finally in discussion with at least two or three more datacentre operators, one based off of Singapore and a couple of them based off of US, while we have a term sheet from another JV partner based in Singapore itself. That said, we're quite confident that we should be able to close something over the next six months to eight months time.

Ashwani Sharma: Sir, thirdly, again, one more question on the datacentre. The capex is INR 100 crores. I think it's been there for a couple of quarters. How is the construction or execution is happening at datacentres at Chennai?

Ankit Saraiya: Currently, you see, capex will obviously take time to build up because most of the purchase orders or letter of awards which have been given out to various suppliers, vendors or contractors on field do not contain heavy upfront payment to them. Therefore, the capex is not building up.

But today, as we speak, we have completed construction up to the second floor of the datacentre. Two more floors are left to go. They should get completed by mid-April or end of April. So the core in shell of the datacentre will be completed by end of April. And we should start architectural commission works from mid-March onwards. Procurement of equipments are almost completed up to 50%, 60%.

And these equipments will start getting delivered in the next four months to six months time. And the remaining portion of equipments should also get ordered out within the next couple of months. So we are hopeful that we'll be able to bring this project into commissioning around the month of August.

Ashwani Sharma: Okay. Sir, coming back to...

P. P. Gupta: What I mean by INR 100 crores is the spend money paid out in cash and committed capex already by ordering is around INR 400 crores by now, as far as commitments are concerned to the vendor arrangements. So it is going on track. And the first phase of our project is around INR 650 crores, Phase 1, which we tend to making it ready by August, September this year. Another INR 200 crores will get settled by March end. So that is the update. But pay-outs will happen by September only, progressively I'll say.

- Ankit Saraiya:** Yes. And sir, coming back to EPC revenue guidance for '24, the INR 1,600 crores revenue guidance that you gave, how much will it be from the datacentre EPC? And from the metering and the FGD, if you can just give us some sense?
- P. P. Gupta:** Yes. By and large, I gave this breakup last time also. You can take FGD around INR 500 crores to INR 600 crores, and transmission and other around INR 400 crores and another datacentre will be another about INR 350 crores. And you can say another INR 250 crores to INR 300 crores will be from AMI.
- Moderator:** We have a next question from the line of Keshav Garg from Counter Cyclical PMS.
- Keshav Garg:** Sir, I wanted to understand, we have over INR 1,500 crores of net cash. And sir, there is a company GE Power India. So you must be knowing that company in and out. So the promoter wants to exit that business, and so the share price has fallen below 2005 levels. Sir, so is there any opportunity for us to acquire that asset at a throwaway price and turn it around? So what are your views on this, sir?
- P. P. Gupta:** Sir, I've not examined the company numbers. If GE Power, you are meaning the company of US GE, I don't what it is or it is some Indian company, I have no idea...
- Keshav Garg:** Sir, it is GE Power India, it is a listed company. Sir, so you can kindly check it out. And sir, the market capitalization is INR 800 crores as of now. And the promoter has stated that they want to sell off this company and they want to exit this line of business. Sir, so...
- P. P. Gupta:** What do they do, sir? Can you update us? I am not fully informed.
- Keshav Garg:** Sir, they are doing EPC work for thermal and hydro power plants in India. And they also do FGD, etc. Sir, so since it's a listed company and everything is publicly available, sir, you can kindly check it out if it makes sense for us to acquire it at a throwaway price.
- P. P. Gupta:** Thank you very much for bringing it to our knowledge. We will examine it, sir...
- Moderator:** We have a next question from the line of Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Very good afternoon, sir. Sir, first question is on your revenue guidance of INR 1,600-odd crores. So I think earlier con calls, you had said that this INR 1,000-odd EPC crores -- INR 1,000 crores EPC revenue will scale up to around INR 2,000 crores in the coming two, three years, right? And this never included the EPC business from the datacentre business.
- And now in the INR 1,600 crores, you are including that as well. So that was something that I could not understand because already you have around INR 4,000-odd crores of order book from the non-datacentre business itself. So why should this INR 1,600 crores sort of a guidance include that as well? Because then it means that the execution from INR 4,000 crores order book will be just INR 1,200-odd crores so that looks like a very small sort of a number. So if you can throw some light on that, sir?
- P. P. Gupta:** You see, there is no specific line to be communicated in this. Our target is to achieve INR 2,000 crores by '25. And definitely datacentre is a part of our business. It is quite likely in '23-'24



itself, we may exceed INR 1,600 crores also. But my nervous system says that presently I have to soothe the nerves out of this quarter outcome. So market must believe that whatever INR 1,600 crores I'm saying has the scope to improve by another INR 250 crores, but do not go down by INR 250 crores. That's more important to all of us, Sarvesh?

So that is the purpose I said that even if you take a worse scenario because we have to book that EPC also while commissioning Stage 1. So whether it will be INR 1,500 crores plus INR 350 crores or INR 1,600 crores includes this INR 350 crores makes no difference as long as top line stand is achieved by us. So what I want to communicate is the comfort that next year of '23-'24, whatever growth we could not achieve this year will definitely be made up next year.

Sarvesh Gupta: Secondly, so this wind power out of this INR 450 crores, the remaining INR 300-odd crores, INR 75 crores will be realized in month of February and INR 225 crores remaining, when can we expect to realize, sir?

P. P. Gupta: No, I said we have already realized INR 250 crores, sir, and only INR 200 crores more to be realized by February end.

Sarvesh Gupta: Okay. So everything is coming in this quarter itself. Understood.

P. P. Gupta: Absolutely.

Sarvesh Gupta: And sir, last quarter, JV partnership in the datacentre business. So that seems to be like -- we are always saying that we are getting something finalized. Even in last call, we said that we are in silent period and term sheet is getting finalized. Now I think the revised guidance is another six, seven months will take.

So what exactly -- are we just sort of bidding the time so that we get the sweetest deal or are we not getting the deal from someone who we really want to quote for this business? Or are we not getting the required valuation? So where is it taking so much time because almost like last eight, nine months, our commentary has been that we are going to be finalizing the deal soon, but it is never happening?

P. P. Gupta: Ankit, will you like to address?

Ankit Saraiya: Yes. You see, the reason why we've not been able to conclude even though we have said in the past that it could not take more than six to eight months is because this industry is still very -- what do I say, very, very new to the country. And there is a lot of activity around the industry, which is ongoing. So every day or almost every alternate day, we would new statements, some announcement of the other in regards to the datacentre industry.

Now with this announcement, obviously, the quality of term sheets and quality of partnerships are changing along the way. There is more interest from many other datacentre operators, which were not looking into India earlier, but have started looking into India today. And very, very large datacentre operators, who we were in probably in discussion in the earlier days, who we were introducing the Indian market to, but did not take that interest. And today, they are looking to jump into it.



And the second thing which has happened in our favour is that, especially with this project, is that the project has progressed really very well, whether it is the design engineering, whether it is the progress that we've been able to make on the field because many industry players did not expect Techno to find success in execution or in design to begin with without a strategic partner, but we've been able to demonstrate that. Now this project is looking to get commissioned over the next seven to eight months' time.

Having said that, the confidence level in the market for Techno has improved, and therefore, the quality of investors chasing us or behind us has also improved. And the term sheets on -- along the way are also to that extent improving. So this dynamic change in the industry plus newer interest that we are seeing come into the project and with the project progress, the quality of term sheets included, all of this is constantly making us look at the next best thing.

Today, we are in discussions with, as I mentioned, a couple of datacentre operators from the US and then a couple of them from Singapore. And none of these datacentre operators -- I would say, at least three of them are sitting on a balance sheet size of more than \$10 billion to \$15 billion, which was not the size of operators that we ever targeted to begin with, though we hope for it. So things are looking brighter and better as project is progressing and as the industry is opening out more. So it's that we are just keeping patience to see how we can make better of the situation that we have.

Sarvesh Gupta:

And then my final question is that you said that obviously the opportunity that you are seeing, you are saying that it is probably the best that you have seen in your career. And now, of course, we have a very strong balance sheet also. But from an organizational perspective, sir, are we doing something every quarter to sort of strengthen our top level and senior, as well as mid-level management so that we are able to -- because such a large scale, of course, if you're looking at 10x scale, cannot be achieved without the proper sort of management talent at every level in the organization.

So if you can sir, update something that we have done because now we are seeing so many opportunities in multiple directions, but do we have that talent to sort of take advantage of this, especially given the changing scenario, Electricity Act and everything, sir?

P. P. Gupta:

I really appreciate your question and very, very appropriate in the evolving, developing situation. To address -- you see, no quality at quantum of manpower is ever complete in an industry like ourselves, number one. Number two, to achieve this part, Ankit is now operating out of Delhi and not Kolkata anymore. And our daily office is getting strengthened by every passing day. And we want to build it more strongly, wherever IT and power combination is going to be a way of life. But regionally, building around conventional traditions will all continue to be handled from Kolkata where manpower is already available.

I will say that in last two months, we must have added about 30 people at senior and medium level in our company, sir. So this recruitment really is very strong, and it is going on. But I'd like to say, at the same time, I'm also seeing some iteration, which I have never seen earlier also. We have lost about 10, 12 people also from our team who are willing to be located outside our company.



So tail-end hunting will be ongoing requirement of our business, and it is going to be very specially performed. We have created a strong HR setup at Delhi. We have engaged all good HR consultants with us, who are working in tandem with us. So your question is well taken, sir, and I respect for very, very appropriate question.

Moderator: Thank you. We have a next question from the line of Deepesh Agarwal from UTI AMC.

Deepesh Agarwal: Yes. Hi, good evening, sir. Most of my questions have been answered. Only two bookkeeping questions. Number one, sir, what would be our equity investment in the smart meter subsidiary?

P. P. Gupta: Sir, firstly, you see, the SPV will hand over EPC to Techno. So we are not going to invest much equity here other than maybe INR 5 crores or so. Now if we see receivables will be there from the SPV, which will be securitized with one of the financial companies, and all EPC bills will be paid off from the SPV. So we don't see much equity to be provided from the parent company.

Deepesh Agarwal: So, sir, the receivables will be realized over a period of six or seven years, right?

P. P. Gupta: No, I'm sharing with you, Deepesh, what should I say, securitization, what you call in the financial markets, that some finance company will securitize those bills and pay us with discounted value today by rate of interest, whatever is applicable 8%, 9% out of that. So once we have our payments upfront made to the EPC, the same will be paid out to Techno Electric. So in the intervening period, you could say the Techno's engagement as receivables will be lifted to INR 100 crores, no more than INR 100 crores...

Let me complete, Deepesh. Because 30% is capex that utility is paying us. In a TOTEX model, it is a 30-70 model practice in Jammu Kashmir. So 30% payment they are paying us with every progress, every build progressively like EPC. So what we are funding is only 70% part of it to be paid over nine years or so.

Deepesh Agarwal: Sir, the other question is, so we had a lot of wind receivables with us. Now when you are selling the wind asset, who will get those receivables would it be the new buyer or Techno will get the pending receivables?

P. P. Gupta: So those all belong to Techno, sir. Whatever issues until the date of sale, Techno has the right under the agreement to pursue that with the utility, with the [inaudible 0:58:28] and any other jurisdictions. We have no bar on it. They all belong to us because the many bills are also lying in our name only with them. So generally, the utility pay to the very entity in whose names bills are outstanding with them.

Deepesh Agarwal: And what would be the outstanding amount right now?

P. P. Gupta: About INR 200 crores, sir.

Deepesh Agarwal: And is there any expectation by when do you expect this to be received?

P. P. Gupta: This is a million-dollar question, sir. We are contesting with the utility to pay it upfront. We have all high court orders in our favour. We have all the regulatory orders in our favour. Utility is also promising us to pay us day in, day out. But there is a parallel scheme running in the



country to pay in 48 instalments. So we are already -- they are adapting to pay us under 48 instalments, which we are getting regularly from them, about INR 2 crores per month. But we are protesting it. So hopefully, some success will come. We are hopeful to wind up this issue as fast as possible, sir.

Moderator: Thank you. We have a next question from the line of Akhilesh Bagri, an Individual Investor.

Akhilesh Bagri: Sir, we have some pending receivables from Afghanistan also. Has there been any update on that matter?

P. P. Gupta: Yes. The update now is the local government has more or less accepted the situation that the funding body like ADB or World Bank may not come back to Afghanistan because of their issues on the human rights or other religious issues as practiced there. So they have lately approached us to take up this project possibly at a rupee arrangement between the Government of India and Afghanistan Government. They have started discussing with us.

Three projects they have identified. One belongs to us, one to KEC and one to KPTL. These three are important to the country because they cater to Central Asia and not only to Afghanistan. So hopefully, some settlement may happen in the next two months. So how to go about it?

Because the best part is, 80% of the project stands built at paid part. So we are in a very strong position this project needs to be completed. No government will leave it half done by having spent 80% capex on it. And secondly, it is being of strategic interest to them.

Akhilesh Bagri: And as on date the outstanding was around INR 45 crores, right?

P. P. Gupta: Right. Right.

Moderator: We have a next question from the line of Karan Barmecha from Pinkbull Investments.

Karan Barmecha: I was actually a little late on the call, but my question was primarily to do with this financial year's revenue target. So with the third quarter result, it looks a little off versus the INR 800 crores we were supposed to kind of earn including this quarter — in the last two quarters. So where do you see the final numbers for the last quarter of this financial year?

P. P. Gupta: I've already replied to this question to charge query that you can expect our top line to be anyway at around INR 1,100 plus finals this year. And next year, it will be INR 1,600 crores.

Moderator: We have our next question from the line of Shreyans Gathani from SG Securities.

Shreyans Gathani: My question is on the datacentre business. If I look at the website, you also mentioned about Mumbai and Kolkata datacentre. So I just wanted to know what the strategy is there? Is it going to be EPC? Or — because, as I understand, the first Chennai datacentre was like more of a pilot demonstrating Techno's capabilities, so we need more capital in there. So the next projects, do you look at them as capital-intensive projects? Or is it more on a lighter side once we already have capabilities set up from the Chennai datacentre?

P. P. Gupta: Ankit, will you like to answer this question?



Ankit Saraiya: Yes. So basically, Calcutta most likely is going to be our next project after Chennai. And Calcutta is starting to see great potential for datacentres, because that side, which is the east and the northeast side of the country, is completely uncatered by datacentres. As we speak today, over the last three months, Airtel and NTT, which the telecom company from Japan have both broken ground and started construction of datacentres in Calcutta, then Singapore Telecom, Adani, CtrlS also looking to come up with datacentres in Calcutta.

And we follow a very similar strategy in Calcutta as what we've done in Chennai, wherein we will develop a datacentre of a similar nature, most likely of a similar nature, that is there in Chennai and ultimately look for a strategic partner to come in and take over the datacentre for operations and customer acquisitions. So it might go on a very similar line with Chennai, and hopefully, the partner that we are able to engage for in Chennai should show interest in Kolkata as well with Kolkata becoming a very important market for datacentres.

Shreyans Gathani: Sir, my next question is just on the order pipeline. So what kind of order book do you expect to close? And I remember you mentioned about INR 5,000 crores in the last con call. So I just wanted to know if that is unchanged or are we L1 on any orders currently?

P. P. Gupta: No, we still received INR 5,000 crores. We have participated in bids worth INR 5,000 crores which are yet to see opening. We are hopeful that in the balance period, we will be able to book another bid of INR 1,000 crores safely. So we maintain INR 5,000 crores as the order by close of the year, sir.

Shreyans Gathani: And we expect to execute around INR 1,300 crores, INR 1,400 crores out of the INR 5,000 crores is what...

P. P. Gupta: Not this year, sir, next year.

Shreyans Gathani: Next year. Sorry. Sorry. Yes, next FY '24.

P. P. Gupta: Yes. Absolutely right.

Moderator: Thank you. I would now like to hand over the call to management for closing remarks. Over to you, sir.

P. P. Gupta: Yes. I will once again thank you all of you and like to reiterate my commitment that this quarter is a one-time blip due to difficult supply chain challenges and also delay in handover of the sites from the developers, although filed works in other locations are in good progress. But there have been some time lag in take-off of the projects recently awarded to us.

From the current quarter onwards, we expect a top line of almost INR 400 crores to INR 500 crores per quarter, with Q4 ending with no less than INR 500 crores and the bottom line of this year should be at par with the previous year with other income remaining alike and definitely growing in future years with the growth in the top line.



With this, I would like to thank all of you once again in joining the conference call with us. In case you have further any query related to our performance, please drop a mail to us. With that, I would like to close the conference and thank everybody for joining.

Moderator:

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