TECHNO ELECTRIC & ENGINEERING CO. LTD.

“Techno Electric & Engineering Limited

Q4 FY'25 Earnings Conference Call”

May 29, 2025

MANAGEMENT: **MR. PADAM GUPTA – CHAIRMAN AND MANAGING DIRECTOR – TECHNO ELECTRIC AND ENGINEERING LIMITED**
MR. ANKIT SARAIYA –DIRECTOR – TECHNO ELECTRIC AND ENGINEERING LIMITED

MODERATOR: **MR. SURAJ SONULKAR – ASIAN MARKET SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Techno Electric & Engineering Company Limited Q4 FY '25 Earnings Conference Call hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suraj Sonulkar from Asian Market Securities Private Limited. Thank you, and over to you, sir.

Suraj Sonulkar: Thanks, Navya. Good afternoon, everyone. On behalf of Asian Market Securities, we welcome you all to the Q4 FY '25 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 request Gupta Ji to take us through overview of the company quarterly results, and then we shall begin with the Q&A session. Over to you, Gupta Ji.

Padam Gupta: Thank you, Suraj. Very good afternoon to all of you, and welcome, everyone, to discuss Techno Electric financial results for Q4 and year ended 31st March 2025. Anything said on this call, which reflects our outlook for the future or that could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the industry and in turn, our company faces.

Let me highlight our performance. When we look at the Q4 '25, the total revenue of the company stands at INR812 crores, up by 68% year-on-year, probably better than any of the previous quarters. EBITDA for the company stands at INR02 crores, up by 74% year-on-year. The EBITDA margin is at 12.64%. The other income is INR69.75 crores compared to INR30.86 crores last year, up by 126%. The profit before tax is INR167.18 crores compared to INR83 crores last year. The PAT is at INR132 crores, up by 91% year-on-year and EPS is at INR11.42 per share.

If we look at the whole year at the close of the year, the revenue stands above INR2,400 crores, that is 2.04 times up by 43% year-on-year, which is so far all-time high for the company. The EBITDA for the company is at INR328 crores, up by 45% year-on-year. The EBITDA margin is at 13.66%.

The other income is at INR175 crores, up by 34% year-on-year. The profit before tax is at INR85 crores, up by 45% year-on-year. The profit after tax for the company stands at INR428 crores compared to INR269 crores, up by 59%. The EPS is at INR37.65 compared to INR25 last year.

We have been getting compressed schedules due to delays in acquiring land parcels by our customers for setting up of the facilities and they want their projects to be operational as per COD dates, forming part of their concession agreements. They are ready to even incentivize us to achieve these compressed schedules.

We are pleased to share with you that we have commissioned a 20-bay, 765/400 kV Prestigious Sikar Substation of grid comprising 99 elements of transformer, oblique reactor, that is

equivalent to 3 gigawatts of transforming capacity and 1.2 gigawatts of reactive capacity. A project of the power grid in a record time of 9 months. First time in the country which otherwise would have taken in the past, normally 2 years or more.

Similarly, now we are bettering the timeline on the behest of power grid in setting up of a prestigious 33-way substation of 765/400 kV at Dausa comprising 28 elements of transformer and reactors which are equivalent to 3 gigawatts of transforming capacity and another 2 gigawatts of reactive capacity.

This is a wonderful journey for the company. I'll say a compressed schedule increases the productivity of the resources deployed, which includes mechanized construction equipment, skilled labor forces, and the cost of bulk procurement of local inputs, materials. The compressed schedule further helps in optimizing the establishment costs and thereby increasing working capital efficiency.

This is now being practiced in other ongoing projects at Bidar, Kharagpur, Lakadia, Anandapur, and many more. During the year we have successfully commissioned projects at 17 locations all over the country. Apart from this, in spite of increasing the revenue, we did not let our balance sheet stretch in terms of the working capital requirement due to better capital management, focus on cash flows, and efficient utilization of resources.

Additionally, we have been able to convert our efficiencies into cash. This is evident from the numbers that our cash flow from the operational results, which you may have observed that the company is cash positive by INR837 crores compared to a negative of INR337 crores in the previous year. This was possible as we have been able to convert trade receivables into cash, there was hardly any increase of debtors compared to previous year despite increase in revenue by almost 50%.

The customers often spoke the performance and this has gone a long way. I'm further pleased to share with you that the current investment value, which is cash and cash equivalent as of the year-end stands at around more than INR2,500 crores, that is about INR220 or INR225 per share.

Techno has been able to garner the better operating margins consistently over the years in this space compared to peers. We have been able to convert the profits into cash on our balance sheet and have one of the efficient working capital management processes in practice.

The reasons are simple but needs to be practiced meticulously like speed of execution, thereby ensuring timely completion of project, the timely collection of receivables, including closing of the projects and realization of retention money, avoiding interest-yielding advance from the clients, better credit terms from the vendors backed by commitment to pay in time, so that the cost of procurement is within acceptable limits.

Due to better working capital efficiency, we have been able to be a debt-free company since beginning. We have never borrowed for our EPC business other than for our own asset deployment businesses. Apart from that, over the past year, 5 years, as you know, we have monetized most of the assets in renewable power, transmission assets, and have collected cash of INR1,500 crores. But additionally, we also collected INR1,250 crores out of the QIP, which

we want to. We have a program of about almost about INR10,000 crores in hand to be deployed in next 3 years.

Out of this, we have already deployed about INR1,250 crores in last 2 years as capex in our SPVs for setting up of data centers, including edge data centers, AMI projects, and transmission projects acquired in TEECL remote and also execution in partnership with IndiGrid at Dhule and Ishanagar.

The company is pleased to inform that Chennai Data Center Phase 1 is nearly complete, and Edge Data Center at Gurgaon is ready for operations. We expect during the year to deploy Edge Data Center at 10 locations and also deploy smart meters of more than 1 million in number, and we plan to successfully complete substations of 765/400/220 kV levels at more than 20 locations countrywide in EPC mode and for our own concessions.

You will be happy to know that we are deploying 220 kV GIS substation in the highest altitude of the country at Ladakh and Kashmir, at 4 locations. And our labor never vanished during the Pakistan war. The patriotism was also high degree in our labor force working very close to Pakistan border and China borders.

The order book momentum for bidding and order intake has increased in the second half of the year for the sector and as well as for the Techno. We have robust order book at around INR11,000 crores as of March 2025, which is highest in the history of the company.

We are L1 in orders worth INR800 crores already. We have received orders worth INR2,000 crores plus in Q4 itself, which takes the order for the year in total to more than INR4,150 crores, and our guidance for the year was around INR3,500 crores. We expect the order book momentum to continue, and the order intake in this year is also expected to be around the same level. This simply reflects we will have enough orders in hand to keep on the growth momentum for next 2 years.

Our Board have already announced a dividend of INR9 per share, which should be to the delight of all of you. Building on the growth momentum witnessed in the last 2 years, as you all know and as we mentioned in our last Q3 meet, that our monthly revenue of INR75 crores in financial year '23 is presently at INR200 crores now. And this is further planned to be enhanced to INR300 crores per month in the current year. That is the target of the company of INR3,500 crores to INR3,600 crores this year.

This confidence stems from our already achieved performance in last 2 years successfully. With this, the ratio of order backlog to execution will also come down to 3 to 3.5, which is the industry norm. In the meantime, the company will continue to grow up its strategic presence in data center space, and the total deployed capacity by the end of the year is expected to be around 25 megawatts and at least 50 megawatts by '27. We are pleased to inform that Chennai data center has been considered eligible for deployment of AI-based applications, including clouds.

The outlook is very, very promising, continues to be promising. India's energy landscape is undergoing a significant transformation, from historical sluggish energy demand growth over last decade to now registering nearly double-digit growth driven by peak load targets scaling

from 260 gigawatt to an ambitious 400 gigawatt by 2030, or latest by 2032. To bridge this demand-supply gap, strategic investments are being channeled into advanced transmission systems, mostly at 765 kV, backed by STATCOM's VSC HVDC, where we enjoy a strong market position.

On the distribution front, massive smart metering rollout under RDSS and new reform-linked distribution system strengthening schemes will drive digitization, efficiency, and private sector participation, which may be another area of focus for us. The generation segment has also revived meaningfully with the government deciding to add another 80 gigawatt of thermal capacity but mostly through supercritical and ultra-supercritical technologies in place to have the emissions in control, opening up substantial opportunities on the balance of plant and power evacuation infrastructure and switchyards on grid connectivity to this generative capacity.

Simultaneously, the data center ecosystem is undergoing a paradigm shift driven by AI, cloud 5G, data localization imperatives. The market is expected to more than double by 2030. Our investment in hyperscale Edge Data Centers in Chennai, Kolkata, and across Tier 2, 3 cities via rail are very timely and strategically positioned to be value accretive and capitalize on this. We believe this convergence of energy transformation and digital infrastructure. I will again repeat this. We believe this convergence of energy transformation and digital infrastructure offers a multi-year high-growth opportunity.

Techno Electric is strategically aligned, technically equipped, and financially sound to scale alongside India's ambitious, India's aspirations in both these mission-critical sectors. So Techno is very differently placed than many other companies in transmission line work.

Let me give you a brief outlook and opportunities, sector by sector. The key drivers for the transmission sector are integration of 500 gigawatt to grid needs almost 50,000 circuit kilometers of transmission lines. But more importantly is 433,000 MPA transformation capacity, all-time high in the country.

The national electricity plan as we say this is INR9.2 lakh crore capex by 2022. The power grid has already announced a capex of INR1 lakh crores in next 3 years in ongoing 3 years with INR1.75 lakh crores by 2030. In the finance budget, the Finance Minister budget speech of 2025, the government will incentivize the electricity distribution companies on augmentation of interstate transmission capacity amid efforts to improve financial health and capacity of power fronts.

And additional borrowing of 0.5% of GSDP will be allowed to states contingent upon these reforms. This would bring an estimated opportunity of another INR1.5 lakh crores over next 2 years.

The EPC opportunities in the segment. The TBCB model of projects will increasing private participation continues. The high-end technologies like 765 kV AIS/GIS solutions backed by STATCOM or VSC HVDC will be the necessity to sustain this energy transformation and injection of renewable power in the grid.

Interregional corridor strengthening, green energy corridors for RE evacuation, if your market for Techno will comprise on the pipeline of INR40,000 crores currently out of which Techno's potential will not be less than INR2,500 crores to INR3,000 crores per year and for the next 4 years. We currently have orders worth of INR,500 crores in transmission segment, EHV transmission segment.

And we, as you know, we also have two concessions in TBCB in Gogamukh and Bokajan with a total revenue of INR2,800 crores over the concession period and also are aggregating two concessions in partnership with IndiGrid and Dhule and Ishanagar.

The various programs in the country of distribution side are our RDSS scheme, which is called Revamped Distribution Sector Systems scheme is INR300,000 crores plus, the Reforms-Linked Distribution Scheme of INR16,000 crores, which is largely going to be implemented on PPP of the privatization model and this will continue to be grid modularizations like GIS, AMI, SCADRs as we are doing for DVC presently in the DVC command area, the smart grid deployments, loss reduction and power quality improvement solutions, advanced smart metering solutions, where we are already executing about 2.5 million meters.

And there is another about 1 million, at least about 100 million more to be deployed over next 2 to 3 years. And we will have a market share of almost around 1% to 2% in this. This offers us a high margin, actually O&M scope and the total X model because the very good session involves capex plus operations that are driven DISCOM transformations to manage their own supply side management.

And as you already know that we are executing now 2.5 million meters, which concessions we have won. We are expecting further of concessions of another 0.5 million meters or 1 million, 0.5 million to 1 million meters per year basis. Thermal generation, we have already talked about 80 gigawatt in the pipeline to be completed by 2030 which will then facilitate both more of injection of renewable power and also facilitate peak demand of 200 megawatt.

Focus on the supercritical and ultra-supercritical plants technologies, EPC scope on balance of plant, air quality control systems like FGD, carbon capturing as well as ESPs of digitized and modern based on modern technologies to ensure acceptable emission levels globally to 14 mg OD. And similarly, this opportunity is also expected to be no less than almost about INR1 lakh crore over seven years.

In the renewable generation side, I would say there will be more opportunities in the solar plus storage, hybrid systems, wind farm EPCs. And we are yet to deploy another about 300 gigawatt with balance in six years. Government made land, even RE parks or floating solar parks, the EPC opportunity is INR3akh crore to INR4 lakh crore and the budget for '26 significantly increased allocation to MNRE to by 39% in this segment.

On the FGD side, I will say that the DCEA has come back on its earlier report where they have given fresh dates to this sector, commencing completion from '27 onwards, progressively depending on the location of the generating plant. This industry may eventually see a 5 to 10

gigawatt per year scope, both from the private and state electricity boards. Our present order of INR1,450 crores is progressing promptly.

Coming on data centers, the digitization and cloud services are key reasons for growth of data centers alongside developments like 5G. Major growth drivers for data centers in India are public cloud adoption, data localization, policy incentives, digital transformation, technology developments that is rollout of 5G, AI in 5G and VR, increased adoption by the enterprise technology markets, IoT, Big Data and cloud computing. All these are very progressive and promising. Ankit, would you like to take over now?

Ankit Saraiya: Yes, sure. So, we are in as everyone is aware, we are in advanced stages of completing our project of 24 megawatt data center in Chennai. We have incurred an investment of almost INR450 crores in the project. While we have faced delays due to regulatory and permitting approvals, also due to supply chain disruptions, but having overcome all of them, we are now very close to commissioning our first phase of Chennai, which is approximately 5.6 megawatts. We are in the final phase of testing and also onboarding a few customers as we speak.

Our pipeline in Chennai data center is growing. We currently have a pipeline of almost INR80 crores to INR100 crores and while having additional conversations with other cloud players and potential AI customers. The unique proposition that we provide through our Chennai data center is that it is designed for higher density of racks on an average compared to the industry.

And additionally, being a water-cooled data center or the only water cool data center in Chennai and that region, we are uniquely placed to provide racks specifically for AI services or AI-related activities, giving us a unique position in the industry.

We are currently engaged with multiple banks, content delivery networks, domestic cloud players and receiving positive feedback from them. We have recently participated in an RFP by a global bank, and we hope that will be concluded in next 3 to 4 months' time.

Recent advancements in AI has obviously fueled the demand of data center, but more precisely the density of power required for rack. What earlier we used to practice on an average at 6 kilowatt or 8 kilowatts per rack, now people have started talking 25 to 40 kilowatts per rack and going higher as we speak. This requires substantially higher resources per data center and data centers have to be designed to meet those specific requirements, which we are very well placed to provide.

India AI mission has recently commenced and first round of empanelment has been concluded, and we are hopeful that with more empanelment coming through in round 2 and 3, we will have interest from multiple stakeholders to utilize our infrastructure as we call our facility AI ready. We are established and further establishing channel partners, distribution engine for reaching the wider market and as well as reaching global market.

Coming to Edge Data Center, we are aware that RailTel has awarded us with a concession to build Edge Data Centers in 102 cities. Last Saturday itself, we powered on our first Edge Data Center in Gurgaon, which is a small capacity of 200 kilowatts, but goes a long way because it's our first data center, which has truly got powered on and appreciated by RailTel as well. And

we are hopeful that the capacity of 200 kilowatt, at least 75% of it would be utilized by RailTel immediately, and we anticipate leasing out the remaining 25%, which is 5 lakhs within 3 months.

We have started execution of our second Edge Data Center in Mumbai, which is close to about INR50 lakhs, 450-odd kilowatt of density, and it should be completed hopefully by November '25 or maximum December. And we are in discussion with large conglomerates to lease out the capacity immediately on commissioning.

We are also going ahead with discussion with a few hyperscalers for contracting at least 4 to 5 Edge Data Centers in multiple locations across India. We have already shown our interest to RailTel to develop edge data centers in the city of Gandhinagar, Indore and Bhopal, and we are hopeful of getting the possession of the land very soon to begin expanding our facilities in these very cities as well.

We target to also start our execution this year in the city of New Delhi and Hyderabad as part of our Edge Data Center concession with RailTel. For Edge Data Centers, we have created an extensive network of channel partners and distribution partners, and we have started receiving active interest through these partners for occupying space within the Edge Data Center ecosystem.

We have also started execution of a data center in Kolkata. We have finalized the master plan, and we have started with preconstruction activities. And very soon, we'll be applying for building plan approvals to begin full-fledged construction. In totality, we have a funnel of more than INR100 crores including Chennai and Edge Data Centers in discussion with multiple nature customers, whether they are cloud, CDN, AI, et cetera.

Padam Gupta: Thank you, Ankit. So overall, I would like to say that during the current year, we are targeting a top line of INR3,500 crores and an EPS of no less than INR50. And in the year '26, '27, our target will be around INR4,500 crores with an EPS of no less than INR75. With this, now we can allow the question and answers.

Moderator: The first question is from the line of Sandeep Agarwal from Naredi Investment.

Sandeep Agarwal: Sir, my first question is regarding the period in various segments like Smart Meter data center and small edge data center business.

Padam Gupta: You see these two are different businesses altogether. Smart Meter is a concession-based projects. Their period is prefixed by the government itself. That they pay over 94 months we call PMPM Per Meter Per Month post commissioning immediately on achieving SAT or Go Live, they pay us around 15% depending on the location of the project. That is how the demand is in the concession projects.

Coming to data center is totally a market-driven activity, and it goes with the market dynamics. By and large, we anticipate a data center payback should be no more than 5 years in my view. But because of the challenge of growing and changing technologies, applications, usages, they are all part of it. Ankit, would you like to add something to it?

Ankit Saraiya: No. Sir I think you're on the point, the payback period for data centers is about 5 years.

Sandeep Agarwal: Follow-up there; per megawatt revenue per annum is INR11 crores to INR12 crores. Is this estimate is correct?

Ankit Saraiya: You can take it at around INR8 crores to INR0 crores.

Sandeep Agarwal: INR8 crores to INR10 crores. Okay. Sir, just another question is just bookkeeping. I want to know the detail of other current asset line item, which is INR814 crores approx.

Padam Gupta: What is the status of current assets?

Sandeep Agarwal: Just the detail of current assets INR814 crores.

Padam Gupta: I think when you get the balance sheet, you will find the details in that. They are in the normal course of business. There is no exception in it. They keep rotation in rotation with the execution as it happens.

Sandeep Agarwal: It increased from last year, INR250 crores approx to INR814 crores. So just want to know what is...

Padam Gupta: You are asking on contract assets basically not current assets. The contract asset is basically the investment in data centers and AMI or TBCB schemes. They are yet to be built out. That is what we call contract assets. They are not capitalized in our SPVs, but work on behalf of SPVs by the Holdco in deploying them.

So that is a capex you can say indirectly carried out by the company in setting up these facilities like data center, INR400 crores, INR500 crores by now, meters, another INR400 crores by now. So it is that amount here.

Moderator: We take the next question from the line of CA Garvit Goyal from Nvest Analytics Advisory.

Garvit Goyal: Congrats for a decent execution in the quarter. Sir, earlier you have guided for INR3,600 crores revenue in FY '26. I think in opening remarks, now you said INR3,500 crores. So can you please clarify this?

Padam Gupta: No, I could not get, INR3,500 crores is INR3,500 crores…

Garvit Goyal: Last con call, I think you mentioned INR3,600 crores?

Padam Gupta: INR3,500 crores is not a big issue between us. You take it INR3,600 crores,

Garvit Goyal: I was just getting clarification on that. Okay. So that guidance we have given, given the challenges like land allocation and we are doing it very efficiently. So how exactly do you plan to achieve this guidance? Like which segment will contribute the most to this growth? And is it entirely from the existing order book standing today or a portion of it will be via the new incremental orders that we expect in FY '26? So that's my first question.

Padam Gupta: Look, this role of land acquisition is often performed by the asset owner. It is not in our scope, number one. Number two, our job starts once they hand over the land parcel to us. So, most of these orders are already around 3 to 6 months old. And customers as per our information, are fairly advanced acquiring land parcels. And we have taken that into consideration already.

But you must take into view that larger execution has happened in last year, it will be in the same in current year also, like 40-60 with the H1 of the current year will be 40% and H2 of the current year will be 60%. So, it will go in the same pattern.

GarvitGoyal: Got it. And which segment will contribute to this majorly out of the total order book?

Padam Gupta: So, it will all be from transmission, FGD, Meter Deployments, all will be an element of it. By and large if you want to take the breakup, you can take transmission will be INR2,500 crores, transmission and distribution FGD INR500 crores, Meter will be another INR500 crores. A million and plus meters will be deployed as I said. So total will be INR3600 crores

Garvit Goyal: Got it. And secondly, on the data center, like you earlier guided Chennai Data center was expected to be by March '25. And similarly, Mumbai was to start construction in April and was expected to be commissioned by August '25. But while you mentioned about Chennai, can you please update on why Mumbai data center is getting delayed now?

And further, can you also confirm like earlier, you were speaking about revenue generation from Chennai data center, particularly from Q2 this year. Now that the timeline is intact or not?

Padam Gupta: Ankit, would you like to answer?

Ankit Saraiya: Yes. So firstly, we do expect to start generating revenue in Chennai from Q2 this year. And so that is pretty much as expected. But Mumbai never got delayed because Mumbai was never within our plans earlier. We have very recently got the possession of a location in Mumbai through RailTel only about, you can say, 3 weeks back, and we have almost completed the civil work over there, and we are in line to commission our Mumbai data center by November. So, it was something new that came up to us. It was not a planned location.

Moderator: We take the next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, I just wanted to understand, I mean, in terms of from data center, what sort of revenue we are targeting for this year and next year, FY '26 and FY '27? And what sort of margin we can expect in data center?

Padam Gupta: You can take conservatively, let me put it, our this year target will be about INR100 crores. And next year target will be at least INR300 crores to INR350 crores.

Deepak Poddar: INR300 crores to INR350 crores. And what sort of margin we can see here?

Padam Gupta: Generally, EBITDA is very high in these projects. I say you can take around 80%.

Deepak Poddar: 80%?

Padam Gupta: Yes, yes.

Deepak Poddar: Okay. And the revenue that you have said in terms of INR3,500 crores and INR4,500 crores, this includes the data center? Or is it over and above this?

Padam Gupta: You see this year, we have not included. That is why 35 or 36 debate remains, as you must have heard of your colleagues. Next year, it includes up to 350.

Deepak Poddar: Okay. Understood. So next year, your FY '27, your margins you will see a big jump in your margin, right, because of this data center?

Padam Gupta: Absolutely. It should be. That is why I said which differentiate us from the other T&D players.

Deepak Poddar: And what is the general EPC margin range you look at? I mean this 14%, 15% is what general EPC margin?

Padam Gupta: 14%, 15% is short rather, it should be at least better by 100 notches, 100 bps over last year as commodities have been cooled down, but it depends on Trump and tariffs.

Deepak Poddar: You are talking about margin in EPC, right, 15% to 16%...

Padam Gupta: Yes. But it's all commodity pricing. Supply chain is under pressure. A lot of exports are happening on the supply equipment, and export prices are better to the manufacturer than domestic market prices. So all type of challenges are there. But nevertheless, our efficient and productivity will stand us out.

Moderator: We take the next question from the line of Vikram Datwani from Nuvama Institutional Equities.

Vikram Datwani: Congratulations on a good set of numbers. Two questions from my side. Sir, could you please give us your expectation of consolidated EBITDA margin for the next 2 years, considering data centers will be revenue accretive. So, how much would that impact your margins positively? That is my first question.

And my second question is on the FY '27 EPS guidance. Just wanted to reconcile that INR75 figure, would that also include any monetization of assets or any arbitration awards that you're expecting? Or would that be only from business, and monetization will be over and above this figure?

Padam Gupta: Firstly, you see data center is a new subject to us, and ability to set up we have enjoyed. We have a great marketing team now. But the numbers we will be yet to be experienced to be honest. So, we cannot say the EBITDA as a consol. But overall, you can say as EBITDA, is experienced at 20% should continue on an overall basis at the company level. Whether it comes out of treasury will come down, and data center may add more to it. But definitely, we have not considered any monetization that will be over and above this in any case.

But there are not great disputes we are carrying in our company with the clients, but something is often a way of life, I will say, that does not impact much financially. But there may be a significant collection out of the discontinued business. So that will be over and above this, like

it has happened in last year also. The EPS of INR4 is happening out of the discontinued business. So we are yet to get some more money from Chennai and data centers.

Moderator: We take the next question from the line of Samarth Khandelwal from ICICI Securities.

Samarth Khandelwal: Sir, congratulations on a strong quarter. Sir, I just wanted to understand when we say 1 megawatt of a data center, so 1 megawatt on 100% capacity generation, we say 8.7 million units of kilowatt hours of electricity would be generated. So, in how much time does a 1 megawatt would be the energy cost for a 1-megawatt data center?

Padam Gupta: Firstly, you see, these are energy-consuming solutions, not generative. So, please correct it. And when we talk of the revenue, generally power cost is a pass-through cost here. What we talk is only a lease rental of the facility provided to the users. Could you get me Mr. Khandelwal?

Samarth Khandelwal: Sir, I understood. That is why INR8 crores per annum was saving quite low. I just wanted to understand the energy cost.

Padam Gupta: Energy is a pass-through. We don't make some money, but we don't take it as a part of INR8 crores. That is over and above. Ankit, can you elaborate more to it?

Ankit Saraiya: Yes, sure. So in terms of top line or expense, we do not consider energy as a revenue or an expense because it's largely a pass-through to the customer at the cost. So when we talk about a top line of INR8 crores to INR10 crores per megawatt, it is largely out of lease rental. It doesn't include energy, and neither would the expenses would include energy.

Moderator: We take the next question from the line of Prathamesh Sawant from Mirae Asset Capital Markets.

Prathamesh Sawant: Sir, just wanted to understand if you can throw more light on the Smart Meter business. So what kind of capex outlay are we seeing over here? How has our execution been so far, and the outlook for the current year?

Padam Gupta: I will say that we are conservative, and our engagement is very nominal. As I told you earlier, we are having presence of more than 5% in this segment, till date, we have commissioned 7 lakh meters out of a concession received for 2.5 million meters by us, and the deadline of -- the schedule is to complete by September '26. In '25, '26, we are targeting to do 1 million meters more. So we are on track. On an average, we do about 400 meters in different pockets. And they are in cost control.

Prathamesh Sawant: Okay. So sir, how are we funding this project like anything, because it is capex intensive. So, how do we plan to fund it?

Padam Gupta: You see we are funding internally, number one, from our own resources. As I told you, we have already invested about INR400 crores in this. And another outgo this year will be about INR500 crores on this activity. So we have sufficient accruals. It is out of internal accruals, you can say. We'll be able to take time being. And once the schemes are complete and going, we may like to see exit at that time.

Prathamesh Sawant: Okay. So we won't be raising any debt for this, sir?

Padam Gupta: We don't want to raise any debt. We'll be monetizing straight away.

Prathamesh Sawant: Okay. And we are expecting 15% IRR on these projects, as you mentioned.

Padam Gupta: Minimum, maybe more.

Prathamesh Sawant: Okay. And sir, like a few calls back, you had mentioned about the Mumbai data center, so which was like somewhere near St. Regis. So, just any update on that?

Padam Gupta: Ankit, can you...

Ankit Saraiya: Yes. As I mentioned that we've been handed over that location only about 3 weeks back. And we started the construction activities over there. The civil work is almost coming to conclusion, and we'll hopefully commission at least 400 kilowatts of capacity over there by November '25.

Prathamesh Sawant: Sir, just one last question to you. So, if we look at data center per se as a separate entity, what will be the line item below the EBITDA? Like how do we see the depreciation and the interest cost to that?

Padam Gupta: They are all internally funded as of now, so there is no interest cost per se. But definitely, there will be depreciation as per the norms.

Moderator: We take the next question from the line of Ravi Naredi from Naredi Investments.

Ravi Naredi: Sir, we are awaiting investor presentation as you are nice promoter. So, we thought you give maximum disclosure, but we disappoint on this part. First of all, congratulations for ever highest top line and bottom line in history of company. Sir, capex plus investment plan in next 2 to 3 years in Smart Meter, data center or Smart Edge data center, what will be our capex?

Padam Gupta: For the current year, we have already given in my presentation. That this year we plan to invest about INR1,250 crores, which will comprise of INR500 crores of Meters and INR500 crores in Data Centers and another INR250 crores in our TBCB projects. Similarly, going forward over the 5 years, we have already said we'll be investing about INR10,000 crores, with a larger 80% belonging to data centers. Maybe you did not hear me in my presentation. We said by 2030, we'll be doing INR10,000 crores of capex and 80% will be on data centers by and large.

And we intend completing about 250 megawatts by then, including edge and hyperscale and another, you can say 1000 in Meters and 1000 in TBCB aspect. But depending on opportunities, this may change here and there. But as of now, this is the program with the company.

Ravi Naredi: Sir, the company is now so big. We want to meet personally to you. So, is it available, are you in Kolkata or Gurgaon?

Padam Gupta: Sir, we are in both the places. For Data Center and Smart Meter, you are welcome in Gurgaon office, Ankit sits there. And I'm Kolkata. You are welcome in both the places.

Moderator: We take the next question from the line of Shreyansh Gattani from SG Securities.

Shreyansh Gattani: I had a couple of questions. So, one was on the EPC. You mentioned in your opening remarks that to execute on the compressed timelines, you're getting like additional incentives from customers. So, what exactly are we seeing? Is that in terms of like better working capital, like better receivables? Or is it like additional margin that we are getting? If you could just give some color on that?

Padam Gupta: You see apart from all these benefits out of productivity or efficiency, [inaudible 58:24] Sorry dear, there was a disruption.

Shreyansh Gattani: No problem, sir.

Padam Gupta: Can you repeat your question, sir?

Shreyansh Gattani: Yes. So, my question was, you mentioned in your opening remarks that you're getting some additional incentives for executing in the compressed timeline. So just wanted to get some color on that. Like, whether it's like better pay receivables that you'll be getting? Or is it going to be like in terms of higher margins as such?

Padam Gupta: No, the incentive is an additional payout over and above the contracted price. 2% to 5% of the contract value, but we account it in our books only as and when received.

Shreyansh Gattani: Got it, go it. So, would that mean like we would see higher margins for this financial year because of this incentive?

Padam Gupta: Yes. Obviously, if it happens, yes, for that portion of the top line.

Shreyansh Gattani: Got it, go it. Sir, second question is on the data center side. So just wanted to understand the customer onboarding and customer acquisition cycle. So how long does it take, like once our data center is ready if we have a customer agreement signed, like for them to get onboarded and for us to start generating revenues? So just wanted to understand the whole process.

Ankit Saraiya: Typically, once we've onboarded a customer, it can take anywhere between 2 to 3 months for them to move into the data center and for us to start generating revenue against that contract.

Shreyansh Gattani: Okay. So is there any hardware changes that need to be done or...

Ankit Saraiya: No. It is just their own timeline for migrating the equipment to our data center and stabilizing them and also to provision power for their requirement.

Shreyansh Gattani: Got it, go it. So, for the Kolkata data center, like for Chennai, I remember last year also, we mentioned that we are trying to get customers, but like eventually, we ended up waiting until the end of the completion and now, even after we commission, it will take like 2 months. So, is that something that we are looking to change or is that how the industry is operating like we wait until the whole data center is ready for us to start gathering customers?

Ankit Saraiya: So, you see, in this industry, it's difficult to onboard customers unless you have reaching completion of a data center, because with the given options, our customer is always more comfortable moving into a commission data center, which is readily available and most of the customers come out with their requirements only about 3 to 4 months in advance of their actual need. So, for that very reason, most of the time, it is -- these activities start towards completion of the project and go on for at least 6 months before the capacity is truly leased out.

Shreyansh Gattani: Understood. So, just last question…¦

Moderator: I am so sorry to interrupt, but maybe request that you rejoin the queue for follow-up question.

Shreyansh Gattani: Yes. Thank you.

Moderator: Thank you. Next question is from the line of Shrey Gandhi from CR Kothari Stock Broking.

Shrey Gandhi: Thank you for the opportunity and congratulations on the great set of numbers. My question is regarding the capex outlier that you mentioned, INR10,000 crores in next 5 years. So how do you plan to fund that capex? And how much time frame are we going to, you know, looking at the fundraising part?

Padam Gupta: So presently, we are planning to do it a lot of internal accruals and cash available with us by and large. And also, it will be supplemented by monetization of the completed assets to begin with the TBCB followed with Smart Meters. But data center, we like to hold on for a while. And maybe a bit of a debt in data center is ultimately called for at the SPV level.

Shrey Gandhi: Okay. And another question is on FGD and Smart Meter side. Are we facing any slowdown in order intake in FGD? And what is the competitive landscape looking like in Smart Meters? Because it is a clustered segment, I think. So, what is your take on it?

Padam Gupta: As I told you, probably we are one of the smartest players in this segment with the exposure of only 2.5 million meters among, you can say, about 12 million, 13 million meters in execution by, in the market, maybe not 10 million meters, 100 million meters to my mind in execution by now. And then we'll continue to focus only in the pockets where we are good to deliver time out and also able to deal with the utility properly.

So, we are not looking for a business ultimately more than another 2.5 million spread over next 4 to 5 years. So overall, book size may be about 5 million meters by 2030 or '28 or complete of the scheme.

Shrey Gandhi: Okay. And on FGD side, is there any slowdown in the order intake? Because of regulatory…

Padam Gupta: Yes. Regulatory was there. Government was bit confused because the capex involved in setting up these solutions is very high. It's almost INR1 crores per megawatt. So that was a huge detriment to the government. Currently now government has reached it and on selective basis, they want to revise this, comply these requirements on emissions on SO2 or NO2. So, the revised target starts from '27 onwards. And as we all know the generating capacity, majority generating capacity is in private hands.

So obviously, the call has to be taken by SCBs and private because the capacity, lot of capacity has happened in already in the central sector. Additionally, I will say that the whatever new generation capacity is coming in market, 70 gigawatt, 80 gigawatt, it is all with FGD only. It is not without FGD at the greenfield level itself. So, we are hopeful of this market to continue at least for next 10 years, but in its own proportion.

Shrey Gandhi: Okay, okay. Got it. And another question in regarding the depreciation for data center. You said it will be based on industry norms. So, what will be the percentage if you can share in terms of gross look or maybe for megawatt kind of thing?

Padam Gupta: I think we are yet to discover that number. We will deep dive and find out, yet we are not ready with this number to speak because it will depend on age of technology more than that, how you value it.

Moderator: We'll take the next question from the line of Spasht from Indira Securities.

Spasht: Sir, my question is regarding the data center part. In the last quarter, you said that you are going to use an opex, hello?

Padam Gupta: Yes, we are hearing you, sir.

Spasht: So, in the last quarter you said that you are going to use an opex model for the data center part. And the current guidance that you have given about the margin, I'm quite confused. Can you give some light on that?

Padam Gupta: Ankit have you understood the question.

Ankit Saraiya: No, Spasht, your voice wasn't clear. I couldn't get the question.

Spasht: Okay. So, in the last quarter, you said that you are going to use an opex model for the data center. And with the current, the beta margins that you have given, it is quite confusing to understand how you will be generating a 80% EBITDA with using an opex model. Can you tell me about it?

Ankit Saraiya: What do you mean by opex model? I'm not clear what was said in the last quarter. But most of the projects, so let me, most of the projects is undertaken as a capex right now, and it will be capitalized in the books of the respective SPV.

Spasht: Okay. And just that in the last quarter, you said that the infrastructure that you're going to use for the data center part, it is going to be operating expenditure part?

Ankit Saraiya: No. But it will be funded through either project finance or it will be funded through any other medium. The data center infrastructure.

Padam Gupta: Sir, the opex model systems are all in concession contracts. Somewhere we are confusing. I have always maintained your Smart Meter and your data TBCB projects are opex model. They are concession. They are government that shows you payment month on month and per meter basis

or per month of use basis. But Data Center is your own asset, and you have multiple users deployed in the data center within the overall capacity. So that is a capex model only.

Spasht: I understood, sir. It's just that the kind of services that you sell in the last quarter, it was quite confusing but how it is going to be for the infrastructure part because right now, as you said, that other customers, it is going to take 2 to 3 months with their requirements about the infrastructure and the power they use. And we are just starting with the highest right density, so it is fine.

Padam Gupta: You see, there are multiple type of practices in this sector. It is custom to build, build to custom use, general purpose use and then made to use of respective occupiers. So, and depending on the application, the changes have to be incorporated either by the asset owner or by the user. Ankit, can you elaborate more on it?

Ankit Saraiya: So, Spasht, if your question is about why does it take 2 to 3 months to onboard a customer, generally because you have to provision the power and infrastructure specific to the customer's requirement. So, once a customer contract has been signed, it can generally take the customer to migrate his equipment to your data center about couple of months and possibly about a month for us to just prepare the data center for his equipment to come and get established, but that doesn't require any additional capex. It's part of the operations.

Spasht: Okay, sir. And can you tell me about the rate…

Moderator: I am so sorry to interrupt. May we request you to rejoin the queue? There are several other participants waiting.

Spasht: Sure. Thank you so much for the opportunity.

Moderator: Thank you. We take the last question from the line of Ashish Soni from the Family Office.

Ashish Soni: So this monetization model for RailTel I am not clear because you said that Gurgaon as data center 75% will be used by RailTel, but I think Bombay you're saying it is rather susceptible. So, I'm not clear on that. So, what's the agreement with RailTel on that please?

AnkitSaraiya: The agreement with RailTel is a revenue share model. With whatever revenue the data center generates, a percentage of that revenue goes to RailTel and the remaining of it comes to us through an escrow account. So, the revenues will largely come out of any customer. It can be a third customer, whether a private company or a public company or RailTel itself. So, the data center is open to service all kinds of customers. It is not that RailTel is assuring a revenue or is going to leave the space on back-to-back basis.

Ashish Soni: Okay. And other thing is, based on your learning from Chennai data center, what are the learnings you want to apply to like Calcutta and the subscription data center in terms of, one is cost because I think I heard it was almost INR450 crores cost. And in terms of technological advancement in this area, if you can give some qualitative aspects, what's the learning you want to apply for Calcutta and subscription data centers in terms of cost and technical advancement in this field?

AnkitSaraiya: If you ask me, I think customers in this industry push you for technical advancement because of their unique use cases that they come up with. And in last 1.5, 2 years, we are seeing a lot more demand for AI related services from customers, and which is pushing us to deploy technologies which can accommodate very high dense rack, any racks going above 25 kilowatt and on an average about 50 kilowatt, which in Chennai we had designed at 10 kilowatt, though it was even at that time or even today 10 kilowatt rack is considered a higher dense rack and compared to what it used to get designed.

So, one is that one may have to plan for higher density racks to get accommodated. And I would believe that we should be able to bring down our project cost by 5 odd percent in comparison to Chennai.

Ashish Soni: And regarding approach, I think it got delayed. So, anything on that we can improve?

AnkitSaraiya: I think that is something which is more like a post major risk over here. One can't do much beyond the particular point. Yes, so these are largely percent driven, yes.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to Mr. Gupta Ji for closing comments.

Padam Gupta: Yes. Thank you, ma'am. I thank everyone for joining the conference call if you have any questions left with you regarding our performance, please send us an email and we'll be happy to revert. Our contact man is Mr. Vishal Jain in our office, whose details are available on our website. And similarly, if you happen to be on either on Kolkata or Gurgaon site, you are welcome to drop in our office for a personal interactive. And definitely, we are very, very grateful and appreciate your participation. And thank you very much.

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