



“Techno Electric & Engineering Company Limited Q1 FY
'21 Earnings Conference Call hosted by Asian Market
Securities Limited”

September 1, 2020



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*Techno Electric & Engineering Company Limited
September 1, 2020*

Moderator: Ladies and Gentlemen, Good Day and Welcome to Techno Electric & Engineering Company Limited Q1 FY '21 Earnings Conference Call hosted by Asian Market Securities Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you, Sir.

Amber Singhania: Thank you, Asha. Good Afternoon everyone. I hope everyone is safe and sound in this challenging environment. On behalf of Asian Market Securities, I would like to Welcome everyone for 1Q FY '21 Earnings Conference Call of Techno Electric & Engineering Company Limited. We have with us today Mr. P. P. Gupta – Chairman and Managing Director of the company and Mr. Ankit Saraiya, Director of the company along with their finance and investor relations team. We shall start with the opening remarks from the Management about the quarter and the outlook for the year and so on, and then we shall proceed to Q&A session. Over to you, Sir.

P. P. Gupta: Thank you, Amber. A very Good Afternoon and I welcome everyone to discuss Techno Electric's financial results for the 1Q ending June 30, 2020. First of all, I wish everybody to be safe and healthy because that is the order of the day as every time our Prime Minister says *Jaan hai tho Jahan hai*, so that is very important to take care. 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 faces or company faces in term. The results of this quarter are not comparable on year-on-year basis due to the very impact of the COVID-19. We lost almost around 40 good working days in this quarter and we still continue to suffer with local lockdowns and quarantine rules followed differently by different states. The local transportation and air connectivity is still not in place impacting the movement of people. That has also impacted our vendor and supplier ecosystem. Some of the vendors are still operating at no more than 25%-30% capacity particularly in South and West region.

Let me quickly highlight our performance Q1 of the current year, the total revenue stands at Rs. 170 crores that is up by 49%, but it is largely a catch up of the lost sale of the fourth quarter. Revenue from EPC stands at 151 crores, however, I can say that our execution has somewhat picked up and we are operating at now around 50% capacities since last month, which is expected to improve in coming months. Revenue for the wind segment is dismal at 18.7 crores only, the wind revenue was lower due to firstly, the wind started late until June we have generated around 62 lakh units and we expect to recover it during the rest of the year. The tariff is down by Rs. 1 as you know for last two years, but it is under appeal with APTTEL and we are very hopeful of getting a favorable order. The company has already availed the GBI benefits as eligible in full, so it is not part of the top line anymore. There has always also been a fall in REC prices as explained in the previous quarter, but expect the same to recover in the coming quarters.



EBITDA for the company stood at 44.33 crores as against 6.5 crores in March quarter. Operating profit for the EPC segment is at 29.42 crores compared to 14.97 crores in the March quarter. Operating profit margins stands at 19.5% compared to 12.6% of the previous quarter and around 15% for the whole year. Operating profit for the wind segment stands at 14.9 crores, other income is at 13.31 crores. The profit before tax for this quarter is at 46 crores approximately and profit after tax for this quarter is at 36 crores. EPS is at 3.28 crores, so current investment value in cash and cash equivalent as on June end is around 62 crores with around Rs. 400 crores in mutual funds. The order intake stands at around 300 crores, which includes L1 in order from REC for Ladakh region. Unexecuted order book as on date is around 2450 crores and we will be able to speak on order intake for the current year, more authentically maybe while we discuss Q2 results.

We come to outlook, we expect larger business basically from the distribution segment and pollution control segment in generating units. Firstly, I would like to deal this subject in three segments, FGD segment, transmission segment, and distribution segment. In FGD segment, as per the notification of Government of India, all thermal power plants needs to limit their sulfur emission NOx and SOx, both. Various SEBs and private sector firms plan to implement FGD for about 35 Gigawatts capacity which will be business value of around 150 million in next two to three years. The overall plan of Government is to complete FGD work of 123 Gigawatts by 2024. In the budget speech of 2021, FM mentioned specifically that the old power plants will be asked to shut down if their emission is above preset norms. We are bidding for four projects in FGD which is for more than 6000 Megawatts and we are hopeful of getting at least two of them. In transmission segment, we expect that there will be a slowdown in the transmission side. It will be lifted to largely evacuation of this renewable power. There is an ongoing TBCB bidding for 66 Gigawatts of renewable power of the target of 175 Gigawatts out of which 50 Gigawatts stands already awarded and balance will be tendered by around June '21.

Against the bid sufficient dates of the 66 Gigawatts are being extended continuously and now the final date seems to be October, so we do not see in execution these orders during this year. We plan to bid for four projects totally of 2000 crores approximately. The Finance Minister has announced 220 million package to be allocated to the power and renewable sector for the year '20-21. We are seeing good interest from large investors and InvIT funds to participate in above this by making our company as a significant partner. This will enhance our access to capital and that will help us in bidding one more project aggressively like other bidders. In metering segment, we see the implementation happening more strongly and many new opportunities will emerge. One among them is smart metering under smart meter national program, which aims to replace conventional meters with prepaid meters. The Government scheme is to install around 200 million meters by '24. In the current budget speech it was mentioned for the smart meters over next three years, which will not only help in improving health of DISCOMs by containing T&D, but also give the freedom to choose the supplier. We should mention specific projects that



in near future will be investing in 9 lakh meter project in the State of J&K and a project in Northeast will be particularly focusing on it.

Apart from this, obviously there are readings in media and Government in utilizing this opportunity also as reforming the sector, which are over-pending in the disguised name of *Atmanirbhar Bharat* which will be long-standing demand. This is holding up the amendment to the electricity act, amendment to the tariff policy and elimination of gross subsidy, payment of subsidy directly to the power consumers, and lot of planning things made by CA to give a visibility to the programs over next five years. At the end of the day, what gets rolled out will be more important to all of us. We are very hopeful that power sector is at a crucial juncture and something good should happen going forward with segment. We are again facing headwinds because of the DISCOM being poorer by every passing day and not having money to pay. It has impacted not only the tariff, but also the regular payments as per PPAs. We hope to realize our pending payments for last two years by end of September out of the 90,000 crore package announced by the Finance Minister through REC/PFC to DISCOMs to be directly paid to the generator's old dues up to March 2020. These dues are already part on the CA website called Praapti and they have already acknowledged TANGEDCO and the Cabinet has already relaxed the eligibility criteria of the DISCOMs to avail this money as early as possible. We are equally now hopeful to receive our delayed payment interest rates as per PPAs, the necessary affirmative regulatory orders for which have been received after almost 7 years. Additionally, CRC has amended the REC policy and there is no more floor price and forbearance price. We are legally contesting this policy as the very premise of the policy is based on the fixed assured return which stands violated and not only it is contested by Techno, but also by various associations and major renewable power generators.

APTEL has stayed the trading of RECs and we are hopeful of getting the stay on the order or may be set aside, as some of you know that the very bench in CRC also stands at side by Supreme Court because of the absence of the legal methods and orders are not being legally compliant. In the last quarter, the REC prices has experienced correction basically because of huge issuance of REC to the AP DISCOMs, which I am pleased to share with you that the sales tax nullified post our appeal in APTEL and this floating at 44 lakh REC stand cancelled or nullified, so the available floating REC in the market is no more than 10 lakhs now, so we are very hopeful that in the coming days, the REC prices stands corrected and at least if policy of CRC is not reversed, still they will be sold no less than Rs. 1000 per REC that is the forbearance price. As committed in last quarter, we will be recovering our last performance of last year. We have recovered almost 50% this quarter of more than 50% and that shall be recovered in the coming quarter, but we are very hopeful to at least execute 50% of the unexecuted order backlog during this year and we see the year being a very normal year like '18-19, so all this damage is because of the lockdown and COVID will be a matter of the past and we see normalcy happening in next two to three months.



In the coming years, we see strong power sector reforms which focus on efficiency, stable and reliable power supply, cost of power, improvement of overall financial health of the sector. The focus, however, will continue to be on renewable power with related transmission infrastructure as green corridors. The transmission infrastructure is required for 500 Gigawatts by 2030. Our trust on overseas market is also bearing fruits. We are hopeful of bagging further business from the markets of Africa and Afghanistan. I can share with you that in Kenya, our project was basically making slow progress because the customer has yet not got parliament approval in Kenya to fund the local portion of 15%, which now stands granted, so the approval process should move fast. With this, I invite questions on more specific details if anyone of you wants to know more of it.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity, Good Afternoon Guptaji, there was a news article that the smart meter project of Techno was actually cancelled because of sourcing from Chinese vendor, it would be useful if you could give some more color on this, and along with this it would be useful if you could give the tie-ups that we have with the foreign companies for SVC, STATCOMs, FGD and other GIS application, so how would these get impacted in the view of the current *Atmanirbhar* initiative by the Government?

P. P. Gupta: Your question is very complex and the journey is not in practice both. Firstly, I will like to share with you that our order of smart meter is not cancelled. What they have taken out is the approval of the Chinese company for the communication part of the project, number one, although that company has a base in India for last 10 years and we were sourcing that from the Indian company only which was set up under Make in India initiative, but nevertheless keeping in view the higher sensitivity, now we have proposed a South Korean company basically SG Electronics. They have a company in Korea who does the same work, the approvals are awaited, we should be able to get it shortly, other than that there is no impact, the order is intact and it was understood by the customer that definitely taking away this approval will be in a delay of four to six months which they have already acknowledged and approved, but in the meantime we have already completed the work of datacenters that data recoveries use both in Srinagar and Jammu, so that is operational now, the part of project we have taken care of. We are still hopeful that 50% of this work of metering, we should be able to do this year and 50% next year, that is how it looks like but let me tell you many things happen in life, but sometimes happens for good.

The Korean partner is lot more stronger, agile, cooperative, and economical to even Chinese partner also. They have stronger technology available with them that with the Chinese counterpart as generally believed. In FGD, we have a Korean partner only, which KC Cottrell and they helped us in finding this partner for meter work also, so we are very hopeful things should look up. Now coming part to the STATCOM side, you see the Chinese company operates out of UK office basically who collaborates with us, and under Make in India initiative, they



have set up a factory in India, but still taking all precaution, the company has already applied for approval to the DPIIT, department as per the format issued last year, and we are hopeful to get the approval. Even power grid is pushing for it because definitely having more choices makes projects more competitive, so this kind of disturbances will happen on the way like COVID, like Chinese aggression, but ultimately we have to be self-sufficient in our own merit and capacity, so we are able to take the challenges in our stride and move forward with opportunity.

Bhavin Vithlani:

Thanks, the second question is on the wind side, what would be the new tariffs and should we take this as a more sustainable level going forward, you mentioned there was a decline in the tariff last quarter as well, but now this seems to be more structural change in the tariff structure?

P. P. Gupta:

Again, this has become a little complex issue again because of the States DISCOMs being short of money and they keep innovating always ways and means how to bid on the tariffs even if it is not based on sound principles of tariff determination and matter when it comes to APTEL, they do not get disposed of so easily and particularly COVID, the courts are only hearing the urgent matters, but still let me may share with you two successes. One is Andhra where we succeeded in getting their RECs nullified, and secondly, today our legal status name change was spending in APTEL and today morning only we got a favorable order that name changes new process is not required as per CRC order and the present situation is healthy and applicable, so some things have started moving through the remote operations of the court through videoconferencing and this tariff issue also we are hopeful to achieve fast because the varied tariff with which SECI through competitive bidding, is a very different platform and not comparable to all-inclusive tariff as determined by CRC because the Central Government tariff do not include any transmission cost, any losses, any availability issues, so it is almost an inbuilt subsidy of Rs. 1 to Rs. 1.25 in the process, so they are not comparable and the state-level tariff in all fairness should never be less than Rs. 3 to sustain the viability of the projects.

We are hopeful to get the justice, so whenever we get, it will be a bulk income of the past also as we have gotten in recent past also favorable orders on APPC and all that. Now, the regulator in Tamil Nadu is better than the earlier one who got constituted six months back and it has started moving. Like I can share with you one success story similarly that for the interest on delayed payments, we were not getting for last 10 years and our amount due is almost 50 crores in this part, so earlier TANGEDCO was negotiating to 50:50 basis which also we conducted, but they could not honor it failing which now regulator has given the orders as per the Supreme Court directive that all PPAs must be ordered by the State DISCOMs, so we have got the approval of the payment of 50 crores which may also be forming part of the payment by REC PMC under this 90,000 crore package, so something good is happening slowly, but it is you keep pushing more, but in Government one thing saying is there, no money gets lost, some day you get it as you are eligible and you are competent to realize it, so we have not lost any money in the last 30-40 years, we have vigorously followed up by understanding the processes, compliance to the processes, and we are very hopeful to recover the last penny in this also.



- Moderator:** Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.
- Renjith Sivaram:** Congrats on good set of numbers given the challenging environment, the margins in EPC segment has been really surprising, so any element of one-off in that?
- P. P. Gupta:** Basically, this is cost control Sir, you can say the overheads and salary control of the people, we have achieved an economy of almost about 3% by and large and this economy may be temporary given the incentive to the employees where that if they achieve the top line of 1100 or 1150 crores, that is nearly 50% of the unexecuted business, this will be paid back to them as a bonus.
- Renjith Sivaram:** Okay, so the kind of margins which you are expecting for the full year of 15% remains, right?
- P. P. Gupta:** Absolutely Sir, because that is ingrained in the order value.
- Renjith Sivaram:** Okay, what is the kind of EPC revenues that we are targeting for the full year?
- P. P. Gupta:** 1100 crores plus.
- Renjith Sivaram:** What is your current order book and order intake for Q1, if you have any?
- P. P. Gupta:** In Q1, we have booked above 300 crores of business including one L1 which order is expected any day, and secondly, the unexecuted order is about 2450 crores as of June end, out of which we expect to do 1100 to 1150 crores this year.
- Renjith Sivaram:** Okay, this 300 crores, how much is L1?
- P. P. Gupta:** L1 is 70 crores, 230 crores we have already got it, one from power grid and one from Sterlite.
- Renjith Sivaram:** Okay, and for the full year what is our order intake guidance?
- P. P. Gupta:** Sir, at the moment guidance is very difficult to give because of COVID, many tenders are getting extended. I think by October we will be in a better place when we discuss Q2 results, we will be more **30:15** _____ guidelines, but we definitely expect order intake no less than 1500 crores this year and it may cross 2000 also depending on Government's push on infrastructure or power infrastructure and this will mainly comprise of which we are targeting two FGD orders worth about 750 crores and we are looking for at least as usual the transmission business of about 500 crores and another metering business of no less than 250 to 500 crores in the distribution segment, so that will be the largely the outlook for this.
- Renjith Sivaram:** Okay, and Sir how much is the money pending with TANGEDCO which is yet to be paid, what is the total outstanding?



- P. P. Gupta:** 150 crores which we expect _____. For last two years, we are not paid, since April '18 to March '20 along with due interest, so it will be around 150 crore plus.
- Renjith Sivaram:** Have we taken any provision on this?
- P. P. Gupta:** Provision means, it is a part of the debtors.
- Renjith Sivaram:** Okay, because you told it has been outstanding for more than one year, so is there any provision which has been taken on this outstanding?
- P. P. Gupta:** No provision is taken because generally that has been the practice in the past also that with this kind of backlog happening with TANGEDCO, but nobody gets loss Sir, ultimately it gets paid out, but we do plan also down this season to get into a kind of third-party sale agreements or merchant power, status to our project for which we have already applied to them.
- Renjith Sivaram:** Sir, last call you were mentioning three packages of STATCOM of which two is power grid and one is TDC, so what is the status of that?
- P. P. Gupta:** It is still pending Sir, now it is extending to October, so it should be happening, the power grid should be calling these bids by September end, due for TBCB are October '22.
- Renjith Sivaram:** How big are these packages?
- P. P. Gupta:** They are all 200 crores each, value wise there are no big value Sir, because each is 200 crores.
- Renjith Sivaram:** Okay, and STATCOM we do not have a Chinese partner or is that also a Chinese partner?
- P. P. Gupta:** It is a Chinese partner per se Sir, but they operate out of UK, they have been operating out of UK in Manchester but their factory is in China, no doubt and they have a factory in Kolkata now under Make in India initiative, so we have applied for registration with the DPIIT and we are hopeful to get it down a month or two because power grid is also pushing it for approvals to have a better choice.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.
- Rohit Balakrishnan:** Sir, first question is about this STATCOM order that you are talking about, you mentioned in your order book intake guidance of about 300 crores, transmission is about 500 crores, so you are including the STATCOM order in that or even that is not there, that will be over and above?
- P. P. Gupta:** It will be over and above.



- Rohit Balakrishnan:** So Sir in this FGD orders that you mentioned about 750 crores, have you submitted the bids for that or that is still expected to, I mean you have not yet done it?
- P. P. Gupta:** Out of this, two technical bids are submitted and price bid is awaited, but technical bid is already submitted Sir.
- Rohit Balakrishnan:** Sir, when do you expect the finalization of the order for these and this is again sorry, this is in West Bengal which we were expecting?
- P. P. Gupta:** No, Bihar Sir, we are targeting Bihar. These projects of NTPC like Muzaffarnagar, Barauni, one of them we are targeting and another will be in Chhattisgarh with NTPC. We have also submitted a proposal to DVC for Jharkhand, the project is located in Jharkhand, Chandanpura close to Bokaro.
- Rohit Balakrishnan:** Sir, in your last call you mentioned that you also won an order of about 70 crores if I am not wrong for northern power grid, so that was included in Q1 or that is not yet included in the revenues?
- P. P. Gupta:** No, it is a part of Q1 Sir, we have got the order already from power grid, it is not 50 crores it is about you can say 72 crores approximately, zero grid fault package in the State of UP.
- Rohit Balakrishnan:** Sir, one more sort of comment I had, recently you mentioned they was an interview in CNBC recently when you talked about that you were expecting the Q1 to be pretty much in line with what was there in Q1 of last year, however, the results were still subdued when we compare it to obviously last Q1, obviously I understand Sir this COVID and it is not simply comparable as you mentioned, but just Sir from your comments in that interview also in your previous interaction one sees that recovery is pretty much there, so I just wanted to understand two things, one, in terms of recovery are you still quite confident about that in the next Q2-Q3 onwards, and two Sir, in terms of specific comments that you had made in the interview for Q1, was there anything that was not included and hence that there was **38:15** _____ because you had mentioned that Q1 of last year we would be able to come very close to that, so I wanted to just get very specific on that?
- P. P. Gupta:** Look basically I wanted to say the feel good factor that Q1 as I told you that we lost 40 days, still local transport not in place, but what I meant was that closer to the bottom line of the EPC business, whatever decline you see over Q1 of last year and this year is basically the wind segment. We have lost out about 15 crores in the wind segment and that is the difference between this year and last year, 50 crores versus 35 crores by and large, rest we have made up here and there, but nevertheless coming to the top line, I always meant the whole year that we will be able to come back to the healthiest only. Obviously, last year is not the best year in EPC business that is our basically year of '18-19, so we will be back to that level this year and that growth thereafter from next year onwards, but apart from this I trust between you and me that COVID angle should



not last beyond end of Q2 and we should have a lot more freehand in working in Q3 and Q4, I think that is how Government will really go back again which is very, very unlikely to my mind, so we are confident that coming post rainy season Q3 and Q4 are always more productive quarters for us even otherwise.

We produce 60%-65% of the top line in these two quarters, so we should be able to catch up with that despite restrictions because that is definitely not suffered as much others may because we have lot of departmental labor with us, so is there is no migrant labor with us, so that is what helped us how to come back fast in these projects. The rest is a question of the pace of execution, the requirement of customer must also be as much in place in any project work, so if they push we will be ready to run, that is what I will share with you, so all seems to be good in the coming quarters and definitely in competition also better of the best are getting more favor from the asset owner because he wants to be sure that his project will happen in timebound and in quality because that is what determines their returns ultimately, so we do expect little more business from private sector in the coming quarters this year in transmission at least, but overall I think we are in a very good position, very good shape because of the very merit of the company. We can absorb all these setbacks, shocks, we know greater damage to the bottom line. Definitely, we will realize bottom line better than last year, and secondly, this one asset is sold out definitely if not both, the inflow is expected by October, that will also be known as the 90 crore for us and capital gain of almost 45 crores, so that should further give us a bottom line boost. In EPS boost of at least Rs. 3 to Rs. 4 which will be the same repeated next year also post monetization, so overall I think top line and bottom line both will be growing and remain healthy.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

Keshav Garg: Sir, I wanted to understand about the smart meter, recently Government is talking about some Aditya scheme in which smart meters will be installed worth the Rs. 2.3 trillion and moreover smart meter national program which seeks to change the conventional meters of 28 crores with smart meters, so all these talk keeps on going on Sir, but since you are a power sector insider, you would know whether actually near-term in the next one to two years you really expect some business out of this or it is only talk?

P. P. Gupta: You see this will definitely happen, but as usual in India timeline is a casualty. What Government conceives in three years happens over seven years, you take it that way like MCD whatever we talked once for three to four years, now it is already extended up to 2024, a scheme which was started in '16-17, so our implementation is definitely not as per the policy announcements, but that direction has announced stay intact, so smart meter is a necessity, it will happen. The question is the finances, when will Government break them on available the finance, so even bodies like EECL, REC, State Governments, many are roped into perform this growth and even national infrastructure also is going to fund this program, so I am sure this program will happen



if not 250 million meters at least you can take 200 million will happen. If not over four years, it will happen over seven years, but that is going to happen.

Keshav Garg: Sir regarding dividend, I just want to say whenever you feel that you will give Sir, please do a share buyback because 43% tax and the 23% tax rate is almost double, so share buyback and there is a permanent in share buyback that number of shares will reduce, so with the same profit, earning per share will permanently increase, whereas dividend once it is gone and the cash goes out of the company and that is the end, so please consider this, thank you very much.

P. P. Gupta: You are Welcome, we will take care.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity again, if you can help us on the cash equivalents at the end of the June is the corporate bond portfolio and what is in the liquid mutual fund schemes?

P. P. Gupta: In liquid, mutual fund is 400 crores with us, another about 250 crores is invested in our transmission assets business and another around below 200 crore is in bonds, which we are recovering about 30-40 crores a quarter. We have taken a call that whatever money comes out of the bond we kept liquid funds only and we are not redeploying them at all, so we should be able to come out of this bond, liquidity may be latest by September '21 and earliest by June '21 I would say, that is how it is going at the moment. In addition to this wind money we will see from REC by September end that will all be adding to the mutual fund money only because there are no outstanding liabilities against that.

Bhavin Vithlani: Sir, the divestment of the BOO transmission assets given that we have a contract with CLP and with the ongoing issues with our neighbor, do you see any possibilities of hiccups and do we have a plan B from that side?

P. P. Gupta: Absolutely, I am not very hopeful that CLP will do the approval process although they are still claiming, the asset is getting commissioned in another week or so, it is very more or less, so if CLP do not get, we are finding strong interest from the other buyers like Adani, L&T Finance as well as from Ingrid, so the interest is very strong and even CPDQ, so I do not think it will be difficult to request CLP they do not go ahead or could not go ahead for any reason. Interest in transmission asset is sound and healthy at the moment.

Bhavin Vithlani: Sure, but could we take that the monetization might slip to fiscal year '22 because of this issue?

P. P. Gupta: If it slips beyond it will be wrapped up within the first quarter of '21-22, not beyond June '21 you can say if it is not wrapped up before March '21 then it will at best go up to June '21.



Moderator: Thank you. The next question is from the line of Jaineel Jhaveri from JNJ Holdings. Please go ahead.

Jaineel Jhaveri: Sir, thanks for taking my question, I just wanted to know that the wind assets I think there was some talk before of selling those assets, so is it still on the table and by when would that be expected?

P. P. Gupta: We have always be looking forward to exit this wind investment, but the first thought two years back was that whatever regulatory disputes we have we must settle them, so that we realize the fair value of these assets, which we have been successful but while achieving it, we have created some new issues that is how this sector is behaving on the regulatory side, so we are hopeful that we will collect this dues of 200 crores which are due to us, 150 crores on books and 50 out of books, which will account only when received from the customer and also create a platform of sale not to the DISCOM but to third-party, so once we achieve this by December this year, the exit will be possible in next six months. We will be definitely attempting seriously that before beginning of the next wind season we are out of this business some way or the other, there will be a serious effect to that.

Jaineel Jhaveri: Prevalent prices would be still somewhere around five crores per Megawatts?

P. P. Gupta: No, I think we should now scale down the expectation to 4 crores in that.

Jaineel Jhaveri: Also one last question, in terms of the revenue this year you expect 1150 crores and currently we are at about 50% utilization, so I am not able to understand , can we actually go over 100% utilization because how will we finish that much revenue in the remainder of the year?

P. P. Gupta: You see, generally this business is not equally distributed over the quarters. If you see our trend of last five, seven, 10 years, generally first two quarters are no more than 35% to 40% and last two quarters are always 60%-65% historically in our industry, so we are hopeful to realize that 60%-65% in full by getting normalcy from October onwards and in first two quarters, we will definitely be aiming to achieve at least 30% out of the targeted 40%, say around 75% and by some extra effort to compensate this 10% somehow, that is working as plan B in contingency, like this quarter has been under 50 crores, next quarter should be no less than 200 crores or plus. Similarly, when we looked on the next two quarters we should achieve at least in those two quarters about 700 crores, that is how we would like to shape it up.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Life. Please go ahead.

Ankur Sharma: Sir, Good Afternoon, couple of questions, one, just kind of carrying on with the previous participant's question, if you could just talk about the labor availability with you at this point in time versus what it was say last year, is it back to close to normal, how much more time would



it take before you get back to normal and how is productivity because what we hear from a lot of other construction companies is that while the labor situation is obviously getting better, productivity is hit because of social distancing etc., so just trying to understand how are things shaping up with us here?

P. P. Gupta:

You are perfectly right, the issue is not the labor availability with us, but more is on the utilization of the labors, so that challenge is definitely more. When I say we are using 50%, it means the utilization of the available labor is 50% so that is what I mean which from October onwards, we expect to be nearly 100% but our sites are fully mobilized but what we lack is this local transport, air connectivity, better review meetings with the customers, better customer participation on the ground because project wise is a high touch industry by classification, you need a very strong interacting part, unless customer and agency both work together hand in glove, you cannot achieve any project in time or out of time, that is basics of this business and challenges are different in different parts of India when you do it and it is also linked to the customer maturity also, but nevertheless we do prepare ourselves in advance as much as possible, like in metering when we were getting delayed because of the China vendor approval coming in got delayed, the peripheral part we have completed already like data centre, data recovery and PM part, so that the end part of the project is in place, what I need to create is now only the face end of the project, so you shrink the schedule by no less than six months, so the time is not wasted for you, so somewhere time is utilized in one way or the other, rather you start from the face end or backend, but ultimately the closing date of the project has to be retained.

Ankur Sharma:

Okay, that is helpful, Sir secondly we have heard that there have been some change in the bidding norms from power grid side post this whole *Atmanirbhar* piece coming up to stop equipment imports from China, so I am just wondering for us stuff like transformers or switchgear etc. which you would be needing, for us it is largely from domestic players, is it from _____ is it a mix of both, how does our sourcing kind of change or is it a mix of both domestic so it does not really affect us is what I was trying to understand?

P. P. Gupta:

It is a very blended, mixed situation in India, problem is in last seven-eight years lot of Chinese investment has already happened in India under Make in India initiative of the very Government. Now, those capacities you call it Chinese or India, I have no idea Sir, these are all political achievements more than the technological or physical achievements, so these capacities are huge in India like TBEA. Now, they are the single largest transformer manufacturer in India, so can you call it anymore, when I say that TBEA is an Indian company because it is in India for last 30-40 years, so similarly when a Chinese company is in India, why I cannot call it an Indian company, it is under Companies Act of India, it is under Constitution of India, it is accountable to all taxation authorities of India, so these are mindset issues. I am sure once it cools down all this border tensions, everybody will start talking normally and behaving normally, so in excitement we say many things and create certain kind of processes which apparently start



looking discriminatory, but if all these companies go to High Court tomorrow or Supreme Court, I am sure they will get a favorable order.

Ankur Sharma:

Of course, they have invested in India?

P. P. Gupta:

So it will continue Sir, there is absolutely in power sector when you do not perform what is expected of you otherwise as a total sector to the society, so many vested interests gets created and we play it differently in different festivities, that is what is happening. Ultimately, rather than pushing the very sector to telecom or aviation model, we are still doing petty games between us that whose transformer who makes switchgear, who makes meters, ultimately can you imagine any solar power happening in this country without China, Sir. If you do not use panels, you will need cells; if you do not need cells, you will need wafers; if you do not need wafers you will need the precious metals, but ultimately you cannot ignore globalization Sir everything you do not have India, we do not have the ecosystem in India because the demand has been sparse and scarce, which does not justify the economics of having it, so you will always have some interdependency at some stage or the other, so ecosystem takes its own time to buildup, you cannot raise a political slogan today and expect that all from the power equipment has a ecosystem available in the country rather it is a meter or transformer or in technology. Whatever we talk like STATCOM, even European companies do not have STATCOM technology in India, it all comes from Europe, so someday Europe will also become untouchable then what do we do.

Ankur Sharma:

Sir, just one last thing on this whole TBCB bids on the RE side, which again what we understand from power grid and couple of other grids is that these are being delayed for various reasons and you also touched on it in your opening remarks that some of these could get tendered out at least to the developers and then of course it comes to us, so how much or what quantum of size in terms of value of such bids you expect get placed on the developers, and therefore, come to us as an opportunity over the next say two quarters in FY '21 is what I was referring to?

P. P. Gupta:

Sir, this business in tendering process today is about 15,000 crores, which was due in June, now extended to October because of COVID and not in place and immediately following this is another 15,000 crores, so last year they finalized by December-January the mix of 50,000 crores, they take up 50 Gigawatts in each slot and their target is 175 Gigawatts to be ordered out by June '21 so that these connectivity is available to the generators by no lesser than March '24 that is the target of the Government of India, 175 Gigawatts, so it is being taken up in three phases to provide the connectivity, so first 50 Gigawatts is already all ordered out, the present is 66 Gigawatts in process and third will be another 50 Gigawatts.

Ankur Sharma:

Just last one, sorry again would be on the debtor position, what would be our total debtors, I think you mentioned about some 150-200 odd crores from TANGEDCO 150 crores, but what would be the total quantum of debtors as of June?



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P. P. Gupta:

The total debtor is 500 crores with us, 350 on the EPC side and 150 on the wind side.

Moderator:

Thank you. Due to time constraints, I would now like to hand the conference over to Mr. Amber Singhania for closing comments.

Amber Singhania:

Thank you, Asha. On behalf of Asian Market Securities, we thank everyone for participating in this call and a special thanks to the management for giving us an opportunity to host this call. We would again request everyone to be safe and take care of you and your family's health.

P. P. Gupta:

Sorry firstly if anyone of you could not complete your questioning to us, please send a mail to us and we will appropriately address your concern and we like to thank all of you for joining the conference call and even otherwise you happen to be in this part of India when normalcy is restored, you are Welcome to be in our office and have an interactive session with us and we will have more elaborate session when we take up Q2 because lot of COVID-related issues should be behind us by then, so in the meantime I will only wish please be safe, take care of your family and self, *Jaan hai tho Jahan hai* that our Prime Minister says, so firstly life and then livelihood we can rectify and handle more, but having life is important. Thank you very much, take care.

Moderator:

Thank you. On behalf of Asian Market Securities, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.