"Techno Electric & Engineering Limited Q1 FY2023 Earnings Conference Call"

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Moderator: Good day ladies and gentlemen and welcome to the Q1 FY2023 Earnings Conference Call of Techno Electric & Engineering Limited hosted by Asian Markets Securities Limited. This conference call may contain forward looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etc. whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamlesh Kotak from Asian Markets Securities Limited. Thank you and over to you Sir!

Kamlesh Kotak: Thanks Michelle. Good afternoon everyone. On behalf of Asian Markets we welcome you all to the Q1 FY2023 earnings conference call of Techno Electric and Engineering Company Limited. We have with us today Mr. P.P. Guptaji - Managing Director representing the company. I would request Mr. Guptaji to take us through the Q1 financial results and the business highlights and then we will begin the Q&A session. Over to you Sir! Thank you.

P.P. Gupta: Thanks Kamlesh. My apologies for being delayed by about five minutes, so good afternoon to all of you gentlemen and ladies to join to discuss our financial results for the first quarter ending June 30, 2022. Anything said on this call, which reflects our outlook for the future or that could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company or the industry faces.

` Let me highlight our performance, which is on expected lines. The total revenue in this Q1 stands at 173 Crores approximately, which includes revenue from EPC around 142 Crores and from the wind segment around 31 Crores. The EBITDA for the company stands at around 48 Crores. The operating profit for EPC segment is at around 21.25 Crores. We experienced some pressures in the EBITDA margin due to high commodity cycle prices and also higher overseas freight. The other income is at around 13 Crores, the profit before tax is at around 50 Crores and PAT is around 36 Crores, which is closer to March last quarter. The EPS is at 3.27. The current investment value in cash and cash equivalent stands at around 1200 Crores, which is about Rs.100 Crores per share. The significant achievement in this quarter is that we got business worth almost 1900 Crores, which is the highest record in last four years as recorded by the company. The unexecuted order book as on June 30, 2022 is at 3214 Crores. As committed in last quarter this is on the outlook side we have been able to tide over the difficult times and achieved some growth last year and we foresee significant growth for the coming years, which begins with the frontier. Primarily in the second half we expect that growth momentum to continue for financial year 2023, 2024 and 2025 also. We expect large business out of the FGD segment, AMI segment and data centres and the transmission business will continue to be as usual. In the coming years we expect strong power sector reforms, as power and energy converge. Additionally, there is significant focus and stress on availability and reliability of power supply. The cost of power and improvement of overall financial health of the sector is the key focus of the government whilst renewable power will continue to be focused and related infrastructure there is significant focus on bringing the power and distribution segment. The transmission infrastructure for renewable power including existing capacity is required for 500 gigawatts by 2030. Additionally 25 gigawatt of energy storage solutions are planned to be there over the next five years. The FGD segment will continue to be in focus as per government notification; all coal-fired stations need to limit their sulphur emission as defined by Pollution Department by December 2024. There is a considerable progress in CPSU in ordering the projects for implementing the solutions, but the same will be now happening with SEBs and private sector. The order dated April 1, 2021 of the Ministry of Environment says that plants near populous regions and the capital towns will have to comply by 2022 while utilities in less polluting areas they go up to 2025, but I expect that this maybe extended by two years. The Supreme Court also refused to entertain the Delhi government's petition seeking directions to tech allegedly polluting coal-based thermal power plants in Uttar Pradesh, Punjab and Haryana to immediately stop operations till FGD technology is installed to reduce harmful emissions. We have got orders worth 1450 Crores for FGD and in this quarter this level of business will continue for next three to four years as 80 gigawatt is yet to be ordered by CPSUs, SEBs and private sector.

Transmission segment, we largely expect that there will be a status quo in the transmission side though we are witnessing an upswing in the ordering of transmission infrastructure over the past couple of months. TBCB bidding for the last lot of 60 gigawatt of renewable power out of 175 gigawatt has started, days of bidding has been extended, since last year we planned to build our projects worth about 1500 Crores, allocation for strengthening of power system has been doubled to almost 30 billion in union budget for 2022-2023 and from Rs.40.55 million in the last budget 2021-2022. We have seen good interest from large investors with funds to participate in above bids by making our company a significant partner. This will enhance our access to capital that will help us in bidding towards more competitively.

Metering segment in distribution AMI. On the distribution side we see a lot of activity happening going forward particularly in the case of automatic smart meters we are refreshing focus on strengthening our power distribution network to make them smarter, stronger and intelligent. The main aim of the government is to improve efficiencies, contain losses so that the health of the DISCOMs could be improved. The government on August 8, 2022 tabled the Electricity Amendment bill in the Lok Sabha **(inaudible) 9:43** the government wants to give consumers their choice of multiple power supplies as in case with mobile and internet services apart from making provisions for timely and adequate tariff revisions. The bill seeks to amend Section 42 of the Electricity Act to facilitate non-discriminatory open access to the distribution network of a distribution licensing. It also seeks to amend Section 41 Act to facilitate users of distribution networks for long licensing under provision of non-discriminatory open access with the objective of enabling competition, enhancing efficiency of distribution licensees, and also improving services to the consumers and also ensuring sustainability. It also seeks to amend Section 62 of the Act to make provisions with graded revision in tariff over a year besides mandatory fixing of maximum sealing and minimum tariff by the appropriate commission. It provides for amending Section 166 to strengthen functions that will be discharged by the respective regulators that is CERC. The bill also seeks to amend Section 146 to convert the rate of punishment from imprisonment to fine. The bill so as tabled will also amend Section 152 to facilitate decriminalization of offence as it would be mandatory to accept compounding. We are very hopeful that power sector is at a well critical juncture and something good should happen going forward.

Wind segment, we have taken generic resolution to sell a part of the wind assets other than required for our own data center. We have 129 megawatt in three pockets, 60.5 megawatt in Tirunelveli, 51 megawatt in Coimbatore and 18 megawatt in Karnataka. In view of the present challenges prevailing in power sector due to coal shortage we are having good offers for our wind power assets from the local industries for captive power use. In view of this it is considered prudent to sell a part of the capacity as feasible in the present situation. The total requirement of power for data center is 36 megawatt and company might be focused of this energy will be transferred to a wholly owned SPV to acquire CGP status for supply to power data center next year by June 2023 when it gets ready.

Data center, COVID-19 has impacted our life in multiple ways, but one positive outcome of this is a growth in the digital space. With the growth in the digital space **(audio cut) 13:04** data privatization it is expected that the third-party data center industry will grow significantly from the current level to 2 megawatt in the next three years at least to 5 gigawatt by 2024. Till date most of the data centres are located in Mumbai and now Chennai used to catch that. Airtel, Adani or EQNext are already in the process of setting up data centre at SIPCOT IT Park now Chennai further validating our choice of location. Techno is also in the advanced stage of setting up of this data center of 24 megawatt of IT

Park of ultra scalable hyper density nature, we have acquired the project and received all statutory approvals of construction and we have achieved significant progress on construction by building foundations are nearly ready now as we have an account. In the first floor I expect the building superstructure to be completed by end of this year. We are hopeful of commissioning the project by June 2023; additionally we will consume renewable power from the operational wind energy capacity to classify the data center S3 which aligns with the policy of major and hyperscale customers like Google, Microsoft or Amazon because of their ESG commitments. Furthermore we are seeing aggressive interest from strategic partners from USA and Singapore and also private equity firms who entered into a joint venture for data centers in India. We are evaluating the available options and shall conclude on the way forward soon.

With Capex of Rs.1300 Crores that is around 45 Crores per megawatt, 60% to 65% capacity is involved in electromechanical ones, which is our in-house expertise and we will be able to **(inaudible) 15:30**. With in-house renewable energy, DPC capabilities and prior experience of developing infrastructure projects we are in better position as compared to the industry. With this I will invite questions from our respective investors.

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

Sandeep Tulsiyan: Very good afternoon. I have a couple of questions, firstly on the overall order book I think we announced that the order book is now 3200 Crores which is very heartening and we have booked orders of 1900 Crores, just wanted more details as you mentioned there are two FGD orders over here that you have won worth of 1450 Crores if you can share more details of who are the clients over here, what is the size of each order in terms of rupees and Crores and in megawatt if you can give those details and the other large orders that you won which is part of this 1900 Crores inflow?

P.P. Gupta: Are you complete or may I participate now?

Sandeep Tulsiyan: Please, Sir, that is the first question, I will follow up with the other questions after this.

P.P. Gupta: There are two stations for which FGD order is received one is Jhalawar and another is Kota from Rajasthan, Kota is 3 x 200 megawatts each or 250 you can say per se and Jhalawar is 2 x 600 megawatt likely and Jhalawar order is worth about 750 Crores and Kota is about 700 Crores so both put together is 1450 Crores and other order we have received is from Power Grid for 300 Crores for their transmission works in the state of south for Tuticorin and another in Rajasthan, so these are the key order achievements in this quarter and one is from

Chhattisgarh we are going to do 400 kV station for 150 Crores approximately, so these altogether is around 1900 Crores in this quarter, so we are seeing good traction starting from previous quarter to this quarter now and most of these are new businesses are happening, so obviously it will take sometime for completion of engineering, ordering and they will fell in time wise also I will say as the commodity cycle is cooling down, getting more affordable, so we prefer to use this quarter in closing out most of the old obligations, which got spilled over from the last quarter, so we must have close no less than 12 projects and realized final dues. Our receivables are all time low now almost around 130 Crores and creditors are also almost below 300 in that sense, so there is a lot of clean slate we are beginning going forward and we see a great growth happening in Q3, Q4 in this year and we maintain our target of topline, but first two quarters will be like-to-like of last year maybe a little better here and there.

Sandeep Tulsiyan: Related to your press release that you have put on BSE that we have announced orders of 618 Crores, but there is no announcement for this balance 1450 Crores that you have mentioned, just wanted to understand these orders are still in L1 stage or all they confirmed?

P.P. Gupta: No, these are all confirmed and advances are in process not to be received shortly I do not know what is we have filed if you go to our exchange site you may find all the details, maybe the exchanges in their transmission may not be showing the whole of it, but if you go to the site of the exchange you will find all details.

Sandeep Tulsiyan: Understood, this 1450 Crores of FGD plus 680 Crores what you have announced on transmission side adds up to 2130 Crores but you are stating in the quarter that is 1900 Crores, so the difference of 230 Crores or 250 Crores is it post June 30, 2022 or like how do we add up that?

P.P. Gupta: No, we have only said in this quarter it is 1901 Crores comprising basically three clients Power Grid, Rajasthan and Chhattisgarh and breakup is 1450 Crores from Rajasthan, 300 Crores from Power Grid and 145 Crores from Chhattisgarh, maybe some confusion over the rollover of last quarter business which was also again another 500 Crores to 600 Crores in last quarter.

Sandeep Tulsiyan: That 230 Crores would have got booked in the last quarter?

P.P. Gupta: Yes, absolutely.

Sandeep Tulsiyan: Sir, secondly, I have heard you saying that you are maintaining your revenue guidance of this year for FY2023, so that growth expectation is still at 30% for the EPC segment and margins in that 12% to 13.5% range?

P.P. Gupta: Absolutely right, topline will grow by 20% to 25% without considering data center topline let me be clear, so far we have not decided in which year we will take our own development revenue maybe we spill over to next year or we may book in the last quarter this year, but without data center we are targeting for third customer business, a growth of about 20% over last year so that will be around 1250 Crores to 1300 Crores.

Sandeep Tulsiyan: The margins are same because you have done better in first quarter..

P.P. Gupta: We are hopeful to improve. First quarter if you see an issue where not much procurement was involved to be honest because they were lost like works left in the projects and then you get some kind of PV revenue also in this quarter in the closing of the projects, so it is all hybrid I will say in a sense, so actually in our business to be honest Sandeep quarter-on-quarter makes a little sense because if you truly ask me as a personal experience in this segment I will say project specific return is more important than quarter-on-quarter per se, but nevertheless we have to perform this role and at times which quarter is hit by what we never know, but intentionally strategically also wanted to play this role when the high commodity cycle impact is there so that we do not make any high cost commitments and find opportune time to move forward in booking new supplies or new engagements, so it is all a blended solution I will say Sir.

Sandeep Tulsiyan: So, that is POC completion revenue understood. Just on the order inflow guidance for this year in the past call you had guided say somewhere around 3500 to 4000 Crores of inflow we should be able to get because 3000 Crores you mentioned is already booked for L1 and some more orders can come in, so what is your guidance refreshed which you think surely you will be able to book in FY2023 and also all these orders which you won of 1900 Crores of course they would have won after some negotiation over the last two to three quarters, so do you see margins for these orders should be in line with your company level margins or should be the higher or lower if you can give some perspective on that?

P.P. Gupta: No, in line with the company guidance of 13%, which we have given, but we will try to improve on it let me say that number one and on order I maintain the guidance that we will attempt to book orders about 3000 Crores this year plus another 1000 Crores to 1500 Crores further orders should flow in over the next three quarters where we are L1 or we intend to pushing our projects in these segments, but most heartening part now is that my dream of Electricity Act getting through and creating vibes in the sector is going to happen, so that is going to be a long-term driver, which happened in 2003 when the Electricity Act was enacted so exactly down 20 years we are again getting into that opportunity I would say.

Sandeep Tulsiyan: Understood, so I have a couple of questions on the data center, firstly on this Chennai data center if you can guide us how much capex because this guidance or the path that you had guided is on getting the technical partner on board and getting the construction kick started it seems to be a little bit delayed than what the initial timeframe was although we are still maintaining using commission by June of next year, so how much money you will be spending over there in this financial year, do you still think you will have the partner in place by September quarter or December quarter, what is the timeline an investor should expect out of this?

P.P. Gupta: The phase one of this project which we intend commissioning by June 2023 is around 550 Crores in total out of the whole project capex, by now we have spent about 100 Crores already, so you can say it will be another 100 Crores for each quarter in the next two quarters and balance 200 Crores in the last quarter of January-March, but we have some term sheets on board where we have a nondisclosure agreement so I cannot share with you, hopefully that should also get finalized by September, we have interest from very reputed global entities I can say that much.

Sandeep Tulsiyan: Understood and the revenue booking, which you had guided, will start from FY2024, so what kind of revenues should start coming in from the first year on this one?

P.P. Gupta: Gradually it is a four phase divided center each of 6 megawatt IT load and each quarter thereafter we will be completing one phase of the project so that the total station is commissioned no later than March 2024 in totality or earlier depending on how our partners is able to get it engaged or find a tenant to it, so you can say that other than the power revenue, which I will like to keep outside generally the rentals, which go in the segment is around $100 per kV plus or minus per month, so you can calculate that way it will be achieved accordingly.

Sandeep Tulsiyan: Understood and last question Sir I have on the balance sheet side, you did highlight the cash and investments are 1200 Crores, but on the receivable side just want to understand is there any pending which is left from the metalloid and the other slow moving receivables what we had anything pending or those real estate companies where we had given some ICDs anything is pending over there and on this wind asset you mentioned other than that **(audio cut) 30:40** you will be liquidating, so what should we assume like will it be in line that 5 Crores per megawatt kind of a deal value what all the transactions you have done or has it improved or has it gone down, where the market is in terms of your expectations, if you can give some broad guidance, not exact numbers, but a broad guidance for that?

P.P. Gupta: You see firstly when I say 36 megawatt I always mean like a demand load and which will also be growing in the segments as we commission and this 36 megawatt is required when full station is commissioned between you and me, when we have complete 24 IT load on the station then we will be needing 36 to 40 megawatts, which is equivalent to around 80 to 85 megawatt on the wind power capacity as a CUF comparison or like-to-like, so we will be targeting first to sell out around 40 to 50 megawatt of the wind power assets bringing down our capacity to around 80 megawatt, 80 to 85 megawatt or little more and that kind of MoUs we have already entered into and the price realized will range between 4 Crores to 4.5 Crores not 5 Crores I will say, but definitely whatever power we are able to put to our own captive shoes that will be more valuable, but going forward if Electricity Act happens and open access as happens we do see some kind of more competitiveness in the power rate in the market.

Sandeep Tulsiyan: On the receivable part, both the private ICD side and the Tamil Nadu SEB side and the slow moving receivables out of these 130 Crores?

P.P. Gupta: In Tamil Nadu now the bills are in process and we are hopeful of getting payment something in this month and something next month by virtue of High Court intervention also and government is also facilitating payments from DISCOMs, but definitely TANGEDCO is bit of a concern which has remained over the past, but we are able to make our presence felt now number one. As far as ICD is concerned we have cleaned up our balance sheet already full as all the amounts more or less stands realized, so there are no more outstanding, but you can say claims of certain kind of penal interest or legal expenses still stands outstanding with metalloid where we hold their post dated cheques and in due course we may be getting it.

Moderator: I am sorry to interrupt Mr. Tulsiyan, I would request you to rejoin the queue, please, and as there are other participants are waiting for their turn. Thank you.

Sandeep Tulsiyan: Sure. Thank you.

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

Deepesh Agarwal: Good afternoon, Sir. Sir, my first question is if we see during this quarter there seems to be some slow down in the EPC revenue, so what has impacted the execution I understand there is seasonality, but even comparing with the past trend there is a weakness, are there any specific reason?

P.P. Gupta: Firstly if you understand our sector little more closely I will not say it is a slow down, actually project is always a two to three cycle to deliver fully and any new business take some time in terms of the documentation, engineering, approvals, collaborative before it becomes revenue oriented, it is all generally around six to eight months and it is always productive between 8 to 20th month and then it starts tapering down towards the closing part, so this revenue streams per project are always a cycle I will say and this quarter I will say that it is most productive quarter for the company may not be as numbers, but in terms of managing the working capital and other related commercial risk and all that because closing a contract is more important in our business than bagging an order firstly that must also be appreciated, so we have significantly brought down our receivables, closed no less than 12 projects and realized all their dues, paid off the creditors, so it is a lot of cleaning, which always should happen in our type of options before you start again getting into the new commitments, so now we are getting into a new cycle and Q3, Q4 will catch up whatever we have lost in Q1, Q2 in the process because almost 3000 Crores worth is a new business with us or even 2700 Crores you may say in last quarter and this quarter, so all this will be productive in Q3, Q4 now and onwards thereafter, so it is not a slowdown, but I will say that it is wrapping up of the leftover jobs, works, businesses, payments, realization of bank guarantees, claims, dues and whatever you say it is a more hard work in our business, bagging a business is simpler than closing a business with no claims on either side, so this has been a very, very productive quarter for us.

Deepesh Agarwal: Understood, Sir. Just one clarification, this Bhuj transmission line is not included in the 1900 Crores inflow which you have mentioned, right?

P.P. Gupta: We do not do line watcher.

Deepesh Agarwal: In the press release which you gave last week you have got some work on the Khavda-Bhuj line worth of 233 Crores so that is not included right?

P.P. Gupta: That we booked in last quarter that is from Adani Khavda and Bhuj, it was already bagged in March quarter.

Deepesh Agarwal: Understood and what is the execution timeline of our order book, so do you think the guidance of 20% plus growth this year can also be replicated next year based on the current order book that was expected in Q2?

P.P. Gupta: It has to Sir, I have no choice, if I have to complete a project in time then only you can say as a thumb norm year-on-year we must achieve topline which is 50% of the order backlog with us so if order backlog is presently at 3200 so truly speaking I should have achieved 1600 Crores this year where we are targeting only 1250 Crores now this year, so the 350

Crores impact will be visible next year and with the growth in further order book, so next year has to be 1500 Crores the 1600 Crores in anyway and I have already told you in the last March quarter results that we are definitely going to develop our topline by the year 2025 Sir.

Deepesh Agarwal: Sir, given that we have got these orders in the FGD segment wherein we have seen lot of competitors struggling on the profitability do we expect any kind of a dilution in the profitability on the new orders?

P.P. Gupta: Not at all because those who are suffering in FGD they were the start, they all happened when they booked orders two, three years back and they all got delayed and affected by the commodity cycle also and even otherwise the prices at which they bagged the business was very low, if you read the CA report on it if you are tracking it initially these packages were all going at 35 Crores to 40 Crores per megawatt, which today has come to almost one Crore per megawatt close to that like our Kota station is 750 megawatt only and order value is almost about 720 Crores, so as you go along you are able to price it closer to the market realities and also these orders are protected by PV clauses additionally.

Deepesh Agarwal: Understood. Sir, what would be the EPC position of the data center revenue which we will be booking this year because if you are doing a much of data center capex this year then there would be equivalent or say some 60% to 70% of EPC revenue also getting booked, right?

P.P. Gupta: No, we are not intending to book this year, we are basically carrying it as work in progress only, and we will take a call in the last quarter or next year additionally whatever numbers I am talking to you at the moment is mostly EPC business of third parties.

Deepesh Agarwal: Understood. Sir, what is our cash balance right now and the current investment number?

P.P. Gupta: 1200 Crores.

Deepesh Agarwal: Outstanding receivables on wind?

P.P. Gupta: About 130 Crores as a running account bills and another 200 Crores as a retention money, which is yet not due.

Deepesh Agarwal: Sir, any other slow moving receivables?

P.P. Gupta: Wind power we have to receive about 150 Crores to 170 Crores, which we are expecting to be liquidated this year.

Deepesh Agarwal: Understood. Thank you, Sir. That is it from my side and all the best.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Thank you for the opportunity. Sir, first question is regarding these new FGD orders, can you please help us understand the payment terms are they better than what we have seen in the previous orders or how are the payment terms for these orders?

P.P. Gupta: They are relatively better, but not as good as we experienced in transmission projects like Bokaro we picked up with a retention of almost 30%, which is 15% in this case now, so it is 85:15 by and large you can say, but plan properly we will make sure that it is like 90:10 only as we experience in normal business because staggered commissioning is feasible in these projects, some facility wise, so you are entitled to get some payments progressively like that.

Charanjit Singh: Sir what is expected completion timeline for these two projects?

P.P. Gupta: These projects each are 30 months as per the order, but we will try to do it early.

Charanjit Singh: But you talked about there has been some delays in terms of FGD in overall implementation and there might be some push out on the timeline from the Ministry side, so does that also apply to these customers and they may look to delay the execution and that also leads to sometimes increase in the cost?

P.P. Gupta: No, you see whatever station gets sorted out they are equally keen to complete it early because they can claim to be the compliance part and I am sure Rajasthan government will be very sportive to achieve it before 2024 April-May because that is their election year also by and large, so they would like to be pro climate change and pro compliance to all the regulators, so customer is well supporting these projects and we do not expect any kind of delay happening in this.

Charanjit Singh: You also talked about this electricity amendment bill and a lot of positives, which can come out of this and as we are focusing also on the distribution side of the business can you touch upon what kind of an opportunity it can open up for us and which segments within that we would like to target?

P.P. Gupta: See, basically it will be expeditious execution of the AMI solutions and also they have come out with a scheme called RDSS reform and system strengthening scheme of the distribution systems, so all these augment use investment of 3 lakhs, 3 trillion they call it

Crores over next five years that is a program of the government has announced it is available on the MOP website, and states have already started coming out with tenders in this segment as it happened in 04-08 when first time APDRP solutions followed with rural electrification programs all were rolled out in the country, similarly now in the next phase we see that a lot of distribution system strengthening and reforms will be integral part of it and we are regularly part of it in this business, we did a lot of jobs in Bihar, Assam, and J&K and many other parts of India, presently also we are doing similar works for the city of Jammu and Srinagar, so I will say that there are great opportunities countrywide, we do not intend doing much in this segment, we will be happy to pitch in only 1% of the market, which may be around 3000 Crores out of 3 trillion budget of the government spread over next four, five years and transmission we will obviously continue to provide as 500 Crores to 650 Crores per year apart from FGD and metering solutions, so once data center business becomes part of your topline in 2023-2024 and 2024-2025 we are sure to double up our topline.

Charanjit Singh: Sir, the other thing we have talked about 1000 Crores to 15000 Crores of incremental order inflow, if you can touch upon the nature of these orders what you intend to pick up in the remaining part of this financial year?

P.P. Gupta: Yes, basically we are looking for one more FGD order down line about 500 Crores plus or minus plus we are eyeing another transmission business of another 300 Crores to 400 Crores and another 500 Crores to 600 Crores we will be eyeing from the distribution business including AMI I will say very easily mix may change here and there, but by and large this will be the segmentation in this and we may also be taking opportunity to have one TBCB project also for us about 400 Crores to 500 Crores to be implemented over the next two years.

Charanjit Singh: Sir, lastly on the power transmission side if you can touch upon the opportunity size whether we can see a further increase or it may remain stable levels, how you are seeing that outlook going forward on the power transmission specifically that is my last question?

P.P. Gupta: Power sector is in transient and nobody can give you very perfect answers, whatever we experienced over last two years if you project that forward I will say that transmission business will be a status quo for us, but if this Electricity Act approved by September also then from 2023-2024 onwards I see a lot more activities happening in transmission because the pockets of demand and the pockets of generation have to be married more efficiently that being presently done by the distributed looking players like CPSU or private players or state government, so a lot of harmony will happen as a supply chain amendment and achieving economics of the supply chain by strengthening those transmission links with generation closer to the demand pockets and the generating pockets, which is not the cause presently, a lot of power is being cycled in a gross wheeling manner may lead to meet quotas or allocations or prior PPAs whatever you call it, so it is still not a free market per se it is still a market based on bondages historically as we have evolved in power sector, so all those attempts will be to minimize the inefficiencies, improve the quality of the networks more efficient and strengthened networks so the technique losses are brought to bear minimum and also networks capable to ensure least threats or no threats on the highways so I see multiple technological growth network growth, I am very upbeat if it happens that is what I can cay.

Charanjit Singh: Great Sir. That is all from my side. Thanks for taking my questions.

Moderator: Thank you. The next question is from the line of Vinod from Bank of Baroda. Please go ahead.

Vinod: Good afternoon, Sir. Thank you for the opportunity. Actually, my question also was similar to what Charanjit asked just now in terms of the specific areas where you can see a large capex as per the new bill, so I think since you answered that comprehensively what I would like to understand is your thought there is a lot of protest against this Electricity Act bill, so how do you see the final shape of the bill, do you see a more diluted version that might possibly come in or do you think we will be able to push through the bill the way it is today?

P.P. Gupta: Sir, I am not neither a power minister nor the finance minister of this country, what is happening today in my perspective should have happened 10 years back if you ask me, we prefer to go for with one, two, three, four, but every time we saw sunset only, you see the question is you have to bring market reforms to a sector like telecom, aviation, ports, highways, which never happened in power that is the key question rather when will consumer benefit, rather I generate and supply power at Rs.2.5 or Rs.4, in my house or your house power comes ultimately and Rs.9 to Rs.10 only, so no citizen ever have asked this question in this country where is this Rs.6 going Sir, who steals this Rs.6 on the highway, so that is the key question, which any sector has to answer, like telecom I can talk for hours with you Sir in 1995 maybe how old you are I do not know in my heydays I remember we used to pay Rs.30 a minute, used to have **(inaudible) 53:38** call wait for hours for a call to happen, connection to be given in my house and whatnot and where we are now you can see voice is free now whatever you are pay is for data, Smartphone is so smart, it is so efficient so that kind of technology interventions happens in markets only when there is a competition, there is a market reforms, everybody wants to smartly serve the consumers better than the others, that has never happened in power sector, it remains a pseudo competition by and large, so if true competition happens at the last mile delivery of power to the consumers at B2C segment become stronger that B2B has experienced till now you will see it will grow like telecom or like aviation you will have so many choices and so many if somebody wants receivable powers why I have to buy a conventional power must enjoy as a segmentation tomorrow I want only solar power, I want only hydropower in my house why not. All those solutions are feasible and your smart meters will be able to tell you also how you consume power, what is the pattern of consumption of power, from where power is coming, what is the hourly cycle of consumption of power in your house, so many things have yet to happen in power, we still take it for granted that oh power is available, it is coming and nobody cares other than availability.

Vinod: Telecom and aviation they probably centrally controlled, power I think being a concurrent subject is I think where the road block is always there, but there are reforms, we will start with good intent, but they never see the light of the current.

P.P. Gupta: My takeaway is I think these are stupid excuses ultimately power is now becoming energy and the whole world knows how to manage energy, energy can never be a subject of a state let us be clear, number one, it is beyond their capabilities, they are not capable to manage energy let me say historically yes, they had a role, they have been part of the segment, but now with technology interventions when all of us are coming out of the coal, commercial cycle, going more and more to renewables, climate change, and more new sources of energy and power, more electric vehicles, electric engines, drives, so you have to understand that unless it bureaucratic administratively politically influenced DISCOMs cannot be technology-based solutions in the country at the end of the day, they are outdated, they are done with, sooner this realization happens with the governments that it is for the people and the country, I will say that, so central government have to have political will to dominate this transformation and they have plenty of ways to achieve it, but ultimately you are right, I will say that the sector has become more a part of freebies today that a part are progressive development so let us hope for the best.

Vinod: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good afternoon Sir. First question on this current FGD orders which you said that we have booked at one Crore per megawatt, so like earlier players might have lost money because they would have come at low price and on the flip side had to face the grunt of high commodity price, but with commodity prices now cooling off do you envisage some sort of a super profitability on the current orders that we have achieved or we will have to pass it on and to that extent 13% looks to be on the lower side given the equation of raw material versus price that we have got, so that is question number one?

P.P. Gupta: Look, these are speculative I will say, at the moment I will only say that we are protected as far as the future commodity cycles are concerned and our experience of last 30 years in this industry any softening of prices of commodities always benefits CPC in some way or the other even if I am sharing the decline with the buyers through a PV formulae, so I will say that we are definitely not going to worsen from what we have talked if at all it will be better only, but other commodity cycle will really soften more aggressively so there are all type of global calls if tomorrow Taiwan China goes to war or Russia further becomes a more aggressive in taking away part of hived off countries around it, global situation is very, very delicate at the moment, so I will not like to hedge on it and secondly you see most of the electrical commodities are also becoming part of the new generation solutions like transformers we used to use CRGO if you were connected with the industry. Now we intend to produce more CRNO not GO because NO is more valuable and it is a part of the batteries used in EV vehicles so some segment can always pay better price than the traditional equipment so we have to keep our fingers crossed.

Sarvesh Gupta: Book any forward contracts on the raw materials side to protect us or to enjoy the better margins?

P.P. Gupta: So, generally our requirements are not much number one because they come through the equipments itself, we are not a commodity company by and large, steel there is no forward markets even today between you and me, but non-ferrous metals you do have forward contracts, but our most of the consumption happens in the form of equipments with us like transformers, switch gears or cables, so they themselves stay, each manufacturer takes care of it, it is on merit.

Sarvesh Gupta: Understood, secondly on 1900 Crores of orders have been booked, but in these 45 days after June 30, 2022 there is no order booking is that correct assumption?

P.P. Gupta: I will say that we are definitely bidding and we are L1 in one or two tenders, we can only claim and we have orders in hand with us because generally we have not claimed like that, but tendering is happening, I can only share with you the tendering is happening.

Sarvesh Gupta: You were L1 in these two orders right, so similarly what will be the L1 amount as of now?

P.P. Gupta: That will be about 700 Crores to 750 Crores.

Sarvesh Gupta: So that most likely will come to us?

P.P. Gupta: Should, ultimately these kind of price levels are acceptable to the customer and many customers finding that commodity prices are likely getting better they may prefer to have some kind of snap bidding that is also becoming a way of life with Power Grid now, they are opting for snap bidding in between.

Sarvesh Gupta: Sir, on the DC side why are we taking so much of discussion as to when the revenue should be booked ideally if the EPC work is currently going on and the contract is awarded to the parent, then the parent should book DC revenue as per the schedule of construction?

P.P. Gupta: Look, there is no fine answer to your question, when we do a third party contracts you go through the whole servicing of the contract and managing it from the ground to finishing whereas in DC you are more of a developer in this and many services are outsourced by you, many companies do it in the past, but we are conservative in this regard I will say, we do not want to over show the performance which we have yet not put efforts strongly in it or revenue is not reachable we like to book that capex closer to the revenue happening between you and me that is the only takeaway.

Sarvesh Gupta: Understood, Sir. Sir, on your cash side you are already literally floating in the cash you have 1200 Crores, you are also going sell a major chunk of your wind power assets which will further give you 300 Crores to 400 Crores or whatever or maybe 200 Crores to 250 Crores in addition to that we are also generating significant amount of interest income so what is the solution to the cash that we have because even in the DC business there is a debt to equity we are looking for a partner so again our equity contribution would be pretty less and see we are pretty conservative in terms of how we are building it out so as to not affect the overall performance of the company, so given these things where is the cash going to be used and this 1000 Crores odd cash will always remain with the company, so what is the solution for this excess cash that we have, should we not give it out or there any other thought process around this area because there is just too much of cash which is going to remain with you for the foreseeable future?

P.P. Gupta: Look we have talked briefly in the last meet probably you may not be there wherein we very clearly categorized that around 500 Crores we are returning to the investors over the next three years one buyback is already in process now where we are paying out almost 160 Crores inclusive of tax, additionally we are paying out about 25 Crores of dividend so over three years we are returning 500 Crores to the investors number one, we have kept another 500 Crores to 700 Crores for our data center business and another 250 Crores for growth in EPC business, so it is fairly balanced approach and if this Electricity Act gets approved then more and more EPC business will transform itself to the capex based business where you will only be called upon to make a solution like Europe commission, performing and then only the asset owner will buy it, so a lot of cash requirement will be there as a way of life and we hit that because we have no place to be at the cost of in EPC business at least and that is what is our focus that I must close my contracts, I must realize my last mile payments, so that our phase and expenses are fully funded by the closing of the contract, which we did in this quarter and last quarter that we have realized a lot of cash, closed many contracts and we are again back to the new business in EPC with clean slate that is where techno has always kept the cycle going for the last 10 years and yes I am not the largest, but I can assure you technologically and working capital management we will be one of the most efficient one.

Sarvesh Gupta: Understood Sir. Thank you and all the best for the coming quarter.

Moderator: Thank you. The next question is from the line of Amber Singhania from Nippon India AMC. Please go ahead.

Amber Singhania: Sir, just a couple of clarification wanted to check on the revenue side you mentioned that a lot of projects were under completion and that is why the supply content was less and that is why the revenue number is looking slightly lower, am I correct Sir?

P.P. Gupta: Yes, you are not very wrong I can say, services content is larger because whatever number we put it, it is a composite of supply cum services, so cost side service is almost 50% in that.

Amber Singhania: Secondly out of the total order book 3200 Crores odd currently which we have roughly what kind of proportion is yet to be start or in a very early stage of starting?

P.P. Gupta: Right.

Amber Singhania: What could be that proportion Sir?

P.P. Gupta: Almost 80% of the business is new with us which we have booked in last quarter and this quarter now and the revenue will start from Q3 of this year and continue for next six quarters you can take it those will be the peak quarters starting from Q3 of 2023 ending with the Q4 of 2024 by and large out of this business and then it will start again tapering in 2024-2025 and unless we have again a new business accrued by the close of 2023 which we hope to.

Amber Singhania: Out of the total FGD orders roughly what kind of booking we might have already done from the old projects of FGD?

P.P. Gupta: Presently we have an unexecuted FGD business of around this other than 1455 Crores as a new business the unexecuted of DVC is around 68 Crores, so we can add 68 Crores to this, which will be around 1520 Crores.

Amber Singhania: Got it and lastly on the wind side you mentioned that this kilowatt equivalent to 80 to 85 megawatt of capacity will be transferred to a separate company which will be leading to the data center, so what is the timeline we have seen to do that transfer and are we already started the process of cancelling the PPA on that account or when we will see the Tamil Nadu will keep on receiving the surprise from our end in that case?

P.P. Gupta: This transfer will start from October because we do not want to lose out on the peak season presently as happening, it contained a wind season, wind is a seasonal industry which is almost there till mid October and thereafter till March it is a slack period so we will start it around October mid and completed by March end, so that this peak season is fully built out to the government only.

Amber Singhania: So, this year it will be basically government billing and next year onwards it will be..

P.P. Gupta: But we are selling of around 40 megawatts now to third parties which contracts are nearly concluded and we expect to be out of that capex.

Amber Singhania: At what price this separate SPV will sell the power to data centers any kind of ballpark numbers from that line, how that agreement will be worked out?

P.P. Gupta: Sir, it will be obviously market determined tariff only, dynamic tariff only, which itself is under quite dynamically changing, if this Electricity Act goes through and open access in the renewable power becomes a way of life then tariff is likely to be lower than the generally DISCOM determined tariffs and if all tariffs are alike there maybe consumption, otherwise we will like to transfer power to the data center at the market determined date or at the DISCOM regulatory approved tariff whichever is higher.

Amber Singhania: This will be 100% hold by Techno or there will be coming in from data center or any other?

P.P. Gupta: Presently in our country we have to give a group captive status, a group captive status necessitates 26% of the equity must be owned by the buying entity, it means data center company has to buy 26% equity of the power company and balance 74% will remain with Techno only, but the capital side will keep very low so that there is no larger engagement of the data center company in the capital side, so generally the arrangements are it will be kind of a deposit which any electricity board takes to supply power of a month to two months as a security deposit, so that will be taken in the form of the equity.

Amber Singhania: So, there would not be any money inflow really to Techno if we are transferring 26% stake to the joint venture or it will be?

P.P. Gupta: Yes, there would not be any inflow, but at least we would not have in future power dues from the state DISCOMs by revenue side will improve month-on-month.

Amber Singhania: Lastly, Sir, how much total equity you are planning to infuse in this Chennai data center of 24 megawatt all put together from the Techno side, is there any gap or any ballpark number, which we have kept beyond which we will not grow and wait for the strategy to come in?

P.P. Gupta: No, you see are going in four phases in this project, each phase is 6 megawatt, the first phase capex is 550 Crores and we will definitely not envisaging to invest more than 150 Crores to 200 Crores as a capital in this, and when a partner joints and full capital of the SPV will be around 450 Crores to 500 Crores, generally these foreigners look for a little majority, so it will be either kind of 51:49 or maybe 55:45, so it means Techno engagement will never exceed to 100 Crores in one data center like Chennai, but we will be starting data centers in other pockets also where again development cost will continuously be engaged, so we have definitely allocated around 500 Crores for this business spread over in the next three to four years.

Amber Singhania: Thank you. That is from my side. Thanks a lot and all the best for the future.

Moderator: Thank you. As that was the last question for today, I now hand the conference over to Mr. Gupta for closing comments.

P.P. Gupta: Thank you all. I will say thanks a lot once again for joining the conference call with us. We with the best of our ability have tried to satisfy most of you and those who still have more queries on our performance or on any of information they are most welcome to send us a mail and we will be prompt to attend and it can be addressed to Mr. Vishal Jain, our IR person and if you happen to be in this side of the country you are most welcome to visit us and see how we do our work hands on, it will be our pleasure to take you around our office or any project like you want to see, please just write us, we will be happy to arrange that. With this I would like to close the conference and thanks everybody once gain for joining the same.

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