"Techno Electric & Engineering Limited Q1 FY2024 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY2024 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 the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, 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. Suraj Sonulkar from Asian Markets Securities Limited. Thank you and over to you!

Suraj Sonulkar: Thanks Yashashri. Good afternoon everyone. On behalf of Asian Markets we welcome you all to the Q1 FY2024 earnings conference call of Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. GuptaJi, Chairman & Managing Director and Mr. Ankit Saraiya, Director, representing the company. I request Shri P.P. GuptaJi to take us through us an overview of the quarterly result and then we shall begin the question and answer session. Over to you GuptaJi! Thank you.

P.P. Gupta: Thank you Suraj. A very good afternoon to all of you and we are really grateful that you have spared your busy time to be part of our conference and I welcome everybody to discuss our financial results for the first quarter ended June 30, 2023. 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 consultation with the risks that the industry and the company faces.

Let me first highlight our performance for the quarter. Just to update what we discussed earlier that our March end balance sheet was little difficult balance sheet to understand because we exited one strong business of the company namely wind assets in Tamil Nadu and it was classified as discontinuing business for the company by our auditors. Similarly company created two subs to promote its new business verticals namely number one data centre and number two AMI business. In both we are now in the process of setting up of the business still. They are not operational nor they are generating any revenue or bottomline in their SPVs, so as such I would like to say that our consolidated results do not reflect our complete situation. It is not a consolidation of operating companies or matured businesses, so as such I reiterate that our standalone business brings the true and clear operation and picture of the company and the same may please be viewed accordingly and while going forward I will be discussing the progress on both the subsidiaries in addition to what we are doing in the parent company.

The AMI business will become operational earlier than data centre because it is executed progressively by number of meters to be installed at number of consumer premises, so as many meters becomes operational they become eligible for revenue accordingly. The total revenue of the company from EPC business in a standalone mode is around 343 Crores in the quarter which we highlighted in the last meet also between us which is up by 135% year-on-year. We expect the similar level of revenue for the forthcoming quarters as well, as company is having lot of business backlog now to execute and continue to experience same kind of traction in the market. The EBITDA for the company stands at 47.48 Crores for EPC business that is under 110% year-on-year, EBIT for the EPC business is at 45 Crores up by 91%, the other income is at 30.64 Crores compared to 15 Crores nearly last year, the profit before tax is at 72 Crores approximately almost double of last quarter, the PAT is at 54 Crores approximately which is 150% of the same quarter last year. There was a loss in the discontinued business operation marginally because of the expenses in winding up of the establishment which is around 2.5 Crores and it is not comparable but still like-to-like the profit was 14 Crores in this business last year. The total profit for the company for the quarter stands at 51.3 Crores which is up by 42.6% year-on-year and EPS is at 5. The current investment value in the books of the company is around 1500 Crores which is about Rs.140 per share. During this year we have L1 status in active award of the contracts. In transmission business alone worth about 1500 Crores out of which we have already received a prestigious order of 350 Crores from PGCIL and another business of around 500 Crores from PGCIL is expected before September end, which are in various stages of approval where we have been established L1 and competitive. Similarly we are also placed L1 in business worth about 3650 Crores apart from the order backlog of around 3824 Crores as of Q1 unexecuted business which largely comprises of two AMI orders worth about 2000 Crores and rest is the transmission side. We have used bidding pipeline and we are hopeful of bagging at least further business of around 2000 Crores but we will like to assure you that as committed in the last review at least 4000 Crores business will definitely be further achieved this year and we will close with the order back log of about 6000 Crores by March 2024.

The outlook is very promising I will say that all difficulties of last three, four years are behind us and as I said that morning has arrived and we will focus on growth that is what we are looking on. We expect the growth momentum has begun but it will also not only continue for the next three years but it will also make up for the loss three years. We expect larger business out of transmission, AMI segment as well as higher technological solution applications in transmission due to larger injection of renewable power in the grid and also data centres. The FGD segment is a bit subdued because of the energy issues country is facing at the moment, probably this is the first year when energy demand is going to grow in double digit growth, which in the last three years we have seen no more than 3-4% per year or maybe stagnating growth, so government of India has promised another thermal capacity of 30-40 gigawatt but it will largely be Brownfield and in PSU segment. We are also seeing strong power sector reforms as government desires to ensure timely payments to the generators as well as wards to contain losses of the DISCOMs. Strongly the amendment to the Electricity Act December 2022 is also in place now and central government is trying to take a larger role and powered out of the amendments ensuring availability and reliability of power supply as well as billing and last mile money collection out of the sale of power. The overall financial health of the sector is likely to improve in the coming years if this focus really stands implemented in more than later I will say in spirit also. While the focus will continue to be on the renewable power and addition of almost 500 gigawatt by 2030 as committed by the statement of our Prime Minister as well as government of India to have injection of 500 gigawatt in the grid we will definitely need energy storage solutions like battery base or pumping storage of no less than 5% of this capacity and this will also have to be additionally supported by many kind of active-reactive power management solutions in the grid and we see significant activities where your company is fully qualified and competent to provide solutions in this space both to power grid or to any private player in this segment and additionally our business of doing offsite works or balance of plant works in the thermal powerhouse will also be somewhat back but we have not considered in our order book or as an opportunity so far.

The FGD segment continues to be a bit subdued at the moment I will say but lot of work is still pending. Thermal capacity being largely in private sector, probably the owners believe that they may get more time up to 2030 in future, so they are definitely reviewing and waiting for commodity cycle to be subdued further so that the solutions can be rolled back to sub 50 lakhs per megawatt as was happening four years back. Our order which we have got in Rajasthan is progressing normally.

In the transmission sector we will say that after a long gap the transmission sector is back. There is a TBCB bidding happening which is not limited to 50 gigawatt now it is larger than that maybe 100 gigawatt or maybe 75 gigawatt or more but a lot of bidding is in progress at the moment and we are finding that every month four to five concessions are being awarded to power grid or to the private sector. The interstate transmission system for evacuation of around 15 gigawatt of renewable energy from Ladakh has been proposed by the government with a central government support of Rs.83 billion with a capex outlay of around 20 billion and we are already part of it at **(inaudible) 15:17**. The total bids open for transmission now submitted I will say is no less than 40000 Crores and secondly I will say that in the present networks as renewable power is consulted it is only six states in India and the rest of the states have to be fed by transmission networks only out of a generation in these six states. The substation allocation is larger than what we have experienced in the past. It is almost around 25 to 30% so we can expect substation business out of this transmission business of 1.4 lakh Crores rather. It will have substation business of around 40000 Crores by 2030, so we can at least hope to get business worth about 1000 to 1500 Crores every year over the next three to five years. As I said we are already placed L1 in 1500 Crores in this segment first time after the lapse of about three years and our presently unexecuted business in this segment is already 1000 Crores plus.

The distribution side reforms are really flying in the country I will say there is a lot of stress on RDSS scheme implementation in the country. Government have allocated 3 lakh Crores for this scheme and tenders are being called every passing week and there is a strong focus on AMI system strengthening as well as in the intelligence upgradation of the networks installed in the system by installing lot of SCADA, ADMS solutions additionally in the distribution management as is being done earlier for the transmission networks. We expect business worth no less than I will say 2000 Crores out of this segment at least every year. We are executing order of 4.5 lakh metre in Jammu and Kashmir city worth about 300 Crores under DBFOT model but under PMDP scheme which is different than RDSS and we are also L1 in 2000 Crores worth business for another 20 lakh metre supply in the state of Jharkhand and Kashmir itself. The Electricity Act amendment have promised I will say a choice of power supplier as in case of mobile or internet services, but this is to still to my mind a larger promise than the LT let us hope that it happens. Similarly, there are promises on the open-nesses also and a lot of renewable power is being sold through the power exchanges as amendment to the Electricity Act, so you can expect going forward that more and more trade growing in multiples in renewable power over conventional power in power exchanges so it should in a way what could not be achieved by central government directly because of the concurrent list issue in power sector is being attempted to be achieved indirectly by intermediaries and also making consumer feel more comfortable and getting power at more competitive rates. The system also allows provisional or revision in tariffs so that electricity boards can also share their updating of the costs more frequently with the consumers through the regulators and regulatory mechanisms are also expected to be ramped up and made more robust and pro consumer more than the influence politically as in the past. In totality I will say that the power sector continues to be at a critical juncture as uptake, which we have been hoping for last five, seven years and I am very hopeful that something good is going to happen going forward and which is visible now. The data centre industry is growing multiply, the trajectory in the market is larger than we had anticipated and I will also ask Ankit later on to add some more space to it. Ankit are you able to hear me.

Ankit Saraiya: Yes.

P.P. Gupta: Can you speak out on data centre influence due to artificial intelligence and what all is going on in your data centre territory?

Ankit Saraiya: Yes sure. So just to give some idea about the industry until today we all believe that cloud is the most prominent reason why that has led to the growth of data centres and demand of data centres apart from other reasons such as 5G and many more but then I guess over the last six months the industry has taken a very dynamic position especially because of the way AI and machine learning has become as it has become more prompt and accepted on day-to-day life especially generated AI what we understand as chat GPT, so that has specially led to a change in the way infrastructure of data centres are thought over design because as the world moves towards adopting AI on day-to-day basis the requirement of infrastructure to cater to those kind of computing requirements will also change and just to give an idea I think it is expected that about $75 billion of investment will go into developing AI models over the next five to seven years by all the companies involved in this sector and to cater to that requirement almost $500 billion of data centres are required by 2030 and this is limited to just AI and I would expect that at least the Asia Pacific region should attract 20% odd of this investment and it can be more but on a conservative side let us say about 20% odd and India alone is in a sweet spot to attract nothing less than 30-40% of the entire investment in the APAC region. Given the kind of land bank we have compared to other countries this region and secondly the renewable energy capacity that we have plus very recently last week to understand about the digital data protection bill and I am sure that it is also further going to aid in demand of data centres specifically in India because it starts the journey of data localization and slowly and steadily, hopefully, the data belonging to the Indian citizens, at least their personal data will continue to reside in India. So that is the few developments that have been visible in the industry over the last six months.

P.P. Gupta: Can you update on progress in Chennai project?

Ankit Saraiya: Chennai project is moving smoothly. The construction is at its peak. We should be able to complete the civil and structural work for the data centre building in the next two to three weeks' time and then start focusing on the electromechanical works, which would take us about another six months to complete. Given the first data centre there has been significant learning curve on the construction side, but we are well on top of it. We have not let it have any impact on the project itself but there might be a little shift in the commissioning timelines and we are hopeful that by December or maximum by March 2024 we should have the first phase of the project commissioned.

P.P. Gupta: Further to what Ankit has said I would like to add that we are seeing aggressive interest from strategic investors to enter into JV with us in this space as well as either the partner or buyout our Chennai data centre we are evaluating the various options and I am hopeful to continue this before the close of this financial year.

Ankit Saraiya: We would be very happy if any of you would like to visit the project we will be happy take you around the project at Chennai and go around the different aspects of this data centre.

P.P. Gupta: Yes it is very strategically located and in a very beautiful pocket in IT park called Siruseri in Chennai very next to the TCS campus for IT services, huge campus they are employing about a million people at Chennai so we will be happy to have you there. Closing with segment I will like to say that whatever money we realised about 450 Crores out of the sale of these wind assets they all are part of our cash for the balance sheet. With this I will now like to invite question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. We will take our next question from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

Deepesh Agarwal: Yes good afternoon GuptaJi and Ankit. My first question is, is it fair to say that difference between EPC segments consolidated and standalone is primarily a data centre execution?

P.P. Gupta: No, it includes both now AMI and data centre.

Deepesh Agarwal: The consolidated number would be purely which is external, right?

P.P. Gupta: Yes it is third party.

Deepesh Agarwal: Because if we see the consolidated margin in the EPC segment that seems to have been dropped meaningfully so what would have been the reason for decline in margin for external customers?

P.P. Gupta: Deepesh that is not fair to look at it because in AMI also we are doing EPC business only for the utility but mode of payment is little different than which we normally are offered in transmission segment on like-to-like basis that is number one. Number two the EPC work is only carried out by standalone basis by Techno whereas AMI carries on with the funding, O&M, SLA requirement, contractual obligations with the utilities, etc., on like-to-like basis, so all expenses incurred in consolidated some expenses of like overheads, manpowers and related infrastructure costs they continue to be part of the consolidated as it is and not purely allocated to the job in our cost accounting, but coming to the comfort part in AMI the issue with us is the billing between the SPV and the parent. Since we have not raised the bill to the SPV there is no capitalization of the cost in SPV level which we want to align more or less with the revenue stream which happens more significantly eligible in AMI because the revenue is per month basis for each lot of 12500 meter, so the time lag between AMI subsidiary and parent is no more than three months to achieve which we call scheme or system acceptance test and it gets built by Techno to SPV and SPV to the utility, but in data centre it is a wholesome asset you create like you do in TBCB power transmission so we want to create a billing only close to the revenue stream availability otherwise you are out of pocket with GST cost that is the larger difference between the two.

Deepesh Agarwal: Understood what would be the extent of data centre revenue which we would have booked in the EPC business and also AMI business?

P.P. Gupta: Roughly you can take in data centre it is around 100 Crores. It is cost-to-cost but in AMI we have already executed work worth about 60% I will say but not commissioned as that did not happen earlier, which has happened now and billed in this month already so in case of our policy so far is that wherever we exceed 20% of the order value we can bill it at a order value till otherwise it continues to be at cost-to-cost so that is how the books are billed accordingly, so in data centre it continues at cost-to-cost so far whereas in AMI it became pro rata to the EPC order value versus cost so that is why in this one quarter only you will find there is a gap in EBITDA of consolidated versus the standalone because of AMI EBITDA getting off the books.

Deepesh Agarwal: What should be the margin we should look for the full year?

P.P. Gupta: As I have already given a guidance it should be 13% plus minus and by March 2024 you see the problems are all quarter-on-quarter. If you make annual account you will see that all these subs will be fully capitalised and fully ready and fully executed businesses so these kind of ambiguity do not exist by March 2024, but in quarter-on-quarter it has impact and this being the first quarter it speaks a little larger impact which will get neutralised in Q2 you will see in earlier balance sheet and 100% by March 2024.

Deepesh Agarwal: Sure, also if you can help us understand what would be the execution timeline of the two AMI orders which you have got of 2000 Crores which are L1 and the transmission order of 1500 Crores would they be contributing to your revenue this year or they will start next year and what should be our revenue guidance for this year and next year?

P.P. Gupta: You see this is a little difficult issue in our business as usual because the pace of execution is always a partnership between the asset owner and contractor or EPC, but by and large you can take even new business will be eligible for revenue booking this year. Whatever new business we are getting in transmission and AMI anyway will be complete by the end of the year whatever presently we are executing. Now coming to L1 business they are under RDSS scheme where we get 27 months to implement the scheme all these schemes where we are L1 in AMI so obviously the revenue this year may be very marginal out of those orders, but the scheme of 300 Crores will definitely be completed fully in this year and at least I will say we should be able to execute another business of 2.5 lakh meter out of this 2 million meter in this year additionally I will say but data centre will be fully done by March 2024.

Deepesh Agarwal: So what should be our expectation in terms of PPC business revenue this year?

P.P. Gupta: I have been suggesting 1500 to 1600 Crores, but it may go above that.

Deepesh Agarwal: Understood this is including the data centre business?

P.P. Gupta: No.

Deepesh Agarwal: This only includes AMI?

P.P. Gupta: Right AMI and third party transmission and FGD.

Deepesh Agarwal: Thank you.

Moderator: Thank you. We have our next question from the line of Shreyans Gathani from SG Securities. Please go ahead.

Shreyans Gathani: Hi good afternoon Sir. My question relates to the data centre business. Last quarter we mentioned that we would be operationalizing the first part in September so what changed in three months that we are pushing the implementation by approximately six months and also you mentioned that you only recognise EPC revenues after 20% completion so does that mean like we are less than 20% complete on the project or just trying to understand how that accounting works?

P.P. Gupta: You see the first phase of the project is always civil, structural and unless you have both civil and structural **(inaudible) 37:02** being a high sensitive application. The electromechanical work does not happen in progress, so you are right that there has been a spill over in completing the civil structural work due to rains or local factors, labour issues so definitely first phase is now targeted by December, January as Ankit has said in this presentation and although we have committed capex of about 450 Crores by now but the spent amount is like that paid out amount and we have to account revenue on a paid out value basis.

Shreyans Gathani: Understood and just one more thing do we still anticipate same cost for the project or is there any escalation on that due to delays just any colour on that?

P.P. Gupta: There may be some saving rather because commodity cycle so far and lot more equipments are now competitively available than earlier. Looking back I will say that there may be a saving of 5% no escalation.

Shreyans Gathani: Got it, so when are you looking to have a partner in place like last time you mentioned that you would give more colour in the next call so just trying to understand where that stands, also you mentioned that you might also consider selling the entire project out to some interested parties, so just wanted any update on what kind of talks are going on?

P.P. Gupta: We are presently in place and a cooling off period with one very large investor and due diligence is in progress. We are not authorised to disclose more than this.

Shreyans Gathani: Got it. Thank you. That is all from mine.

Moderator: Thank you. We have our next question from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Thank you so much for the opportunity. Sir I just wanted to confirm what is the kind of order book have we closed this quarter and the bifurcation of the total order book in terms of EPC and transmission if you can specifically mention?

P.P. Gupta: We have got one order of Kurnool from power grid for 350 Crores already in hand and another business as I told you of 150 Crores in board **(audio cut) 40:14** so those orders should be received by end of this month or maybe by September.

Gunjan Kabra: What is the total order book right now?

P.P. Gupta: About 4000 Crores plus minus.

Gunjan Kabra: Sir first on the segment of FGD for 1400 Crores of order book that we have how much have we recognised in this quarter and are we expecting to recognise as per your previous guidelines most of it in this year only?

P.P. Gupta: No I never gave a guideline of most of it in this year.

Gunjan Kabra: Within one-and-a-half year I mean this year and the next year.

P.P. Gupta: It is a two year order. This quarter contains 50 Crores out of this vertical and state government is facing elections this year if they support financially we are hopeful of doing 500 Crores this year otherwise it may be little less.

Gunjan Kabra: Are we also seeing any new order pipeline in this segment?

P.P. Gupta: Yes there are but it is a bit slow in decision making. There is no urgency with the buyers as it was visible six months back.

Gunjan Kabra: From the AMI segment I wanted to understand this order of Jammu and Kashmir order that we got it was supposed to get executed by December so wanted to know how does the model of revenue recognition if you can explain how does the revenue recognition happen, in what stage do we get orders like for example with so many smart metre projects being awarded in the last quarter so what is the share that we are targeting because there are lot of Zenith is doing its own EPC project and there are other big AMI players also getting huge orders, so how are we targeting and how are we placed and how does the revenue recognition work in this model if you can explain in terms of accounting, also in terms of execution and also wanted to understand if there is a smart metre order getting tendered to the smart metre players then what is the lag between the AMI players who are executing the project, getting those orders?

P.P. Gupta: You see firstly your question is multiple within a question. Booking in this segment as per the terms of the contract till such time you are eligible for per meter one month revenue from the utility that particular metre is not considered eligible for revenue. So far that a process is defined that meter has to be called along with communication modules having NIC cards, gateway and loaded with softwares called SGR, MDM, which are further housed in data centres or on cloud as required by them and they have to integrally work with a **(audio cut) 43:54**. It is able to bill that consumer they will not give you approval of that meter so it goes like that. Going forward a lot size is defined by each utility in the order like the one we are doing for 2.5 lakh meters now to be over by December the lot size given is 12500 metres per lot so that is how the minimum lot size is to be taken as a commission. So by now we have completed work for about 1.2 lakh metres already in Jammu and Kashmir and we will be completing 2.5 lakh meters by December and presently the pace of work is almost about you can say no less than 2500 to 3000 metres per day in installations so this is how it goes. When our SPV is able to achieve that with the utility it provides the same approval back-to-back to the EPC partner which happens to be the parent company in our case. To be conservative we want to align all this on back-to-back basis unless SPV is eligible for revenue there is no good idea to book revenue in the parent company. We do not bill to the SPV till then so we will bill out only when SPV become eligible for those many metres which in others we have already achieved for 1 lakh metre already and we are hopeful of achieving it for 1.5 lakh meters by September end.

Gunjan Kabra: Sir also wanted to understand suppose we have like segments right EPC which is FGD and then we have transmission and AMI and then data centre so if in some segment if there is a slowdown in orders say for FGD is the employee capability fungible to cater to the higher demand which is coming from maybe AMI or transmission sectors or how does this work in terms of employee cost or something if you can explain?

P.P. Gupta: Madam in our industry the manpower is intra substitutable to a limited extent not the whole of it I will say. The specialist of manpower given vertical only whereas there are pool of the staff supporting those specialist who can be deployed for multiple applications from one use to the other, staff like commercial, staff like vendor development, staff like HR or even accounting or tax compliance or field management you have lot of flexibility, but not in the specialist role as achieving layout, detailing and specifying equipment parameters so that is a specialist role**,** so specialist role is always specific to the vertical whereas detailing role there is a lot of formality.

Gunjan Kabra: Got it Sir. Thank you so much and good luck.

Moderator: Thank you. We have our next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good afternoon Sir. Sir just wanted to understand this 7.8% consolidated margin that we have received in this quarter so you said that some of it might be due to the AMI, EPC third party work, but ex of that how much it will be Sir and how much is the AMI, EPC, third party work that we have billed this quarter?

P.P. Gupta: Your question itself has the answer to my mind. The consolidated numbers of third party work you can take it and expenses are wholesome establishment I will say, our wholesome manpower all verticals of the company including data centre, AMI, EPC, third party EPC, etc.

Sarvesh Gupta: So how much is that Sir I just want to understand that if we remove the AMI and the DC which you rightly said are upcoming businesses and they might be in losses, how much for our regular EPC business, what has been the margin profile for this quarter?

P.P. Gupta: At least 13% you can take, another 5-6% is out of the AMI business, so you go by standalone that will give you the true picture as I stated you because there the expenses are more appropriated that in a consolidated level because consolidated level as I earlier explained to take away confusion that the subsidiaries are today nonoperational they are not generating any revenue, they have not made any capex or capitalise any of the revenues so that is why you find this ambiguity. They are not consolidation of matured businesses, operating businesses they are still under installation.

Sarvesh Gupta: So there is some opex in these two subsidiaries which we are booking and that is why consolidated is showing a much lower margin?

P.P. Gupta: There is no opex here it is all cost. In AMI no billing has been done by parent to that so no cost. In data centre some costs are directly incurred by them, some are incurred by the parent on where they are but costs are all taken as a out of pocket cost only with the third party and from our overhead establishments.

Sarvesh Gupta: Understood and Sir in this difference between consolidated and standalone which is around 72 odd Crores for this quarter how much is AMI and how much is data centre?

P.P. Gupta: This is 95% you can take AMI, 5% data centre.

Sarvesh Gupta: Because last quarter Sir we had said that of 540 Crores of DC order we had invoiced 120 Crores last quarter only so this quarter why has it dropped to less than 510 Crores?

P.P. Gupta: That was all data centre last time because that is cost-to-cost we have not referred to book any cost whereas in AMI we actually did 50% profits so we prefer to take that in the books over the data centre. Data centre cost you will see happening in third and fourth quarter now.

Sarvesh Gupta: One question on the order book so we have 2000 Crores in AMI in L1 and 1500 Crores in transmission in L1 is that right Sir?

P.P. Gupta: Not L1 Sir. Out of this 350 Crores in this quarter we have booked already.

Sarvesh Gupta: So 1150 in L1 in transmission and 2000 Crores L1 in AMI?

P.P. Gupta: Right AMI precise number is about 2350 that way.

Sarvesh Gupta: So around 3500 Crores we are in L1 basically?

P.P. Gupta: Absolutely.

Sarvesh Gupta: So this 3500 Crores is in L1, 4000 Crores of order book we already have got and then you have a bidding pipeline where you expect another 2000 Crores to come?

P.P. Gupta: Right.

Sarvesh Gupta: Understood. Sir the other question was that like in FGD DC so we are seeing delays and as you mentioned that the client side they are also waiting for the cost to come down because of raw material prices easing out so are we also sort of slowing down things from our side in go data centre and FGD so that we can be able to procure at much lower prices and make higher margins on these contracts?

P.P. Gupta: It is not fair to include data centre into FGD because FGD is always EPC business which is as much client or contractor driven so it suits both to bring down the cost but in data centre we look for revenue. If overall IRR is good why will you mind marginal extra cost of it?

Sarvesh Gupta: Because most of the cost there also will be your mechanical stuff.

P.P. Gupta: Sooner I complete and become revenue ability more value that asset as acquired so why I would like to delay that asset.

Sarvesh Gupta: Understood Sir. Congratulations for a good show and all the best for the coming quarters.

Moderator Thank you. We have our next question from the line of Abhijeet from Yes Securities. Please go ahead.

Abhijeet: Hello, gentlemen. My question is on the AMI business. So we are executing a 2.5 lakh order in J&K and we are L1 in 2000 Crores another order for Jharkhand and Kashmir so Sir I wanted to understand what is the total opportunity size that we are looking at, going forward maybe some other states coming up for ordering so in the medium term like 2-3 years what is the total opportunity size in the AMI business that we are looking at?

P.P. Gupta: Sir the government of India has announced a target of 250 million metres that is a very I will say ambitious project over next five years and out of that our take away is no more than 100 million as far as our take away so we are looking for no more than 5 million out of it considering next three years.

Abhijeet: So we are looking at a number of 5 million over next three years?

P.P. Gupta: Order book over three years to be executed hence over five years you take it like that.

Abhijeet: Right now what I can see is we are present in J&K and we are also like L1 in J&K and Jharkhand so these are two states, so some other states that we are looking at integrating into this AMI business?

P.P. Gupta: We are definitely looking on more perspective states. The bidding is still pending and now we are also learning how to harness more potential out of smart metre more than merely use smart metre for revenue billing or energy billing so this subject will upgrade as application going forward technologically so it will go beyond metre incapability that is what I am trying to say.

Abhijeet: Understood, Sir on the data centre business we talked about two options, one is to be part of a JV or something and the other is to completely sell our interest in the asset so what is the thought process behind this do we want to be a part going forward in the asset or we want to completely sell it off?

P.P. Gupta: Look ultimately we are EPC Company by core; our idea is to develop data centres for ourselves as well as for third parties. The first data centre we took up as told earlier in various meetings to prove that Techno is capable of doing EPC in this space, which was not accepted by foreign I will say entities because we have never done work in that space earlier like L&T or this Bombay company Sterling and Wilson, these two are the leading companies in data centre space earlier so both have become relatively lukewarmed in this space because they are not very large value and they have multiple faculties as they are engineering to be handled additionally and the requirements of the owners are very stringent so that makes good business sense for Techno to be in and we were keen to prove that so that is how it is. So we do not mind for us both opportunities are alike whichever gives a higher delta we will opt for that.

Abhijeet: But we are also looking as a sustainable EPC business the data centre?

P.P. Gupta: Absolutely going forward that is the goal.

Abhijeet: Alright Sir. Thank you for answering my questions. That is it from my side.

Moderator Thank you. We have a next question from the line of Navin Vijay from NS Capital. Please go ahead.

Navin Vijay: Sir my question is on the data centres unfortunately Ankit looks to be disconnected, but I just wanted to know is there any other location apart from Chennai where we have bought the land and started breaking the ground Sir?

P.P. Gupta: Not yet. We are awaiting land allotment and handing over in Kolkata next and we are yet to have a data centre in Hyderabad the next location so we want to do around 250 megawatts as we have announced by 2030 and we are finding it is feasible to achieve this project and even Tier-2 cities are getting popular now with IT companies, so that will obviously give us a choice also to be there.

Navin Vijay: Got it and my second question is on the AMI business where there seems to be some additional receivables that might get added on if we start the platform kind of a business, how do we plan to tackle that Sir, do we do discounting with the financing company or is there any strategy that you have thought on that Sir?

P.P. Gupta: Yes at the moment we intend discounting only with the finance company or we have our own lot of cash to deploy we will see how competitively we are able to achieve that role and even investors are approaching us to invest in our AMI to acquire majority position like GIC has done with Genus or Polaris have done with Gram Power so those investors are approaching us also in the market let us see how it pans out.

Navin Vijay: My last question is on the FGD business it seems to have lost a bit of traction because the deadlines keep getting postponed how do you see that going forward Sir?

P.P. Gupta: It does not impact us per se financially because all contracts have its own price variation clauses, time overrun compensation clauses, so we will deal the situation as it evolves appropriately.

Navin Vijay: Thank you Sir.

Moderator: Just a note Mr. Ankit Saraiya is back on the call. If you have any questions Sir you can go ahead.

Navin Vijay: Gupta Sir has answered the question. I will get in touch with Ankit regarding the site visit to Chennai if possible. Thank you both.

Moderator: Ladies and gentlemen that was the last question for today. I now hand the conference over to management for closing comments. Over to you Sir!

P.P. Gupta: Closing is always a painful word I will say. I will only say that from current quarter onwards you can expect a topline of 400 Crores minimum if not 500 Crores in last two quarters as we anticipate and as I stated again I will reiterate the sunrise in Techno Electric has happened and future is definitely larger than we could have ever believed. This market will be visible to us or available to us which was elusive for the last three, four years I will say so lot of new wave of growth is there in Techno in this space, high end space and we will be announcing more technology based solutions which this sector will need and we will be part of it other than multinational so thank you all for joining the conference call with us. In case you still have any queries related to our growing journey in this space or performance please drop in a mail to us and do visit our office whenever you are in Kolkata or in Delhi or anybody wants to visit our data center at Chennai so we will be very delighted to host you. Thank you very much.

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.