



“Techno Electric & Engineering Company Limited  
Q3 FY2020 Earnings Conference Call”

**February 10, 2020**



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**Moderator:** Ladies and gentlemen good day, and welcome to the Techno Electric & Engineering Company Limited Q3 FY2020 earnings conference call, hosted by Asian Market Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Amber Singhanian from Asian Market Securities Private Limited. Thank you and over to you Sir!

**Amber Singhanian:** Thank you Faison. Good afternoon everyone. On behalf of Asian Market Securities, I would like to thank everyone for the 3Q FY2020 earning conference call of Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta, Chairman and Managing Director from the company, Mr. Ankit Saraiya, Director of the company along with their finance and investor relation team. We shall start with the opening remarks from the management about the quarter and the outlook and then we shall proceed to the Q&A session. Over to you Sir!

**P.P. Gupta:** Thank you Amber. Very good afternoon to all, everybody and I welcome each one of you personally and together to discuss our financial results for the Q3 ending December 31, 2019.

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 faces.

Let me quickly highlight our performance for the Q3, the total revenue in this Q3 is at 261 Crores, the revenue from EPC is at 258 Crores and wind in this quarter has been low and no regulatory new orders, so no additional revenue.

Revenue from wind segment is at 2.47 Crores in this quarter, EBITDA for the company is at 55 Crores, the operating profit for the EPC in this quarter is at 44 Crores plus compared to 42 Crores last year. The operating profit margin has improved to 17.07% as compared to 16.29% last year. The other income is at the same level at around 12 Crores. The profit before tax is at 42.6 Crores and after tax it is 32.04 Crores compared to 30.5 Crores last year. The EPS for this quarter stands at 2.92 Crores.

Coming to nine months' results, our revenue is 762 Crores compared to 800 Crores last year, the EPC is at 665 Crores, the revenue from wind segment is 96.5 Crores compared to 94 Crores last year better by 2 Crores. The REC prices continue to rise on the back of great



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robust demand and limited availability. The last trading was done at 4100 to 2200 against a floor price of Rs.1000 only that is almost double the floor price. We are confident to realize better value out of REC, which is yet to be received and sold by the company.

EBITDA for the company stands at 245 Crores, the operating profit in EPC segment is at 125 Crores. The operating profit margin is at 18.83% compared to 18.66% last year. The operating profit for wind segment is 84.9 Crores versus 83.68 Crores. The profit before tax is at 210 Crores that is the same like last year. The profit after tax is at 173 Crores that is up by 15% due to lower tax rates. EPS is at 15.75.

The current value of investment is at 600 Crores out of which 300 is in the form of cash as of today. The order intake in last nine months is about 2000 Crores inclusive of GST and without GST at 1600 Crores and unexecuted value is at 2500 Crores without GST and we are participated in number of tenders with PowerGrid and in FGD as well as in smart metering and we are confident to book an additional business of 1000 Crores in the remaining period of this quarter.

We reiterate that during the year as anticipated we are confident to realise the order booking of 2500 Crores plus. The outlook for the power sector is very positive and robust on our perspective with every passing quarter it is improving, we were expecting more in the budget, but still I think several policy announcements will happen. We are expecting the new tariff policy which will ensure subsidy disbursement or cross subsidy disbursement through the DBT route then as a part of the tariff, this will be very, very significant change in the policy and it will be a milestone in itself.

The power suppliers will soon be in place whereas DISCOMs may continue with the monopoly of wire. The government will create transmission infrastructure matching with the 175 gigawatt of renewable power target by 2022, a five-year power vision program has been prepared and approved by government can be seen, is available on COA website, this definitely going forward in the next two, three years seems very promising.

The Finance Minister has announced 220 million allocations for the power and renewable power in this budget. As per the notification all thermal plants have to comply with the sulphur emission norms and definitely we expect that business of FGD for 50-gigawatt to be finalized shortly and the government will definitely be implementing FGD for 125-gigawatt for 2024. Otherwise, many captive power plants particularly in private sector which is 10 Crores, if the above emission norms are not met with.

With the implementation of power sector reforms many new opportunities will emerge one among then of which we are already a part of the smart metering. Under smart meter



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national program, which aims to replace conventional meters, the government scheme is to install 250 million smart meters by 2024. At the beginning has already been made in the quarter budget and government is banking heavily on this initiative in curtailing the losses and metering of the power supplies to the consumers.

For the new power generation companies, the corporate tax rate has been brought down to 15% like any other manufacturing company as per the amended income tax routes. In coming years, we see strong power sector reforms with focus on efficiency and liquidity management.

The emphasis will be more on stable and reliable power supply and cost of power and improvement of overall financial and public sector should be getting better. The focus will continue on renewable power with related infrastructure has green corridor.

The transmission infrastructure is required for 500-megawatt over the next seven years. We will continue to focus on our EPC and PPP business in T&D segment and the opportunity is available in the related sectors in power and power based industries.

Our thrust on overseas market has also been improved, we are hopeful of getting further orders from the markets of Rajasthan and Africa.

With this I now leave the discussion to the open house. Anybody is welcome to seek more clarification on our processes or achievements. You are welcome.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.

**Ranjit Shivram:** Sir, just couple of things like just order intake for the nine month and this quarter is there what is the number and in the last call you were guiding for around 2500 Crores to 3000 Crores of order intake so where do we stand as of now?

**P.P. Gupta:** See, I mentioned that we inclusive of GST we have booked business of 2000 Crores in last nine months, which is around 1600 plus without GST. We expect to book another 1000 Crores in this quarter, so our target of 2500 plus stands as of now and we are confident to achieve it.

**Ranjit Shivram:** This quarter was how much in terms of order intake?

**P.P. Gupta:** 270 Crores you can say without GST.

**Ranjit Shivram:** So the number which we should be looking at is without GST or with GST.



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- P.P. Gupta:** Without GST definitely because that is how we construct our books.
- Ranjit Shivram:** So 1600 Crores without GST, so for the full year you are still confident of 2500.
- P.P. Gupta:** 2500 plus absolutely.
- Ranjit Shivram:** The recent NTPC tenders what we get to know is that we have not won any major orders or we are not in a L1 position. So is there any reason for that, because the pricing was better compared to the previous lots of NTPC?
- P.P. Gupta:** You see first of all, all these projects of NTPC were 1 gigawatt plus by and large and mostly in 1.5 to 2 gigawatt category. We have always been shy of large value orders, single large value orders or putting all our heads in one basket, but seeing the urgency and market trend and we have been sounded by NTPC that many of the projects now getting into retender because the prices achieved by them is not acceptable to them, it ranges from as high as 60 lakhs to 1 Crores plus per megawatt. So we will be definitely participating in the retender opportunity of NTPC but at the movement we are pursuing this opportunity strongly in state and DBC.
- Ranjit Shivram:** Sir, but then what we come across is that these lot 4 and 5 which has already tendered, you mean to say is that will get retendered because of the high prices?
- P.P. Gupta:** Part of it absolutely.
- Ranjit Shivram:** Okay, so we had participated right.
- P.P. Gupta:** No, we have not participated, because they were all large value tenders, each around 700 Crores, 800 Crores to 1500 Crores, so we were not part of it, but now we have made up on mind that in select, in retendering situations, in certain selected tenders about 3, 4 we may participate.
- Ranjit Shivram:** In the private sector which are the companies where you are seeing some traction in terms of FGD orders is there any utility in the private sector who is coming forward for ordering or is there still some time away and in terms of SEBs, which are all the SEBS where you are seeing some movement in terms of they are started to talk regarding tenders for FGDs?
- P.P. Gupta:** Yes, like Rajasthan is very proactive, MP is active now, Punjab is active and Bengal is active. In private Tata is active, Jojobera captive power plant of Tata Steel, CSC is talking on this issue, but private is still more in a steady mode than execution mode, but we see more opportunities immediately with state and supplemented by NTPC.



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**Ranjit Shivram:** Sir in terms of state where, who will be funding the CC through REC, PFC or through multilateral and do you see any risk in terms of collections given the bad state of finances the state electricity boards?

**P.P. Gupta:** You see most of this initiative is a funded initiative by multilateral or funded by ADB we are seeing in one of the cases. So we will be definitely stay with either PSU like NTPC or DBC or funded projects of the SEBs by multilateral like REC or PFC or one of the multilateral entities like World Bank or ADB, we will not like to be part of the project funded by their own resources.

**Ranjit Shivram:** All these states which you have mentioned have kind of funding arrangement with REC, PFC, so you sit right towards and that you do not see any risk in terms of collection from these.

**P.P. Gupta:** Right absolutely.

**Ranjit Shivram:** In terms of another big opportunity versus green energy corridor. So why is it getting delayed and where do you see that and how big this can be because we have been talking about in the last couple of quarters but in terms of order intake we are not seeing much of things happening.

**P.P. Gupta:** No, but we have booked significant business from Adani, PowerGrid, as well as Sterlite all put together about business was 750 Crores out of 1600 Crores is for the first lot of 50 gigawatts green corridor finalized by September-October through competitive bidding and another 50 gigawatts is in the pipeline. We are hopeful that this process should be over by May, June, but RFQs selectively has started already on the next batch of 50-gigawatt in this. Yes, apparently due to budget and lot more happening on CAA or MRC lot of attention needs to diverted here and there and less is being talked reforms and even media is full of news but things are happening REC, PFC are buys with the next lot of 50 gigawatts now. By march I am sure all RFQs and RFPs will be in the market.

**Ranjit Shivram:** But in terms of the opportunity we were looking at a much larger number, is that because we have lost market share or is that opportunity size got strong.

**P.P. Gupta:** No, I think we got more than the required, the total opportunity is on a 50 gigawatt, the total capex is 15000 Crores in which the station capex is about 3000 Crores. So out of 3000 Crores we have received about 25% share at 765kV level. So we are decently placed and we were aiming only 15%, but we ultimately got 20% plus in substation business because you do not do the line, rest 1200 Crores belongs to the line category in this business.



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- Ranjit Shivram:** We were also, is there any STATCOM packages.
- P.P. Gupta:** Now we are in planning about three numbers STATCOM packages are in planning and I am hopeful that they should be finalized by September. One will come in TBCB and two will be executed by PowerGrid as we are in count.
- Ranjit Shivram:** How big will be that?
- P.P. Gupta:** Each one will be around 500 Crores you can take it. Each package will be around 500 Crores.
- Ranjit Shivram:** Sir lastly is there any impact of this Coronavirus because we do a lot of imports from China?
- P.P. Gupta:** No, actually it is a very localized issue within China, but yes certain embargos do create free movement of people between the two countries, but the companies with whom we are working now they are more or less stationed their regular teams in India now under Make in India program they have their manufacturing setups, they have their people possibly be having one entry. So it has a very marginal impact if at all any, and it is very short timed I am sure this all should be over by March end or April end it should not go beyond that.
- Ranjit Shivram:** Because the reason I am asking sir lot of this FGD subsystems are fabricated in China?
- P.P. Gupta:** No, we have not engaged any vendor from China in FGD. I know many companies are depending on that, but we have not engaged anyone of them, we are trying to work more with Japanese, Korean and Indian vendors mostly and they are good.
- Ranjit Shivram:** I will join for further questions. Thanks for this information.
- Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** Sir my first question is when you mentioned 1000 Crores of additional order inflow that is what you are factoring in for the fourth quarter, if you could highlight which are these orders where we are in L1 stages?
- P.P. Gupta:** Prices are yet to be open, because even if you are L1 you know again RA happens these days' reverse auction. So anyone is taking comfort out of L1 is not the end of the story. So, but I am sure we will achieve this number with the participation of the tenders we have done, we expect one FGD order at least out of this and one order from power grid in the pipeline.



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- Sandeep Tulsian:** This is conventional or the green energy related Sir?
- P.P. Gupta:** Green energy largely works are now happening around green energy only with PowerGrid also, and we do see one order in smart metering one portion.
- Sandeep Tulsian:** So smart metering the quantum of order now will increase from whatever 100 to 200 range is that we were in, or is it similar range kind of order that we are targeting?
- P.P. Gupta:** Yes, each order is generally ranges from 2 lakh meter to 3 lakh meter they make loss like that so we would pickup one more order like presently we are doing 2 lakh meter order of 200 Crores. So we should expect another business of 250 Crores, 300 Crores in future by end of March.
- Sandeep Tulsian:** Second question was on the Bokaro project the subsidy that we are doing, if you could share how is it expected to ramp up I know it is about a 30-month kind of a deadline to finish that project, but if you could guide us how much revenues by which quarter it would start accruing and how much would you book in FY2021 and subsequent in FY2022?
- P.P. Gupta:** Firstly, there is no revenue been booked in this year out of this order. It is presently in the level of engineering. Conceptual engineering is over. March balancing is over. Now detailed engineering is going on, we should be through with absorber and related facility engineering, more or less by April in the meantime site is made ready and soil data is under testing. So we will basically start booking revenue from second quarter of next year 2021 because even otherwise the very terms of payment the trades revenue tail end of the package. So we plan program in a manner that our working capital involvement in the package is no more than 50 Crores and we are able to achieve progress and billing in a very coherent manner, so far all is good that is what I can share with you, so we are ahead of all entities who were awarded by DBC at the same time.
- Sandeep Tulsian:** So how much will you book in next year sir when you will start in 2Q so how much percentage of the project will be booked in FY2021?
- P.P. Gupta:** You can take it roughly 150 Crores out of 350 Crores.
- Sandeep Tulsian:** It will be completed by FY2022 right?
- P.P. Gupta:** For the 2022.
- Sandeep Tulsian:** Sir this international order side if you mentioned that there are some orders that you are expecting from Afghanistan and some other countries if you could just highlight us in





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which stage are they right now what is the quantum by when should we expect some news on that?

**P.P. Gupta:** No, we got one order from TOGO already we are hopeful of getting another order from Bangladesh now. That is emerging as a good opportunity. This is another business worth about \$60 million and last quarter we booked TOGO order which already we announced. Afghanistan is going to be done certain at the moment critically that unless the new government happens more the season making may not happen so another two, three months maybe a dead period there. By and large we do not look on global business at the moment more than 15%, 20% in totality of our topline, and that will keep happening for one place or the other even PowerGrid is coming out with there is a nuclear power plant happening in Bangladesh in which EXIM Bank has funded \$4 billion for power evacuation program. So we are hopeful of getting some share out of it being very strategically placed in Kolkata to Bangladesh. So Nepal also should achieve more programs along with PowerGrid as a consultant in India. So SAARC countries and Afghanistan maybe more active down three months to my mind and we will continue to explore opportunities in Africa of course.

**Sandeep Tulsian:** Sir can you just highlight which order had we booked in this quarter which you mentioned 270 Crores which area did it come from?

**P.P. Gupta:** The largest contribution is from our Kohima project that is about 100 Crores in this quarter and along with this revenue has come out of many other projects of PowerGrid and Bihar, we are doing a package in Bihar we are also executing a project in Rajasthan, there are many projects which are mostly now coming to a close this quarter in last two quarters we have addressed at least 20 projects coming to a close giving a revenue regime from 10 Crores to 20 Crores each but major revenue is from Kohima you can say.

**Sandeep Tulsian:** No, sorry to interrupt there. Actually my question was pertaining to the inflows that 270 Crores if you could highlight was it more the green energy corridor or the conventional EPC that you have got is what I was trying to understand?

**P.P. Gupta:** It is more conventional you can say and somewhat left over of the green corridor of the previous orders we got a year or two back like in Bikaner, no you are talking of order book or you are talking of execution.

**Sandeep Tulsian:** Sir now you mentioned third quarter new orders you got execution?

**P.P. Gupta:** That is in UP, that we got from PowerGrid I thought you are talking of topline and we do not, I am sorry, please I took you somewhere else it is an order of PowerGrid for executing a GIS substation in UP at Rampur Sambal and that is an order of 260 Crores without GST.



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**Moderator:** Thank you. The next question is from the line of Subhasish Biyani from ICICI Bank. Please go ahead.

**Subhasish Biyani:** There can be a news that this Tamil Nadu the wind power tariffs have got reduced from some around Rs.3 to around Rs.2.15 per unit so like are you bidding on those tariffs because it is quite low and secondly what are the debtors position cum TANGEDCO now because what I believe the debtors were quite high so what is the current position?

**P.P. Gupta:** Firstly, as I told you post our last investment in 11, 12 we have no program to invest anything more than that and we have now done in last 7 years rather we are looking for exit out of this business as I shared with you. So you are right the tariff in Tamil Nadu is as become more political rationale than economic rationale, but anyway this tariff is also under stay APTEL it has been a field and this in stay there. So definitely no new investment has happened from any other person either, but definitely we are not keen to invest number one. Number two the payments are as bad in Tamil Nadu we have got no payment for last one year. So our outstanding is as high as 100 Crores plus as of today.

**Subhasish Biyani:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Vivek Ganguly from Nine Rivers Capital. Please go ahead.

**Vivek Ganguly:** Sir generally we have been hearing that credit situation vis-à-vis the state governments and any other government wherever they are the purchaser is pretty tight so what is the overall field that they were getting and apart from Tamil Nadu are you all, the outstanding that is there are you all feeling any such strains or pressures in your receivables from any government or quasi government entities?

**P.P. Gupta:** No we are not facing any strain from anywhere, because firstly our customers are either CPSU like NTPC, PowerGrid or are bilaterally funded projects by REC, PFC. So in EPC business we are not experiencing any strain in payments by and large, but as a generator in Tamil Nadu yes there is a difficulty for DISCOMs to pay.

**Vivek Ganguly:** Sir, so how do you think the Tamil Nadu issue will get sorted out and what is the state of if I may use the term what is the state of conciliation or arbitration that has, or judicial review that is underway?

**P.P. Gupta:** You see firstly we have no legal disputes with them. So, we are hopefully pushing the Central Government for power sector reforms the first reforms are like pushing data bank with the CA now there is a portal creating to where we log in our outstanding where they



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regularly know how much generators are due for minister also keep raising these issues in different forums with the regulators as well as with the state governments and I am sure either central government will come out with a new scheme like UDAI which is heard like Tatkal power scheme if that Tatkal scheme comes again the DISCOMs will be funded, but I think they have a long-term plan now than short-term. They want to make this DISCOMs by and large stress free so that generators are create well in time through achieve all as per the PPA terms. So we are awaiting that announcement of the total policy reforms which will address this payment issue on a sustainable basis, but I am very confident this issue is shorted now the worst is behind us.

**Vivek Ganguly:**

Thank you.

**Moderator:**

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

**Bhavin Vithlani:**

Thank you for the opportunity. One question, on the wind side could you help us what was the reason there the revenue was down 70% in this quarter. I understand this is a low season but drop in the revenue if you can help us explain?

**P.P. Gupta:**

Last year the wind was better in this quarter October was a good generating month which is not happened this year number one and number two we had got a regulatory relief on the tariff numbers which was accounted in this quarter but when you see the nine month result you will not find any drop because more or less are same like 95 Crores, 96 Crores and year end will also happen like-to-like, but there is upside this year that is on account of the REC certificate price. We have been pricing our certificates at the floor price because we are yet to get it. They got delayed because of the change in name of the company from Simran to Techno which is yet to be taken on record by MMDC and apparently our certificates and the market is already going for about 2000 plus which is double of the floor price. So we are hopeful to show a better topline this year over last year because of the REC prices ultimately so wind form the losing proposition n that regards.

**Bhavin Vithlani:**

The question that one of the participants asked about the change in the tariffs in Tamil Nadu our project is not part of those change in tariff is that correct understanding?

**P.P. Gupta:**

No, our projects are part of it because we are under APPC regime which also gets influenced by the ready tariff they set otherwise those regime, but tariff is ongoing better in this business this tariff is already state by APTEL in the field so probably some better number should emerge ultimately as a mutual agreement, but definitely it has impacted us but we will be able to make it more than that by our other benefits like REC and GBIs.



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**Bhavin Vithlani:** Sure and last question an update on the investments in various bonds of the 300 plus Crores?

**P.P. Gupta:** Now it has come down to no more than 250 Crores as of now which it will further come down to 150 Crores by March end and we should be we are now already at cash level of 300 Crores which is 50% of our investment, in the category of operations. Definitely this has been a good lesson to us. I never knew financial markets are more challenging than power market. So when we invested there were good documents, good instruments that soon they become that so we want to be no more part of the bounced unlike bonds are rating again achieve the credibility or the acceptability. So for time being our aim is to liquidate all these bonds and hold on to cash in the company. So we can assure you that we are not going to be greedy on the track but more on the 50 of the investments.

**Bhavin Vithlani:** Sir we were also get cash once our Kohima projects is transferred what would be the thought process on utilization of that?

**P.P. Gupta:** Largely you see we see this business moving from capex to opex in days to come how long government will keep funding and funding agencies will keep lending so gradually we see as a part of the policy change at central government level also where lot of capex will become capex plus opex model and your cash will always take and enable you achieve lot of economy in operations, participate in more stronger tenders with this concept of capex plus opex so we will or if any policy reform comes in segregation of carrier and content obviously the market will become very different there in upgradation of the very feeders as well as the technology levels in the feeders it will be a huge business like transmission so we are very I think we are on a cross road Sir we are get it patiently for last two years and we are very, very hopeful coming next two years are going to be very promising and will give us opportunities for cash deployment in many business we are in as EPC and will be very rewarding.

**Bhavin Vithlani:** Just but we do not plan to payback the cash to the shareholders?

**P.P. Gupta:** That goes without saying Sir that at least whatever cash we are generating 50% of that will be paid out in 40% to 50% in the form of dividend or buyback that will continue you can expect a dividend of around 100 Crores in the month of April post new policy is in place so that more money goes to mutual funds and we do not want to pay anything in the present regime because you have paid more tax upfront and less to distribute we want to distribute more and let the recipient handle the tax liability at their end, which I believe is low in case of mutual funds.

**Bhavin Vithlani:** But no plans of buyback like you did last year?



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**P.P. Gupta:** No, now we would like to go for dividend unlike buyback we got buyback is also taxed at source so again you have little money and buying 30, 50 lakh shares we know we have ultimately but we leave it to our investor community if their feedback is that buyback is more rewarding to them. We are open for their suggestion. Please write to us dividend or buyback which one you prefer.

**Bhavin Vithlani:** We will do that quick Gupta Ji, thank you so much for taking the questions.

**Moderator:** Thank you. The next question is from the line of Venkata Subramanian from Organic Capital. Please go ahead.

**Venkata Subramanian:** Thanks for taking my question. In the context of broad reforms that we are again waiting for and we are beginning to witness can your kind of guide us and tell us what will be the impact on power producers and how do distribution companies benefit and how do generate has benefit people like NTPC and then Tata on one hand and distribution companies on the other hand?

**P.P. Gupta:** Venkat we are, let me not sound very aggressive and negative to various sector, I mean, we are so far practiced this sector in a very stupid way. It is acute what happens we created on the latest technology and in most efficient process those assets are underutilized or not utilized and whatever our inefficient and aged like 15, 20 years they are over utilized in our system as captive power plants the tariff policy with the cross subsidy one element has made the sector so stupid that nobody wants to buy power on the grid when it comes to industrial or consumers. Also we call it a cross subsidy but somewhere we forget it is not a transaction C2C, it is any intermittent manufacturer of commercial is not a consumer is **(inaudible) 48.24**, we make them also inefficient in the process so they lose more money on their own business also we will take it at the end. So it a power plant which can produce power at 0.7 kg coal is not being used in this country or underutilized whereas a boiler which uses 2 kg coal to produce the same unit of power in captive power like premade or chemical or textile 30 to 50 megawatt capacity is each or maybe 10 to 15 megawatt they are all are utilized because despite inefficient we still able to produce power at Rs.5. So 90000 megawatt sir is in captive mode in this country, which tantamount to more less than 90 to 100 gigawatt of note if by change of reforms and policy measures this 100 gigawatts is transferred to the grid you imagine the benefits, each plant of NTPC or supercritical technology will be backed to 80% PLF or plus that is where we will be back to that. Otherwise we are at 50%, 55% or some of them are not used at all they are stressed asset lying in HEL.

**Moderator:** Thank you. The next question is from the line of Riya Mehta from Anand Rathi. Please go ahead.



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**Riya Mehta:** Sir actually I just wanted some guidance over what do we look at the topline and the margins how sustainable they are for FY2021 and 2022 so like in the near-term next two years what is your guidance as you would like to give us.

**P.P. Gupta:** Yes, all is sustainable and achievable Madam. Generally, in our business first half is 40% and next half is 60% but in this year since business a new intake was late so you can say that out of the 60% generally our division use to be like 25 and 35 which in this time which will be 20/40 so last quarter will be improving yes we could not do much in third quarter, but we have done lot of work which will be reflected in the fourth quarter we are hopeful of achieving the topline of no less than 500 Crores in the fourth quarter.

**Riya Mehta:** Sir, sorry I could not hear the number?

**P.P. Gupta:** Next yearly target will be more or less what we have been talking around 1100, 1200 Crores same way and say in next year it will be 1500, 1600 Crores because all the business which we have picked up or going to pickup it is going to execute it time bound that is the odd of Techno Electric and essentially lot of business quarter-on-quarter comparison is very difficult in our time because we prepare so much in advance and billing is a last more transaction always that is the last mile journey which indirectly become 100% for the investors.

**Riya Mehta:** Sir we see 15% to 16% margins are sustainable margin?

**P.P. Gupta:** Absolutely, why work for a so risky business when you cut down like 15%.

**Riya Mehta:** That is, it from my side. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Gautam Gupta from Nine Rivers Capital. Please go ahead.

**Gautam Gupta:** Thank you for the opportunity. Sir just my question is regarding the Kohima and Jhajjar projects that these for the sales transaction through on both of them. Just want to understand what is the status and what are the cash flow timeline on those as and when will we hear as the cash and Kohima will be after COD so if you could just give us some rough time around and Jhajjar, Kohima both?

**P.P. Gupta:** Jhajjar should happen by March end and Kohima we will obviously may go up to December because July is the period of COD and another three months to bring the project in to CTU range under POC mechanism charge another two three months so by December that money may flow in and together by March.



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- Gautam Gupta:** We have some requirement to hold at least 26% in these projects right but do we get the payments in advance and maybe just the equity transfer happens in two tranches is that how it works?
- P.P. Gupta:** Yes, the payment is 100% transferred.
- Gautam Gupta:** Thanks a lot for that. That helps a lot.
- Moderator:** Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.
- Ashok Shah:** Sir we have outstanding from the Tamil Nadu of more than 100 Crores and nothing come for last one year are there any other states or government or state government or central government anything outstanding.
- P.P. Gupta:** No, not at all Sir because rest all our business is EPC so that is where progress happens with payment only.
- Ashok Shah:** Sir we are planning to give only dividend from next year when it will be taxable in the hands of the receivable and then no tax will be paid by the FIIs.
- P.P. Gupta:** It will be paid by the company in upsurge.
- Ashok Shah:** But the company, but I am talking about the recipient no tax will be paid by the recipient FIIs. So is it not fair to give dividend before March as it is tax free and also go only for the buyback as it is only 20% tax is invited or in other case whatever tax is paid to directly to the government so they are not paying back us in time, so is it fair to give tax free or reduce the tax and for the investor, so they benefit more rather than government benefits more and they do not pay us in time?
- P.P. Gupta:** You see firstly there is no as such mostly as far as I know there is no FII which is investing in our company it is largely mutual funds like State Bank, or Kotak and others DSP so we have been inform the tax on mutual fund is only 10% on dividend. So as against my paying 21% to the government if recipient pays 10% I think he is benefited both and instead of Rs.80 I can pay Rs.100 as a dividend.
- Ashok Shah:** Sir in that case they will be paying 10% TDS but the big investment will be paying 40% of tax which will be much higher compared to the company paying only 21% and after all everything belongs to the investors only so why to discriminate and let the investor pay at 19% more or 20% more tax unnecessarily and to the government who are not paying us in time also.



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- P.P. Gupta:** Please write to us. I am not fully educated of this issue I will hand over to my taxation people, write and note to us if you think the recipient of a mutual fund dividend will be further taxed by 30%, 40% then definitely it is a concern but my opinion is mutual fund dividend continues to be tax free.
- Ashok Shah:** No it is not like that. Okay, thank you Sir.
- P.P. Gupta:** I have no idea small or large.
- Ashok Shah:** Okay, thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.
- Rohit Balakrishnan:** Good afternoon Sir. Thank you for this opportunity. Sir most of my questions have been answered, just couple of questions. You mentioned that this as you mentioned that this time Q4 would be much more lopsided for us because we could not execute much but you are still holding onto the guidance of about 1100 Crores to 1200 Crores in EPC and this topline of 500 Crores you are talking about the combined topline or this is only EPC you are mentioning?
- P.P. Gupta:** EPC because wind is mostly 0 in this quarter so it is increased EPC only.
- Rohit Balakrishnan:** Sir other income is also not you are taking there?
- P.P. Gupta:** That is as usual. It can happen in the normal course which only mitigates our tax liability obligation.
- Rohit Balakrishnan:** Just on this, so FY2021 you are holding onto this your original guidance of about 1500 to 1600 Crores in EPC.
- P.P. Gupta:** Yes.
- Rohit Balakrishnan:** Sir I could not understand so in the transmission projects that we have in Jhajjar and Kohima we have finalized the transaction to sell them but has there been any cash flows that we have received from there yet on sale that has not yet been I could not understand somebody had asked this question earlier?
- P.P. Gupta:** We have not received the cash flow as yet. Jhajjar cash should be happening by March end. They are at the due diligence at the moment on exclusivity basis so and Kohima will be by December only post COD because COD itself happens in July but these transactions are run





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by Kalpataru. We are only partner in this with them. The majority of the partnership belongs to them.

**Rohit Balakrishnan:** Sir Jhajjar what would be the amount that you would be expecting by March do we have that?

**P.P. Gupta:** I think the total enterprise value will be about 300 Crores to 320 Crores and equity value will be about 160 Crores to 165 Crores and we should get 50% of it?

**Rohit Balakrishnan:** Sir on this so on the investment you mentioned that we have already use it to about 250 and it will further come down so has there been any diminution in value that you have taken or if you can just explain that as well.

**P.P. Gupta:** No, there is no diminishing in value in it because we generally carry out this as a PMS actual price portfolio management services we avail from large and reputed houses in Mumbai and any profit loss belongs to that. So there is no diminution value happening to the company and we have been very clear there will be 0 diminution value in this 100% money will be realized by the company and promoters are fully committed to it.

**Rohit Balakrishnan:** Thank you very much Sir, and all the very best.

**Moderator:** Thank you. The next question is from the line of Ranjit Shivram from ICICI Securities. Please go ahead.

**Ranjit Shivram:** Most of my questions have been answered. Lastly this margins we have seen this quarter the margins are under EPC segment a bit muted so for the full year how do you see that and given so much of metering FGD and all are coming in forward so what kind of margin should we assume going forward under EPC?

**P.P. Gupta:** Sir I have always stated it will be 15% plus only because the way we book business or efficiently execute business or achieve the benefit out of the timely payments to the vendors and feed productivity we are able to achieve it will be 15% plus only which I have always maintained and this business make no sense to us unless we achieve this level of margins, operating margins so we are confident that whatever business we have got or will get it is 15% plus will be the going margin in EPC business.

**Ranjit Shivram:** Thank you. That is, it from my side.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Amber Singhania for closing comments.



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**Amber Singhania:** Thank you. We thank you everyone for participating in this call and special thanks to the management for giving us the opportunity to host this call. Sir would you like to add any closing remarks?

**P.P. Gupta:** I would like to thank Amber for hosting such a beautiful call with so many participants and I want to thank each one of the participants for joining the conference call. In case still you have any queries related to our performance please drop a mail to us and do visit us when you are this side of the country. With this I will like to say thanks everybody for joining once again and close the conference. Thank you.

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