"Techno Electric and Engineering Limited Q3 FY24 Earnings Conference Call"

February 15, 2024

MANAGEMENT: **MR. P. P. GUPTA, CHAIRMAN & MANAGING DIRECTOR**

MODERATORS: **MR. SURAJ SONULKAR - ASIAN MARKET SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Techno Electric and Engineering Company Limited Q3 FY24 earnings conference call hosted by Asian Market Securities Limited.

This conference 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. The 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 touch-tone phone. Please note that this conference is being recorded.

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

Suraj Sonulkar: Thank you, Tushar. Good afternoon, everyone. On behalf of Asian Market Security, we welcome you all to Q3 FY24 Earning Conference Call of Techno Electric and Engineering Company Limited.

We have with us today Mr. P. P. Guptaji – Chairman & Managing Director. I request Shri Guptaji to take us through the overview of the "Quarterly Results" and then we shall begin with the Q&A session.

Over to you, over to Guptaji sir. Thank you.

P. P. Gupta: Very good afternoon to all of you. I welcome everyone to discuss the Earnings Call for the Quarter Ended 31st December 2023 and Nine Months ending December of the Financial Year 2024.

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 risk that the industry and our Company in that faces.

Let me highlight our "Performance" of this quarter:

The Q3 Financial Year '24, as you already know that we only have left with one segment of business, post-liquidation of our businesses, that is EPC now and also developing our subsidiary with the data center.

The total revenue of the Company for EPC stands at Rs. 364.5 Cr. The EBITDA of the Company for this quarter is at Rs. 45 Cr, which is up for 92% year-on-year. EBIT for the EPC segment, quarter is at Rs. 45 Cr, that is up by 96% year-on-year. Other income is at Rs. 41.63 Cr compared to Rs. 19.7 Cr last year. The profit before tax is Rs. 80 Cr plus, which is almost double of last year and PAT is at Rs. 77.6 Cr, which is 150% up from last year. The EPS for this quarter is at 7.17, which is up by about 158%.

When we look on nine-month "Results" of this year:

The revenue is at Rs. 1,200 Cr. That is nearly 132% year-on-year. The revenue for EPC is at Rs. 1,189 crores, which is 134% up year-on-year. EBITDA is at Rs. 168 Cr, that is almost double that of last year. The operating profit for the EPC segment stands at Rs. 160 Cr, that is about 125% up from year-on-year. The operating profit margin continues to be at 13.69% for nine months. The other income is at Rs. 101 Cr compared to Rs. 52 Cr last year. The profit after tax is at Rs. 200 Cr plus compared to Rs. 91 Cr last year, the EPS is at 18.85 compared to 8.28 last year. The current investment values of cash and cash equivalent as of December end stand at around Rs. 1300 Cr. That is about Rs. 120 per share.

For nine months, we have used a fresh order intake of almost Rs. 2,738 Cr and our un-executed order book as on date now is all-time high at Rs. 5,441 Cr. Other than this, we are also placed L1 in another business of almost about Rs. 1,700 Cr comprising of orders from Power Grid, Business One in partnership with IndiGrid, orders from Adanis, business from Tripura and also DVC on digitization of distribution network in their command area.

I would now like to cover a brief outlook on this issue:

I trust we have been able to tide over the difficult times, successfully build the financial health of the Company with a lot of unutilized cash in the books, which is now proving very early to us. We expect this growth momentum to continue which have just begun and it should continue for 25-26 very in the similar fashion. I think we have already perfected Rs. 400 Cr per quarter output for the last four quarters compared to Rs. 200 Cr to Rs. 225 Cr over previous years. We expect from Q4 onwards in next year a topline of Rs. 550 to Rs. 600 Cr quarter-on-quarter and which will further rise to Rs. 800 Cr in the year that it is in for the year 25-26. As such, we are very confident that this year, our topline should be anywhere around Rs. 1,750 Cr to Rs. 1,800 Cr, and which will include Rs. 1,600 Cr for third parties and about 200 for our own datacenter. Similarly, next year we can safely expect an offline of about Rs. 2,500 Cr and in 26 about Rs. 3,000 Cr to Rs. 3,200 Cr.

Similarly, I will say the buoyant by the policy initiatives of the Government like PLI Scheme, the digitization and other en initiatives. I will say India is at a very interesting juncture in energy consumption. Energy is all time high in the country today. And I trust by 2030, we are targeting a per capita consumption of 1750 to 2000 units as against 1250 now. This means business in all segments of energy, all around us. And this is going, the manufacturing policy, the digitization policies, as well as the very semiconductor industry, auto industry coming back to India as a solution of China plus one is all very important as well as energy consumption is concerned. In our view, it will fuel an insatiable demand for power and thereby leading to demand for all segments of power, power generation, power transmission, reforms in the power distribution, as well as business in the power consuming industry with CAPEX being back**.** India's power demand is expected to clock not less than 7% CAGR over a period of five years, which is at least presently touching around double digit of 10%. This has brought a new focus on renewable energy, and as well as, I will say, the Government is key to even bring back the conventional energy to the extent of 80-90 gigawatt. So, we see business happening both in conventional energy as well as renewable energy. The Government has already set a target of 500 gigawatt.

From the current mix, we can observe that 43% of renewable energy only has happened till date and with a CAGR of 16% and is expected to lead to 64% RE mix by 2030. And I am sure we will be successful in harnessing 500 gigawatts of renewable energy. So, this also means creating a transmission network to handle this 500 gigawatt of renewable energy which identifies various transmission network compressing of almost 4 lakh of transforming capacity and no less than 50,000 per kilometers of light. This is very, very exciting, I would say. Most of these solutions being matched with capacity to capacity in renewable power, we will all need high-end application of solutions in 765 kV or maybe now is the time to try 1000 kV solutions also in the country. And this also the built of the grid to absorb this power, we will need a number of HVAC, HVDC as well as we need a lot of SATCOM solutions to keep the grid health in place while absorbing power along with the conventional power. This will also imply that we need to focus on a lot of power storage solutions, additionally, like pumping storage solutions, battery storage solutions, and all these means a number of solutions. The power grid is also seen that over the next 7, 8 years, they will have a CAPEX of almost 1.7 lakh crore. The sector will also see a CAPEX of no less than 3.5 lakh crore in the next 9-10 years. And we expect that this will continue in the marketplace to be no less than Rs. 30,000 crore and we will share maybe 50% and our market share of Techno also in this segment is no less than 50%.

The Government is also now encouraging thermal capacity to ensure that there is no **(Inaudible) 13.00** and which is likely to be 4% at present expected and Government wants to mitigate by all means this year being an election year and also to support the lot of enthusiasm due to high-end economic activities happening in the country and India being the only world's largest growth space at the moment. So, this optimism will result in a lot of power pick-up in power consumption, as well as the Company with generation CAPEX, with grid CAPEX and also strongly backed by distribution reforms in the form of digitization of the discoms and smart metering installations in the multiple ways. The Government also amended the Electricity Act, which is also sounding very good now.

Out of smart meeting, I will say that almost about 100 million meters are under various stages of award. And around 88% of them may be taken under RDSS Scheme where Government has allocated 3 lakh crore to be spent over next five years. So, the builds of about 100 million meters have happened and we have already backed business worth about for two million meters and we would like to build about two million meters per year over next five years, so that our share in the market is about 5% in this segment.

Now I will take up segment by segment, like coming to FGD segment, although a bit subdued because Government is encouraging again conventional power in the country. So, FGD will be strongly followed by Government in the new capacity and also in the existing power houses with the CPSU, the state entities. But our takeaway is that the private may like to defer the kind of CAPEX for next two, three years. So, this program of FGD will be steady and will continue over the next 10 years in our perspective. We have already got business worth Rs. 40 Cr-50 Cr and which we will see execution now in the coming year and next year with the BJP Government back in the state of Rajasthan now. And we expect to book business worth about Rs. 500 Cr in this segment year-on-year.

In the transmission sector, after a long gap, it's strongly in place and we expect the TBCB bidding to happen to almost per 50 to 100 gigawatts now. And a lot of bidding is in process, in progress, and every month three to four concessions are being awarded to power grid or private sector and wherever the AIS Solutions are involved we are being preferred as an entity to provide the same over 15 months to 18 months, which is the call of the day to match with the generating readiness. The total business in transmission may be around 40,000 crore per year, out of this station business can be taken other than HVDC to be around 7,000 Cr to 8,000 Cr and we expect to move this business of 3,000 Cr year-on-year for next 3 years to 5 years. We have already one business worth about 1,500 Cr in first 9 months and we are at L1 in another 1100 Cr business in this segment. So, we are hopeful to first ride back 3000 Cr business in transmission by close of this year. In the metering segment, I can say we are expecting orders for 2000 Cr year-on-year. We are already executing a smart meter business in the state of J&K for 2.5 lakh meters which is coming to a complete by the close of the Q4 and in addition we have got another order to install about 7.25 lakh meters again in the state of J&K.

In addition, we have also backed order to install 5 lakh meters in the city of Indore and Indore discoms. We are also L1 in Tripura, and we expect the order very shortly for another 4 lakh meters in this state. We are participating in business in the state of Rajasthan, Jharkhand, in smart meters and expect that by the close of the year we will expect additional business of about a million meter more. The overall financial health of the sector is likely to be improving and if this focus really stands implemented on renewable power and also this discom reforms, we are confident that there is a huge business for our Company, not seen before. We will also like to be part of the battery storage solution or pumping storage solution, as well as for the balance of plant in the conventional powerhouses which we have carried out successfully for CPSUs and states in multilaterally funded projects over last three decades. Datacenter is another very exciting story.

We all believe that digitization and cloud services is the most prominent reason backed by DPDP if the country has led to a growth of this vertical and also the consumption of data is growing every day in our country. And I trust this is the cause of the very energy consumption demand as of today. Yes, digitization is highly energy-intensive.

My takeaway is that presently we have about 700 megawatts of data centers in the country which is likely to be at least 2 gigawatts by 26 and maybe another 5, it grows to 5 gigawatts by 2030. India actually offers a very attractive energy cost today apart from stability of supply that is compared to Southeast Asia or Europe. So, I trust most of the large operators in this space would like to locate their data center in India in the location.

Additionally, I also believe that AI has also fired this sector very strongly. In monetary terms, in my mind, this sector is no less than $2 trillion in 25 and it may be $5 trillion by 29. The very growth driver in this space is the public cloud adoption by the large entities and enterprise level, the data localization, the data plan, the data protection bill 2023, the very policy initiatives of the Government as announced by them. The digital transformation which is taking place in the countries. The Technology development which are happening like rollout of 5G and others and next level of growth, AI, 5G and VR, the increasing adoption of AI and virtual reality will revolutionize the enterprise Technology market and benefit data centers. IoT, big data and cloud computing rising demand for IoT data and cloud services will continue to drive the industry. Techno is also in the advanced stage of setting up a data center of 24-megawatt IT load and 40 megawatt of grid load at Chennai, which has achieved significant progress over the last one year, one year and a little more and we expect to be ready by no later than March or maybe a month or two more because of the disruption which happened in November, December in Chennai because of the cloud bursting. We are now in the phase of equipping the project with more and more of the power centric solutions and civil works and building works are nearly ready. The procurement of these items is already in place, and we are hopeful of commissioning if not by March, April or latest by June '24 and complete the project by, I will say, a little later than the March '25.

We are seeing aggressive interest from special partner to enter into a JV for developing data centers in India. We are also noticing the deal happening in this space. We'd like to conclude the same. Once the project is nearly complete to harness the best value out of this, I say, The CAPEX in our project is expected to be around Rs. 1400 Cr that is no more than Rs. 45 Cr per megawatt and with 60% of CAPEX happening in the electro-mechanical works. That gives us the ability to leverage the same in future works for other developers of data centers also. The Company is very well placed at the moment and with a lot of merits, we are financially strong with undeployed cash of Rs.1250 crore at the moment.

The business is strongly back in our proven areas of competencies of the last three decades, that is, high-end transmission solutions, which we expect to be about Rs. 3,000 Cr per year, developing translation solutions with TBCB mode in partnership with financially strong entities and in which a good opportunity in the space of smart meters in OPEC model wherein we want to absorb in-house risk of the project development and revenue stabilization. Thereafter, we will see the effort as in case of transmission and mid-assets on financial IRR basis.

A lot of opportunities in the balance of plant space due to new capacity to be built by CPSUs like NTPC, DVC in thermal power space and also with the state utilities with whom we have successfully performed in the past. Due to induction of AI, the data center business is strongly back, and we expect now we are confident of achieving 250 megawatt by 2030 or maybe more I would say. And as I already highlighted, it is due to the very energy cost in India, which is no more than six to eight cents, we are very well placed to capitalize on this opportunity. We are developing data centers in Chennai and Calcutta, next to Nxtra data center and we would like to take partners only post readiness induced**.** So, all this means the Company is strongly in growth space by virtue of the energy growth in the country and also the related businesses to the conventional power, renewable power, and also power and gasoline industries like data centers. And in addition, strong reforms have to be in distribution with RDSS scheme in place and also digitization of the distribution business. So, this means that we can easily expect a business of no less than Rs. 4,000 crore per year in the next 3-4 years to go. As I already explained, our target for the current quarter onwards now that is Q4 will be almost Rs. 550 Cr to Rs. 600 Cr from Rs. 400 Cr being experienced and stabilized in the last four quarters and by the year 2025-26 it will further rise to 600. 24-25 it will be 600 per quarter and for 25-26 it will be Rs. 800 crore per quarter. So, we can easily expect the topline of no less than 2500 in 24-25 almost 3000 to 3200 in 25-26. EPS of 25 with the current year, 35 for 24-25 and 45 for 25-26 respectively.

With this background, I would now like to pick up the questions from the floor. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, my point is that, when we were having Rs. 1,400 crore cash, the Company desired to raise money through QIB amounting Rs. 250 crore. I believe that Company should take that first then raise the equity. So, what is your view on this because equity is always not cheaper than..

P. P. Gupta: Any other question?

Ravi Naredi: Rs. 1,500 crore L1 order, which you recently said in the last interview. So, what is the status at present? And you announced a lot of orders in this concall which we may receive in due course, so how the Company has capacity to perform them? These are my questions.

P. P. Gupta: First of all, let me address your capacity question and then come to the finance and prudence of finance on this side. On the capacity side, Techno **(Inaudible) 30:37** in building balance of plant**,** I would say, high-end application complexities as well as **(Inaudible) 30:54** facilities like applicable in data centers and also distribution for smart meters. **(Inaudible) 31:00,** those were our two components, **(Inaudible) 31:06** or earnings as a bottom, but we must do it**. 31:22 (Inaudible)** the Brownfield expansion packages from Powergrid **(Inaudible) 31:28** We were always operating **(Inaudible) 31.40.** So we were almost executing 30 location projects of each with no more than Rs. 50 Cr, which presently we expect to raise it to Rs. 100 Cr and then to Rs. 150 Cr per location or maybe even Rs. 200 Cr but not working at any more than 15 to 16 locations because of the very size of the projects of 765 kV AIS and they are largest of the large in the country as a deployment. So, all these, within the same capability and capacity, we are able to ramp up the top line, number one. Number two, coming to the finance prudence, you see our Company has always been very prudent in utilizing cash and I trust 'cash is king'. It always brings multiple type of benefits like assurance of payment to our suppliers, procurement at competitive prices, your ability to fund your programs ongoing in the field in time and it is usually comfortable I will say. And you must have cash in the books always to take care of any contingency otherwise. So, I have been always a debt shy person and we trust we can earn easily 15%-18% on this money by multiple and different ways of deploying the same, which is not only meant for growth in the topline and resulting in higher working capital necessities, but also to fund the CAPEX model projects like our partnership with the developing transmission assets in TBCB or developing smart metering solutions and going forward we do expect that we can take up more projects in CAPEX model with the developers, thereby giving us a better bottomline demand.

But definitely, you see the CAPEX planned over the next five, six years for us is no less than Rs. 25,000 Cr, if you see holistically. 250 megawatts of data center will mean no less than Rs. 10,000 Cr as a CAPEX and also developing 10 million meters in CAPEX model will also mean Rs. 10,000 Cr. So, it is almost about Rs. 20,000 crore. Of course, we will take that, but we will be shy to go beyond that ratio of 1 is to 1. And we will also be continuously rolling over this CAPEX into exits additionally, so that all the time we must have a cash availability in the Company of no less than Rs. 1500 Cr to Rs. 2000 Cr to meet any contingency or any delays or any delay or payment as experienced, so that we are not vulnerable as we experienced in previous 10 years with fatality with a lot of generators. So, we want to make sure that companies continue to generate a reward of 15%, 18% on the equity, as well as keep companies financially healthy.

Our target is that by 2030, if we have a topline of Rs. 5,000 Cr, my net worth also be known as that Rs. 5000 Cr. That is what we will achieve at a debt of no more than Rs. 5,000 Cr.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from Nuvama. Please go ahead.

Subhadip Mitra: Firstly, many thanks for giving such a detailed explanation and your overview for the sector as well as for the Company. If I heard you correctly, I think you mentioned FY25 sales guidance of 2,500 crores and FY26 at 3,200 crores.

P. P. Gupta: You're right, perfectly right.

Subhadip Mitra: And I think sir you also mentioned an EPS guidance of Rs. 35 in FY25 and Rs. 45 in FY26, did I hear that correct?

P. P. Gupta: Yes, 26, 25, 26, absolutely right.

Subhadip Mitra: This is immensely helpful. If you could also help us sir in terms of the EBITDA margin guidance that you have, I remember I think in the last call You had mentioned the range of around 13%-

14%. I believe for the nine months of this year, you're already tracking 15%. So, would you be upping the EBITDA margin guidance as well?

P. P. Gupta: No, sir. I think we will continue to be around 13%. And depending on commodity cycle because of the global forces as are very happening around us, I think we should be conservative, but it may improve. I think expecting 13% is fair.

Subhadip Mitra: I understand. Would you see scope of the margins going up over the next two years give will you see scope of the margins going up over the next two years, given that you're getting larger ticket size orders? So, maybe there is some operating leverage or economies of scale that can flow?

P. P. Gupta: So, it may happen, but to be conservative it is not good to factor because the very tariff bidding which happens in our country it puts a lot of pressure on the developed asset owners in terms of the tariff and their ability to pay out to EPCs are not that use that is constantly under pressure as I see, additionally we also experience today it's a suppliers market on equipment because of the ban on the large end equipment or major equipment forming part of the solutions because of the ban in use of Chinese equipment under DPIIT policies. So, all these are the challenges inbuilt in it. So, I will trust we need to experience the ground.

Subhadip Mitra: I understand. Lastly, what we are hearing from various industry players including power grid is that while there is this huge pickup in terms of the plant transmission CAPEX, there is acute shortage of certain segments of equipment. For example, whether it is HVDC or it is high voltage transformers. Do you anticipate any such short-term paucity of equipment which can probably impact your execution on the substitution side?

P. P. Gupta: So, this is what I shared with you just now, Mr. Mitra. That pressures are there in the marketplace but Techno's relationships with these very suppliers for the last three decades and having grown together and have been a trustworthy payment masters in this space. So, our respect is very used. And that helps us to, despite challenges, we do get our equipment in time from them by and large as for the requirement of the solution. And that's good, I will say. So, it's a time for companies like us to come forward. And you know, absorb more of the risks which we are best placed in the marketplace.

Moderator: Thank you. And the next question is from the line of Venkata Subramaniam from Organic Capital. Please go ahead.

Venkata Subramaniam: Couple of questions, sir. One, we had taken a few opportunistic orders overseas when the Indian markets didn't appeal to us. Are we kind of defocusing there and will we come out unscathed from that and water out of there sir?

P. P. Gupta: Sir, I will say that we have done little overseas compared to many others in this space, number one. Number two, our TOGO assignment is complete, and we have already received completion certificates that project was funded by Exim Bank. We are still struggling to be out in Kabul, in

Afghanistan, which are our comfort zone was that they are funded by World Bank and ADB. So, resolutions have to be made. A number of meetings have happened in Doha, and we are very confident. And secondly, these projects are part of CASA scheme. You know, it is not limited to Afghanistan only. So, they have to find solutions because three more countries around Afghanistan are entangled in it. But the good part is that we have nearly completed about 90% of the work in this project. So, it will be foolhardy for anybody, you know, not to complete the balance 10%-15% left in that place. So, project completion will happen and our involvement also is no more than six million dollars there, which is very little, I will say. But we are finding good traction now in the Middle East, because every country in the Middle East is very strongly focused on renewable power, like India, and climatically also so. So, we find good space to be part of in Saudi or Oman, or similar other countries. Let's see how it works out. But the domestic market is more hot than overseas also.

Venkata Subramaniam: Secondly, a couple of conference calls ago, in answer to a question about organizational strength and then enhancing etc., we said we are in the process of inducting and interviewing a lot of people etc. Are we getting the kind of talent that we need to achieve this kind of scale, Guptaji now?

P. P. Gupta: Absolutely, sir. Because there are two things. Firstly, we have strengthened our daily office very strongly and my son is located there now, full time. I think it's been four years, Ankit who is driving all IT-laced power solutions, like data centers, smart meters, or digitization. And we have picked up very good people in that office. If next time you happen to be there, it's a team of now 100 strong people. If you happen to be there in Gurgaon, please visit our office. We welcome you and share our experiences with you. We are also transforming a lot, I can assure you. We understand growth brings its own challenges and risks with it and as conservative we are, we want to be delivering this growth very successfully and prudently in all regards.

Venkata Subramaniam: Lastly, sir, on this enabling resolution for QIP, knowing the Company and knowing you, I read a lot, you probably have spotted some opportunities. It probably will not be very futuristic. Do you want to give some broad color in terms of what this will entail, etc.? Do we have some specific assets that we are chasing? Because it can't be, anything that you build either on the data center side etc. will kind of turn itself over. You know, it won't be a continuing investment. A few you will build and in the typical style you probably will flip them over, etc. So, if you take this kind of money with the kind of cash trail that we're sitting on, you probably have something in mind. Do you want to kind of give a broad picture to the market?

P. P. Gupta: No, we have a program of CAPEX of almost about Rs. 2,000 Cr. to Rs. 2,500 Cr. per year now keeping the CAPEX model of the smart meter as well as data centers. So, the objective is to stay liquid enough and financially strong enough to meet these kind of CAPEX year-on-year either less by some debt not all debt but also you know if you are not able to get the exit for a year also, you can be under distress. So, we don't want to be in stress or distress situation. The advantage is that whatever exposure you want to take in CAPEX or asked working capital needs, that must be adequately funded. But secondly, whatever approval we are taking, sir, we are beginning the process. It does not mean we do in one installment, or it may be two rounds depending on investor interest in our space, in our Company. So, we are still not very decided that this money will be raised tomorrow itself. It is only the beginning of the process. And we may complete this over a year, either as a preferential allotment or as a QIP, or depending on investor interest in our opportunity and value is willing to pay, which will be good for all the stakeholders in the Company today. But we are also strongly looking on foreign enterprise, FIIs or FPIs, more than you know, because domestic participation is already very high in our Company.

Venkata Subramaniam: Indeed, I understand. Now, if you are investing almost Rs. 2000 crore to Rs. 2,500 crores in the system on almost a yearly basis, then one would assume that, you know, just a 13% to 15% kind of EBITDA would possibly give us only something like about Rs. 300 odd crores - Rs. 350 odd crores which is not the kind of matrix that we have worked with in the past. So, although the turnover can be higher probably the flow through to the bottomline should be a lot higher than 13%. Right, otherwise it won't meet the previous matrix of us.

P. P. Gupta: You are perfectly right sir But you may see in our documents happening in two parts as you saw in the past. One, some part of return will be as a value accretive and some part will be as a CAPEX returns in execution return. So, it will be a blend of the two as you saw when we sold our transmission assets. We generated handsome capital gains. Similarly, when we exited wind assets we had a handsome capital gain. So, this will also be hybrid model of EPC reward plus your exit reward as a capital gain. These CAPEXs are happening in SPVs, because that is mandatory. All smart meter work is also happening in SPV only. That is also a requirement of the Government. So, that post-concession period, they go back to the Government.

Venkata Subramaniam: Now, just to guide the market more appropriately, if you can kind of actually make a presentation to kind of capture this, because on the face of it, it looks as though you will have about 13%-13.5% kind of margin on all your top line, while some of it actually will come from value accretion. So, it might make sense to guide the market accordingly.

P. P. Gupta: Yes, we will do, we will take care, no issue.

Moderator: Thank you. The next question is from the line of Gurwinder Singh from Fortuner Investment Advisors. Please go ahead.

Gurwinder Singh: My question probably continues from what Venkat was trying to get to. As we understood your business, the CAPEX heavy or asset heavy businesses of smart meter and data center will obviously grow in the overall pie in the next 5 years or so. Just a sense of philosophically, would you limit the CAPEX from the balance sheet of the parent into these SPVs, essentially by funding the growth beyond the point from selling stakes in those NBFCs and finding partners? Or would you be philosophically guided to continue to invest and limit the partner's capital there? I mean, more a directional question, if you could help.

P. P. Gupta: It's a very delicate balancing of risks versus rewards between yours and me sir**.** Our takeaway call is that we don't want any investor to underprice our assets merely by assuming that he is part of the project happening. This core project, construction project management risk or project development risk number one and secondly the very stabilization risk thereafter of the revenue stream. So, that when like we when we parted our assets on transmission then those projects were not part of any construction risk or any revenue risk. So, we could exit at about 9% IRR or 9%-10% IRR depending on that cycle happening in the country. But today, when you take a partner, when project is in construction phase or delivery phase, any investor looks for a return of no less than 15% or more. So, that is very pushing. That belongs to my investors. That belongs to my stakeholders. So, we want to, Techno is sure of that risk. We understand that risk. We are confident of mitigating that risk. So, that reward must be part of my balance sheet, whether it is happening in SPV or in the parent. But we will definitely be funding SPV with the debt, as long as something with the capital from the parent Company. But definitely those SPV will be parted out once projects are operational to the financial investors or to invest as required. So, that we are able to derive or realize the most optimal value out of our learnings, our experiences, and as well as out of the seeing the business risks out of the discom agreements or regulatory agreements. So, we don't want to be underpriced on our assets.

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

Sarvesh Gupta: Continuing on the previous question itself, now so the advanced meters we understand that you know it is more like opportunity where once it is done then there can be some IRRS linked to it. But in case of data centers while we have the EPC sort of capability, but we may not have the capability to get the data centers filled with the tenants and up and running. So, in that model now, if you're taking a lot of funding in our parent, then how will it help the potential guy who will come to the data center business as an investor?

P. P. Gupta: Sir, in data center, the investor will happen earlier, then it's occupied or put to use like you can see. We are approached by many investors, but we are awaiting its readiness so that somebody is not a part of my construction risk. Once it is visibility of readiness and operationability happens, definitely somebody will become our partner by then. We have capital with us already on a understanding levels and still to get into a definite projects between us. So, and also we are inducting people from the Silicon Valley as a director in our board, which will you see soon happening, who have built multi-billion-dollar data centers in US and exit it. So, we are conscious of all these issues and resolving them in a professional manner, I can assure you. We are not mounting this which is not digestible by us or not addressable by us.

Sarvesh Gupta: Understood sir and on the on the fundraising itself. So, the way I understand that maybe you will do it in parts over the next 12 months or so after getting the shareholder approval and this entire money may not be drawn in one go?

P. P. Gupta: Absolutely, and we won't do dilution more than 10% in totality over a year.

Sarvesh Gupta: Just one more question. So, when I am looking at your console and standalone statements, I do see that the gross profit in the console is lower by 12 crores compared to the standalone and same time like in the second quarter, I think or in the first quarter of this year, it was 26 crore of profits. So, how what is the policy around doing this EPC business for our subsidiaries. Is it entirely in cost-to-cost basis as of now? But if that we saw then how come we are having some losses in the console? So, if you can explain the policy regarding how we are billing our subsidiary companies?

P. P. Gupta: No, I think these are accounting issues and you have to comply to many norms of the books of accounts as you build. We're gradually trying to come around. Firstly, console happening is no more than data center now in the Company subsidiary. There is no other asset which is in control. Number one. Number two, our aim is not to have more profit in the parent over the asset. We like to drive more value out of the CAPEX exit subsidiary asset as a capital gain. But at arm's length pricing, we have to be prudent under corporate governance norms. And accordingly, we keep benchmarking the price of the contract to parent versus subsidiary. So, you can see that the gap is narrowing down.

Sarvesh Gupta: And overall, we can expect a 20% sort of an equity IRR, post-tax equity IRR once we down sell these assets, including the EPC margins?

P. P. Gupta: Yes, absolutely. As of now, yes. It may be more. The way we are seeing investments at the moment happening in data centers, post-AI kind of rush, market is getting fired more than energy also now.

Sarvesh Gupta: Okay, so that's good to know, sir, that we can get more than 20% post-tax equity IRR. And as I understand, part of it would be back-ended because of the exits that we may get. Absolutely right. Understood, sir. Thank you and all the best.

Moderator: Thank you. That was the last question. I now hand the conference over to management for closing comments.

P. P. Gupta: I thank you all for joining the conference call with us. And if you still have any query left with you, please drop in, drop a mail to us. And if you happen to be on this side of the city or part of India, you are welcome to drop in our office to visit us and witness for yourself how we work. Our daily office is equally large and vibrant now. You can visit us in Gurgaon office also. Ankit Gupta is there located, he can answer all your questions. And with this, I would like to once again thank you all of you and close the conference.

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