"Techno Electric & Engineering Company Limited Q4 FY2021 Earnings Conference Call"

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ANALYST: **MR. AMBER SINGHANIA - ASIAN MARKET SECURITIES LIMITED**

MANAGEMENT: **MR. P.P. GUPTA - CHAIRMAN & MANAGING DIRECTOR, TECHNO ELECTRIC & ENGINEERING COMPANY LIMITED**
MR. ANKIT SARAIYA – DIRECTOR, TECHNO ELECTRIC & ENGINEERING COMPANY LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Techno Electric & Engineering Company Limited Q4 FY2021 Earning Conference Call hosted by Asian Market Securities 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 like to hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you, Sir!

Amber Singhania: Thank you, Ayesha. Good afternoon everyone. On behalf of Asian Market Securities, I would like to welcome everyone for 4Q FY2021 Earning Conference Call of Techno Electric & Engineering Company Limited. We have with us today, Mr. P.P. Gupta, Chairman and Managing Director; Mr. Ankit Saraiya, Director of the company along with their management team representing the company. We shall start with the opening remarks from the management, and then we will move to the Q&A session. Over to you, Sir!

P. P. Gupta: Thank you Amber. Very good afternoon to all of you and I am grateful to be part of our investors conference call. I welcome once again everybody to discuss our financial results for the quarter ended March 31, 2021.

First of all, I would like to wish everyone to be safe and healthy and the times are extremely challenging and I trust most of you must have been vaccinated by now. Anything said on this call, which reflects our outlook for the future or that could be construed, as a forward-looking statement must be reviewed in conjunction with the risks that the industry or our company faces.

Full year results are not comparable on year-on-year basis due to the impact of COVID-19 in the last year first quarter of April, June 2020 where we almost lost three months, and we continue to be impacted with the local lockdown loss and quarantine rules by different states. As such the present results may please be considered as if the year was of 9 months only.

Let me quickly highlight our performance for the last quarter previous quarter year 2021, the total revenue stands at Rs.214.79 Crores up by 88%. Revenue from EPC stands at 212 Crores up by 78%.

EBITDA for the company stands at 18.95 Crores. The operating profit for the EPC segment for the quarter is at 32 Crores compared to 15 Crores last year. Other income is at 8.6

Crores. The profit before tax for this quarter is 14.94 Crores and profit after tax is 8.81 Crores. The EPS for this quarter stands at 1.18 Crores.

The full year result, the revenue is at 889.22 Crores. The revenue from EPC business is at 789 Crores we have been able to cover most of the grounds despite lower revenue in the first quarter due to the COVID impact as such this may be taken as a nine months revenue. Revenue from wind segment is at 100 Crores approximately compared to 90 Crores last year. The company this includes the differential tariff charges of 0.975 per unit on units billed during the year 2019-2020 and 2020-2021 totaling to 35.85 Crores vide APTEL impugned order dated January 28, 2021.

Setting aside the TMERC tariff order of March 2018 where the tariff was reduced to Rs.2.14 as against Rs.3.10 earlier and confirming that the tariff of the prior period that is Rs.3.10 we will continue to be in force till further orders.

Additionally, we have also provided impact or written-off Rs.11 Crores of revenue booked in the year 2017-2018 on account of REC pricing as per regulatory orders which reduced floor price to Rs.1000 from 1500 for the unsold inventory there.

EBITDA for the company stands at 216 Crores. The operating profit for the EPC segment was maintained compared to last year which stands at 144 Crores approximately compared to 140 Crores last year. Operating profit margin of our EPC segment is at 18% compared to 17.9% last year year-on-year. EBITDA for our wind segment is at 72 Crores.

The other income is at 83 Crores compared to 44 Crores last year. It includes profit from the sale of our transmission asset in Haryana that is named as Jhajjar KT Transmission Asset and we made a profit of Rs.28 Crores as capital gain and additionally we have received a dividend from the company of Rs.15.80 Crores. As such the gain out of the sale is around 43.80 Crores, which is part of 83.5 Crores.

Profit before tax for the year is at 215 Crores approximately compared to 213 Crores and profit after tax is at 204 Crores compared to 177 Crores last year on standalone basis. The EPS is at 18.22 Crores and the value of current investments including cash and cash equivalents is stands at Rs.800 Crores in the company.

The order intake last year has been only around 450 Crores but we are L1 in various orders were more than 600 Crores which could not be decide additionally we have also participated in tender for more than 3000 Crores the results of which are still awaited.

If we take L1 in the order book it will be around 1000 Crores on an average. Our unexecuted order book as on date is 1920 Crores approximately, but the outlook is very great I will share, we expect a larger business out of the FGD segment, AMI segment and also our new segment where we are in by that is data centers.

In FGD segment we will continue to be in focus for next three to four years as per notification of government of India all coal side power stations need to limit their sulphur emission and notified by the Pollution Department and further classified by Central Electricity Authority by December 2023. There is a considerable progress as with CPSU is ordering the projects for implementation of the distillation but the same will now be happening with SEBs and private sectors more strongly.

We expect business of around 12 billion in this year only at this level of business will continue for next three to four years and 50 gigawatt is yet to be ordered out of the remaining units with CPSUs, SEBs and private sector at least if not 100 megawatts. So maybe there will be further time extension by government going forward.

Coming to transmission segment we expect it will be a status quo and will be largely limited to the evacuation of the renewable power as we had stated last year there is an ongoing TBCB bidding of 66 gigawatt of evacuation of renewable power to meet the target of 175 gigawatt and the stress this will be over by September 2021, but earlier it was force to be completed by December 2020 but due to COVID this has been extended and some of them have been refloated.

Against the bids submission we plan to bid for at least seven projects totaling to 3500 Crores and expect to win one at least if not two. The Union Budget additionally also provides for 3.05 lakh Crores and restated by FMs yesterday in the stimulus package for power distribution sector to be leased over 5 years and fund will be leased based on financial performance at viability demonstration via the distribution company. So this area continues to be use for charge to the government and lot more need to be done. We are also finding good interest as well as traction from the various InvIT funds and large investors large P/E funds to participate in other bids by making the company a significant partner, trustee that there is no blood met risk by partnering network. This will enhance our access to capital that will help us in winning for more than one project EBITDA a better more aggressively.

Bidding segment on the distribution side we see a lot of activity going forward and particularly in the case of prepaid automatic meters or smart meters and as for the power distribution networks will also be strengthened and made lot more smarter and intelligent as a backup to the metering.

The main aim of the government is to improve efficiency and contain losses so the health of the DISCOMs could be improved additionally the consumers government also desires to provide the consumer a choice of power suppliers which still remain a dream after nearly 17 year of it actually going to happening to this and even open access also sort to take place as desired.

We had mentioned earlier that we are interest for a project in the state of J&K for balance 9 lakh meters and we hope this will be procured this year and as you all know we have executing a project for 2 lakh meters which has acquired B or C status right now.

Apart from this there are reading in media that government will also utilizing this opportunity for reforming the sector, which are overdue and are being carried out in the name of Atmanirbhar Bharat and although these reforms are also a longstanding demand of the stakeholders in the sectors and as well as the need of the consumer for this as large. This is holding up the amendments to the Electricity Act amendment to the tariff policy and elimination of cross subsidy, payment of subsidy directly to the power, consumers and lot of planning is made by CA to give a visibility over next three to five years. We are very hopeful that power sector is at a critical juncture and something good should happen going forward.

Wind segment, we are again facing headwinds because of the DISCOMs being poorer by every passing days and not having enough money to pay, it has impacted not only the tariff but also the payments. We hope to realize our pending payments of last two years shortly out of the 1.2 lakh Crores package announced by the Finance Minister through REC, PFC to the DISCOMs to pay to the generators of their dues up to September 2020. We have already received around Rs.58 Crores in the last quarter out of our total dues of 132 Crores, that is tranche one. The tranche two has certain conditions which we have meant which have to be supplied by the DISCOMs to facilitate the release of the same and is expected that in this coming quarter we will be able to get that money.

Additionally, we have been speaking about the REC price issue since the last few quarters. There is no trading of REC happening after the stay order of APTEL in July 2020. April has allocated fast track hearing in the first week of July and we hope to receive the order by July end. As committed in the last quarter, we will be recovering our performance of last year and shall be executing at least 50% of unexecuted order booking during the year and also part of the new orders to be booked during the coming years. The next three years are going to be full of growth as we can foresee whatever growth we have lost in last three years will be made up in coming three years. In the coming years we also see a strong power sector reports with focus on efficiency, stable and reliable power supply, cost of power and improvement of overall financial health of the sector. We will continue on renewable power with the related transmission infrastructure as green corridor. The transmission infrastructure is required for a 500 gigawatt over next 10 years. Our thrust on overseas market is also bearing fruits. We are hopeful of bagging further orders from the markets of Africa and Afghanistan and our FM have also yesterday confirmed a baggage of financial assistance of 33000 Crores for exports.

Data Sector: COVID-19 has impacted our life in multiple roles but one positive outcome of this will be growth in the digital space, this is a huge development with the growth in the digital activities all around us obviously there will be more digital data to be handled and also bagged by now IT policy of the government on data privatization or in-house it is expected that the third-party data centers industry or data center infrastructure will grow significantly from the current level of 500 megawatt to at least plus minus 2 gigawatt in next three years and this will definitely be seeing a further growth like in renewable powers. Till date most of the data centers are located in Mumbai where undersea cable was available but now for last one year Chennai has become the hub also of the installation of undersea cable, Airtel, Adani, and NTT are already in the process of setting up of data centers at Chennai. We have also Techno is also in advance stage of setting up of data centers of 30 megawatt of IT loads of ultra scale hyper density for which the land has already been acquired in Siruseri in Chennai next to TCS campus and the project is under construction.

Additionally, we will captively consume the operational wind power capacity of 111.90 megawatts to classify the data center as carbon neutral that aligned with the policy of major hyper-scale customers like Microsoft, Google, etc., because of their ESG commitments. So we see a double whammy rewards out of these results which will grow strongly in the coming next three to four years I will ask my son to cover both on this point. Ankit, can you take over now?

Ankit Saraiya: I think our plan is to actually grow this segment from this one data center of 30 megawatt to at least 250 megawatt to 300 megawatt of total capacity of data centers over the next three years. We are beginning with Tamil Nadu and maybe in the next project we have been go to Calcutta as Calcutta is also seeing development of an undersea cable and installation at Digha at West Bengal by Reliance Jio. That also should get commissioned by 2022 hopefully by March and we should be able to see Calcutta becoming an attractive destination because as of now there is not much data center activity over there though there is demand of data by the consumer and West Bengal is the gateway to North East so in Bihar, Orissa additionally and become an export of data center to markets like Bangladesh, Bhutan, Nepal.

Calcutta might become a very, very interesting proposition considering that there will be limited development of data centers considering the market as such overall, but as we speak we are seeing lot of interest from Airtel, STT, as few other data center operators now scouting Calcutta parallelly along with Techno. Bihar in advanced stage of land allotment from the state government hopefully we should be able to get a land allotment in Calcutta in next six months time and initiate that project as well.

Additionally we have shortlisted land in Hyderabad right opposite where Amazon is developing the captive data center. That should become our third project going forward and then maybe we will start targeting Navi Mumbai and Noida as our fourth and fifth installation. So the overall idea is to develop about 250 to 300 megawatt of data centers over the next three years time. As mentioned we are leveraging both our verticals which is EPC and renewable energy so it adds to the capabilities of the company and it is a natural extension to what we have been doing till date.

The total investment hopefully we will be able to make of about couple of billion dollars in this industry going forward and we are looking for a strong strategic partner to handhold us during the journey we should be able to take anywhere between 51% and 74% in this venture while Techno holding 26% to 49% and we will be derisking our data center operation and customer acquisition capability by holding a strong strategic partner along with us.

While techno will take on the development risk and ultimately offload the data center to the strategic partner and come out of the asset as we have practiced previously in BOT projects. So that being the business plan hopefully we will be able to see good deployment of capital over the next two, three years along with a strong strategic partner behind us and we are in advance talks with a couple of players based out of Singapore and US who are evaluating Techno Electric as a potential strategic partner for developing data centers and we should have a good strategic partner onboard before the end of this calendar year. Back to you!

P. P. Gupta: We are setting up this group in Delhi where Ankit has moved now. He has already setup a team and electromechanical work has involved in data center is the forte of Techno Electric which we are doing for last 30 years in power houses areas like cooling, standby power solutions, power intake solutions, and power storage solutions. There have been firefighting solutions and will be taking strategic partners for building work. So all this sounds good going forward. With this I will now open to the house for further any of you require that any information or detailing. Over to you Amber!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankur Sharma from HDFC Standard Life Insurance. Please go ahead.

Ankur Sharma: Good morning. Thanks for the time. I had a couple of questions, one if you could just remind us what was the FY2021 order inflow and order book I think you said 450 Crores for the full year in terms of ordering?

P. P. Gupta: Orders booked is 450 and 600 Crores we are L1 which we expect in this quarter any day that should be converted into order.

Ankur Sharma: And the order backlog Sir the order book?

P. P. Gupta: Will be 2000 Crores with 450 Crores and by 600 coming in it will be 2500 Crores.

Ankur Sharma: Sir secondly as we go into FY2022 would you like to guide us in terms of sales, margins and orders as well and within orders how you typically give it by segment how much you are working at FGD transmission data center etc., that will be very helpful?

P. P. Gupta: Basically traditionally we have been a T&D company by and large although we started mostly as auxiliary system suppliers to power stations 40 years back with the first power house being setup by NTPC that was our first journey. So it used to be mechanical in nature at that time which include to electrical and time to a transmission with PowerGrid coming in and we have done number of surcharge which we still do for NTPC at Meja, at Tanda, at Vindhyachal and many places we have been doing and system for water intake or firefighting solutions, we have done in Bongaigaon, Barh, we have been part of our power houses of the NTPC, some capacity or the other than gas based by and large you can say. Similarly in PowerGrid we have a huge business as you know, as we now repeat, if they have 260 stations countrywide at least in 125 or 130 Techno has been there, as Greenfield or Brownfield extensions substantially. We are in all these segments but coming to this year we will now have changed a lot over the years every five years I see it changing tremendously as a capability. Earlier we use to do more of the 220 kV stations in 2005 and four of DTGY or rural electrification which by 210 became 400 kV transmission systems then GIS came, then 765 kVK and then smart metering became part of us and now we are part of FGD. So in the current year you can take FGD will definitely be contributing more of the topline around not less than 40%, another 40% will come out of the transmission side and distribution which is our traditional so we do not see much growth in this area. FGD will grow from 15% to 40% and another 20% will be out of data center which we have been investing in Chennai in-house and the topline targeted for this year will be almost around 1250 Crores if we do not see much disturbance out of the COVID once again but in next nine months we should be able to otherwise achieve this kind of billing and mix of it.

Ankur Sharma: You said sales of 1250 Crores sir how much margins and orders also in value terms?

P. P. Gupta: Order we definitely are expecting no less than 2500 Crores this year, if government offices continue to work at the sites and margins will continue to be at the present level 50% plus that is achievable by efficient execution or timely execution.

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. If you could help us understand what has been the investment portfolio breaking down into what has been mutual funds and how much is the AIF and various corporate bonds and also if you could also explain about the 100 Crores loans that were given and how should one think about it?

P. P. Gupta: You see there is no change over last year. We have learnt our lessons post IL&FS debacle in the country so whatever exposure we had informed and as we have liquidity from 400 Crores now it is only 150 Crores at the moment brought down and balance is all parked in mutual funds only which are largely debt and short-term schemes of the debt mutual funds which is almost around 450 Crores then we have investments of another 100 Crores in our joint venture or associate companies additionally, I would say so. The 100 Crores loan given to McLeod has been reclassified and restated, backed by escrow account of the promoters earlier promoters had given this money in the company as escrow deposit which now is transferred to escrow account, you can download our cash flow and balance sheet on the website. You will be having more clarity on it because the other corporate debtors who wanted to take advantage of by citing in NGRT proceeding as if whole loan in books means more loans nothing is new to us so that is the kind of story it was where as the loan was very much part of the squared assets at that time also, but nevertheless to give a special recognition we again reached the loan by reclassifying the current assets and backed by escrow account to remain honorable to the investors and investing community and also to honor our commitments to there that company will suffer no loss on account of non-recurred revenue.

Bhavin Vithlani: Just why are not to be paying back this 600 Crores of surplus cash to the shareholders and there is always that risk of misallocation of capital mean it seems like our focus is more towards earning more annuity like cash flow stream rather than growing the business if that could be the case why should not be we paying back it with this shareholders and maybe that could be taken up with the promoter at the personal end and because this has been impacting the return ratios to a greater extent?

P. P. Gupta: I think Techno has been very liberal in buyback or dividend payout. We have announced the final dividend of Rs.4 which together means Rs.10 or 500% of face value of the share and in amount of also 1810 Crores, which is almost more than 50% of the bottomline as per our dividend payout policy and we will continue to be there for long-term. Additionally, as highlighted by Ankit, we have used program of investment in data centers in next three, four years and liquidity you see always makes you think in market by honoring your commitments to the suppliers, stakeholders, the business risk so it is always a good idea to be cash strong debt free and investors should always look for growth in stock value growth in the company as well as a decent dividend like we are paying 500%. If your recommendation is one-time special dividend, I note your point we will come back to you down during the years.

Bhavin Vithlani: That is it from my side. Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Good afternoon. If you can throw some clarity on the revenue target for FY2022 and if you can just throw some more what is our order intake target also for FY2022?

P. P. Gupta: Sir the targets are becoming everyday concern to us. If you ask me our topline will be 1250 Crores as I already stated in the first question from HDFC and target of order intake is 2000 Crores this year or maybe more if everything goes normal I can say and bottomline will at least grow by no less than 25% if not more.

Renjith Sivaram: Sir how much of cash we are planning to invest in data center for this year if you can give a timeline if you can help us with that?

P. P. Gupta: To start with it would be around 100 Crores but depending on how soon the partner being in place and what kind of risk reward he offers us in the relationship you can say it can range from 100 Crores to 500 Crores of spread over three to five years.

Renjith Sivaram: Probably post retention of that we will try to sell it out and then we will encash that as we have done with the transmission business that is all the effort is?

P. P. Gupta: Absolutely. You see Techno is an EPC. We would like to remain EPC. We like to build data center not only for us but for third parties also because that is ultimately to acquire capability proficiency and to make it a part of our ongoing EPC business that is the larger focus out of it and the team is being setup in Delhi to achieve this. Starting with our own data center is only to assure the market that they are in safe hands post my own successful commissioning of data center.

Renjith Sivaram: Sir lastly what is the total size of the data center in the Indian market what is the total size of this industry can you give some idea?

P. P. Gupta: As Ankit said it will be 30 megawatt of IT load or 50 gigawatt of pay connected load to start with.

Renjith Sivaram: Thanks.

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

Deepesh Agarwal: Good afternoon gentlemen. My first question is this Chennai data center which you are building right now would that be able to absorb your entire power from your wind farms selling the power to this data center.

P. P. Gupta: You are right Sir. It is sized accordingly because the general PLF what we get in a wind power is no more than 20%, 22% so as such this under 12 megawatt will get amount to technically no more than 30 megawatt of the normal power capacity of any thermal generating station thermal or hydro generating station in the normal parcels considering 80% PLF so exactly the whole power will be consumed we produce about 200 median units which we then consuming fully in this data center and maybe putting another no more than 25, 50 median to meet any shortfall.

Deepesh Agarwal: At what stage we would be selling the power to this data center because I understand we are not getting the entire credit from Tamil Nadu DISCOM so would there be change in average realization in the wind business?

P. P. Gupta: Absolutely, it will helps us if we take the power from the grid it costs around Rs.8 a unit but I think to have a win-win relationship we can consider a realization of almost around Rs.5 to Rs.5.5 as against Rs.3 we get now.

Deepesh Agarwal: For the other data centers would we be building up our renewable project or you would be tying up power from the market?

P. P. Gupta: No we will be tying the market power which over the period we may substitute by our own captive power because renewables have become a real life changing story in this country. It is cheaper than thermal you can do it in 12 months, it is becoming easier to store now going forward and it is becoming lot more stable and liable as against the power earlier so technological innovations are happening with every passing day and I am very confident that even society will experience the stage in the years to come. So obviously it will be part of our focus to absorb technological changes, upgradations and cost accordingly. Renewable power today is available at Rs.3 a unit which SECI is trying to produce and sell through different entities so it is very exciting period for renewable period, carbon neutrals over the period we maybe carbon positive which we have not marketed so far so strongly but trust me one thing techno has been garnered positive for last ten years we are so strong in outlook on this times.

Deepesh Agarwal: Last question if I can squeeze when you say that you are looking for a strategic partner in data center would you be looking for a partner even at the construction space the reason being it may impact your valuation or would you wait for project getting commissioned and such a market related valuation is it typically higher than we see the global valuation of data center?

P. P. Gupta: Sir we will need a partner at the construction stage honestly because this high-end customers all have very specialized requirement when it comes to hyper scale, super note data centers they all have their customized typical requirement which are only known to these data center operators otherwise we are mostly in India used to collocation data centers or enterprise solution data centers which are low end applications so we have a vision to be part of the high-end and getting a partner at the construction stage will help us.

Deepesh Agarwal: Thank you and good luck for future.

Moderator: Thank you. The next question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Very good afternoon Sir. Sir first question pertains to some of these large orders which we have in the book a lot of them were booked say towards the end of 2019 and we have seen a sharp increase in commodity prices in the last six months when these orders are in the bulk execution phase, the DVC order, the Jammu Kashmir order and the Rampur order so if you can just help us how the price escalation clause will work on some of these contracts although we are making very good margins now will there be any impact on the margins overall?

P. P. Gupta: Cost and margin is a two sides of the same coin and it is an ongoing challenge all the time in any industry, in any market but engineering capability is one thing which always helps you in improving your efficiency better use of these commodities and materials redesigning, redefining their engagement in the project solutions. So basically you see do not look on this business like PMC. It is an EPC so there was capability is more than PMC sir and PMC happens by virtue of being cash liquidity in market so we get firstly the engineers very optimal solutions, meeting the challenges all the time, sometimes solutions are more skewed in favor of either, sometime we have more skewed in favor of constraint cement, sometimes they are more skewed in favor of copper depending on how commodity prices behave. So accordingly you have to do engineering so that is the forte of Techno that we rejig our and taken our solutions in a manner that we still can deliver the same value solution on a committed price with no erosion of margins. Yes it is a challenge but it is a part of life so this is being done we do not worry as such we have seen the cycle many times in the past also and there is no one single commodity which dominates our solutions. They are well distributed across the required elements in the execution so no single element is more than 5%, 10% in the solution. So we are by and large able to take it in our stride and luckily it generally as a policy of procurement PowerGrid do not include transformer reactors which are high value, high cost, nor as a producer of our early solution provider so that is best of the solution and perfectly optimized GDP cost structure. So we do not see any impact on margins and we would like earlier we use to do 765 kV solution in three years last year we deliver this solution in 12 months at Badala to PowerGrid which is a history in itself with the country that how can I have a 65 kV station we build in 12 months that has gave despite COVID. So all productivity labours are high, you take care of your labor, we have vaccinated all our employees, labors, camps, villagers all around us so you have to carry out this whole process as a mission as a passion, so everybody takes care of your health also in that.

Sandeep Tulsiyan: Probably our guidance of 15% margin versus we delivered 18% last year kind of takes care of whatever escalation we have?

P. P. Gupta: Yes, I have always maintained 15% plus, minus yes we would definitely target more but our guidance I will always say 15%.

Sandeep Tulsiyan: Sir second question is on this new orders between 2000 Crores and 2500 Crores that you have shared how much of data center park does it include if you can breakup between say how much is going to come from the TBCB part, are there any FGD orders you built in how much of smart meters and anything between from this export orders of Afghanistan Africa if you can give us a breakup on a broader basis it will help?

P. P. Gupta: Sir broadly you can take it like 1000 Crores out of FGD, another 500 Crores out of transmission, 200 Crores to 250 Crores export business is and one TPCB package of about 400 Crores, 350 Crores, 400 Crores and some shipment packages of another 250 Crores so all put together 2500 Crores but there may be some variation here and there sir but by and large this is our mindset. Data center will be another 500 Crores as I said.

Sandeep Tulsiyan: Sir just one clarification you mentioned in your opening remarks this 100 Crores ICD which was given to McLeod's. I think last year it was not appearing in our assets but now it is reinstated so you mentioned some reason I kind of missed it in the opening remarks if you can just clarify that again?

P. P. Gupta: Kindly refer to clarification on accounts part in our website. It will amply clarify you otherwise you are welcome to send me a mail I will further engage one to one meeting.

Sandeep Tulsiyan: That is it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Our equities are always valuable to looking to your views and insights on the sector and trends which are setting up and also to highlight that you have always been among the personal industry to the identify the emerging trends in this case data centers coming in. Sir so now the first question is on the data center segment itself, you mentioned that apart from using the cash as well as the A&P capacities you want on build up a steady state capabilities in data center EPC segment A&P segment so if you can elaborate in terms of what are the kind of initiatives you have planned to build up the team to execute the EPC of these projects and apart from the in-house data centers that we are planning execute what are we doing in terms of getting the PTUs from other consultants to qualify for large data centers which are coming up on EPC segment.

P. P. Gupta: Let me ask Madam to answer this query who is heading the center, who is heading this division. Ankit will you please take over this question?

Ankit Saraiya: Basically we are building a team in Delhi and we have already started the process of building the team and we are trying to take people who have then established in this industry for at least the last five, six years. One needs to keep in mind that data center as an industry is not something which is matured. It is still very new. The scale of data center is that we are talking about today has not impact us in the industry ever and it is a trend of only last one or two years. The resources which are available in the industry with the existing player are also very, very limited and the benefit that Techno holds over here is this industry is more or less if we look at the people who are governing the industry or who are running the shows have all come from power sector because power is what has to be handled majorly in these projects and they are also sized in megawatt. Having said that while we are engaging with people who are and we are on-boarding people who have experience of building even if it is a small data center from companies like L&T or other data center operator which are existing the Techno having the site, Techno already has those skill sets because we have about 250, 300 odd engineers from power sector and basically even if you look at people who are engage with other data center operators or EPC companies who are delivering data centers, also have professionals coming from power sector only. So it really does not require a very large team to be setup a very new team to be setup but a few senior level position people who can guide the existing team to the right direction for building this data centers. So that work is already ongoing and we have decided to base this team out of Delhi because it is easier to find people from IT/ITES background and power sector in Delhi rather than Calcutta so that call we have taken to setup this team in Delhi, Gurgaon and that is what we are working towards. We have already hired at least four professionals. We have our head of Design of Engineering in place, we have a senior person in Business Development from L&T already in place with us and we have people in Chennai for specific works and the team is ongoing we have been shaped as the requirement is coming forwarded and hopefully we will build a team of at least 10, 15 individuals based in Delhi, Gurgaon. That will basically channelize the team back in Calcutta.

Renu Baid: Sir in addition to capital requirement by when are you targeting to start participating in external projects for third-party operators or owners Sir?

Ankit Saraiya: We have already started doing that. We started engaging with data center operators and so we are in talks with one of the data center operators based out of Singapore for doing a small EPC job for their upcoming data centers in Bombay then going forward we already in talks with couple of other data centers operators who are looking for ask to participate in smaller packages of their upcoming data center as well as in providing them with renewable energy in those specific states, wherever the data centers are coming. So these kind of conversations have already started. We need to be a little more aggressive as far as bagging EPC orders in data center is concerned but it is going to be a little time taking because we do not have specific experience and qualifications with us so marketing ourselves in this sector is going to be a little more time taking and may take about another six months to establish ourselves as an EPC contractor in the industry but that journey has already started and those conversations have already begun. So one of the conversations is already in advanced stage.

Renu Baid: My second question is to Gupta Sir asking an understanding on our, Sir a lot of projects be it on the FGD side for certain components or for the smart meters we have always had some tie-ups in efficient sourcing arrangement to the counterpart from Asia now that the government has been a bit more sticky in terms of not allowing companies are sourcing for power projects are coming in from the Chinese counterparts how are we looking at the sourcing arrangement for the equipment side would it now move more of domestic sourcing or are we looking at alternative sourcing arrangement from other global venders?

P. P. Gupta: Madam, we will continue to discover the sources, competent sources and as available like FGD we have a Korean partner now. One Korean company has approached for meter business also because India is a hub now where lot of growth has to happen in these segments which Rest of the World has already progressed with and have the desired capacity with that and obviously there are local sources also but as the businesses are becoming more complex and risk is growing so many capex also are becoming hybrid of capex and opex so this business of product and project will start segregating going forward. So this will be another edge to Techno in terms of leading the pack. Having delivered 400 projects in last 40 years in all terrains and challenges country wise right from Kashmir to Kanyakumari and North East to Mumbai, so I think Techno has the know-how and ability to synergize solution in a given pocket that is very important in India. Nothing much as a standard way of life standard solution which is relevant in one pocket, is not relevant in another pocket Madam like even our language, culture, habits, the way of looking on issue change with every state every pocket, similarly projects you have to be very localized. It is a very localized business, pocket specific business and that has been forte of Techno to preserve cost, preserve margin as well as deliver project in time because we absorb all those things faster than many others because that is the character of the company and that should be true character of any good project terms to my mind.

Renu Baid: Sir one last question if I can ask do you have any plans to foray or look at opportunities in the clean energy segment be it energy storage or otherwise have you taken on other side?

P. P. Gupta: Obviously, Madam we will keep exploring. Definitely, let me tell you, we are a solution company and we are definitely not a life cycle investment company in a asset that is not our business. We create lifecycle assets for somebody but acquiring technology improving on technologies, integrating those technologies as a part of our solutions is always strengthening us to of remain timed element and also offer a complete competitive solution to an asset owner as required. So these are definitely of our interest, huge interest and if required we will ourselves like to invest in first one or two solutions to gain experience, gain comfort out of the use of it and then market that comfort to the investor. So that I must take the risk if I want a high rewards out of my business man then I have to take high risk culture. That capability my company must have.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from iThought PMS. Please go ahead.

Rohit Balakrishnan: Sir on this intercorporate deposit of 100 Crores, I just wanted to understand please correct me if I am wrong in the previous calls also I think in the last year’s balance sheet, you had reserved this 100 Crores by the promoters I mean the company getting back this money and the promoter paying this 100 Crores, taking it on their own books and this matter was closed in a sense and now I have gone through the note what I understand is that we have now taken in escrow in whatever the deficit will be taken from that escrow which is guaranteed by the promoter in a sense so just wanted to be understand even to get, I understood that we had already closed this matter by the promoters taking it on their own books and not on the company's books so this would be surprising can you please help me clarify this point?

P. P. Gupta: Sir please write to me on one to one because the corporate debtor uses my submissions in these kind of conferences in the legal proceedings so whatever notes states and your takeaway you give me one to one call I will explain to you, but I will request you that note is very sufficient and explicitly detailing and is sufficient for investor's guidance that company carries no risk on its on its own and if there is any shortfall in recovery will be made good by the promoters that commitment will continue to our investors and to be honorable in the eyes of our investors.

Rohit Balakrishnan: Sir if I get what you are saying. I will write you one on one to get more clarity. Sir the larger point I think somebody earlier also raised this point we are in our business in the EPC segment has also in the transmission segment I think we are second to one as can be seen by the strength of the balance sheet and also to kind of margins and the kind of risk we take we are very risk averse and that is something very, very good thing specifically in our business. Sir if you look at the excess cash and I also read to your point that you have given cash out and you have been generous by doing buyback of 100 Crores and paying dividend of, 130 odd Crores this time but Sir like some of the things that we have been doing in the last two three years and I am sorry to be in a bit blunt about this the last couple of years first is the issue of IL&FS and now this Mcleod thing, in both the cases you have not had any write-offs as such I mean, the expectation and the guidance and also in IL&FS but Sir if this took a spot or are otherwise very clean track record and governance that we have had both on the business side and also on the capital allocation side. So I am sorry just a small feedback being an investor in the company for a fairly long time but I also have gone through a lot of your publically available conference calls and investor related materials and I have really enjoyed reading everything whatever you talk about the industry but any more from a value creation point and also from a risk mitigation point. I would say that I mean if we can repay that extra cash or if you do not see any business deployment opportunity I think that the market will reward us handsomely rather than these adventures if I may add that word?

P. P. Gupta: Your two observations I will be very honest to both of them. More than a year back I have sought a pardon from the investor community that our lessons are learnt and there will be no mistakes in the future and we mean it in letter and spirit. Nobody in India thought a experience like IL&FS as it happened and the way but I am more complainant the way it got dealt thereafter let me put a quote otherwise there were lot of value in the company for recovery nevertheless but coming to our part that gradually we are substantially reduced our exposure to bond business, it is no more than under 150 Crores now whatever money we have recovered is all parked in mutual funds, they are all short-term or liquid funds at best and you can see from the present balance sheet that no more bond which has grow your money is all safe and secured and we have also talked about how we can utilize this money going forward in building other businesses because the money needs changes with the change in the industry cycle. Going forward, I see two changes one of course this diversification in data centers but we are talked a number two this capex business has happening in India in EPC the segment which get partially converted into opex business and the opportunity for which you will again need your own capital so I think we are handsomely rewarding the shareholders by dividend policy of 50% share of the bottomline every year as well as preserving cash to meet any challenge or change in way of doing the business we are in.

Rohit Balakrishnan: Sir two questions on the business itself. So we had outlined and a very helpful outlining of the data center business so just ramp up of 8 to 10 times that we are eligible from 50 megawatt, 250 megawatts to 300 megawatts this we are engaging in the three cities that we are sort of thinking or this is more beyond three cities so Chennai, Calcutta and Hyderabad would it take a 250 megawatts to 300 megawatts or will we need Bombay and Delhi as well to be added for us to reach that level and sir one more question this 30 megawatt will the Chennai which is coming upfront this you expect to be up and running by FY2024 or will take more than that and what kind of topline will that give us from an EPC standpoint?

P. P. Gupta: Ankit will you like to answer this question please?

Ankit Saraiya: Could you please repeat?

P. P. Gupta: He is asking first when is your Chennai project getting completed and commissioned and number two what topline it will generate and thirdly whether your 250 megawatts, 300 megawatt will be link it to three stations as named by you or will include Navi Mumbai or Noida also. These are the three questions by him. Please answer one by one.

Ankit Saraiya: See most likely we should be able to commission the project in Chennai by December 2022 and you see the revenue over here might be broken into phases because even the data center might get developed over phases by December 2022 let us say we should be able to develop 10 megawatt of data center and commission it completely and hand over the first phase that is the 10 megawatt to any potential customer and as the customer acquisition progresses we should be able to keep developing additional megawatt up to let us say 50 megawatt and that would be the end of the project but then it will keep developing over phases and revenue will keep flowing accordingly. So, hopefully we will be able to complete the whole project over the next two, three year time and handover the complete 50 megawatt to a single customer so therefore the revenue might get staggered as per the phases that we keep developing it, but once it is completely developed, I think we should have a revenue of approximately 225 Crores or 230 Crores approximately from each of these data centers and the total capacity of 250 megawatt will be obviously developed over at least four or five cities in India depending on each data center size but let us assuming that each data center will be anywhere between 30 and 50 megawatt it would be developed over four to five cities and the three which I have mentioned specifically were Chennai Calcutta Hyderabad which are the first few projects that we want to target to begin with and then maybe explore Noida and Navi Mumbai but it also strongly depends on a strategic partner, what his business plans are going to be because most of the strategic partners that we are discussing with want to be in Mumbai to begin with and Chennai are those two targets so we have to align our business plans with their business plans and see how we progress but in our opinion if we have to do it we would like to begin with Chennai go to Calcutta come to Hyderabad and then the other two cities.

Moderator: Thank you. The next question is from the line of Sagar Sanghvi from Add Capital. Please go ahead.

Sagar Sanghvi: Thanks for taking my question. Sir one question on the balance sheet side the previous participant had also asked the same question. So of the total 800 Crores of cash that we are carrying on the balance sheet how much would go from data center over next one or two years and how much is the regular cash requirement for the regular operations of EPC business and since you will be generating about 200 to 250 Crores a year of free cash every year so how do we plan to utilize the same.

P. P. Gupta: Sir the cash utilized in the data center over next two to three years can be up to 500 Crores as I explained and depending on the partners own commitment ranging from 51% to 74% and how it gets deployed so it can range from 100 Crores to 500 Crores anywhere number one. The number two we also see this capex business becoming opex going forward like in smart meters or even maybe transmission assets like TBCB and others or more businesses happening in the states also going forward in sub-transmission also as TBCB as suggested by the Government of India, MOB as well as CA. So this business is at a very influx stage now which had happened traditionally over last 20 years is no more going to be there for next two years as we see the change. So we want to stay prepared to meet any contingency see in terms of requirement of funds on cash availability with us and also continue to reward investors significantly and sufficiently so 500% dividend is no small reward to my mind and we will continue to maintain it, if not improve on it but we will continue to evaluate as you have suggested our requirement of funds and keep updating you in the investor call.

Sagar Sanghvi: Sir you mentioned the capex will come into opex so that is the working capital should go up for us?

P. P. Gupta: Yes, you can say kind of a it means you will get paid only when project is completed and hand it over so working capital will be long-term. No project happens in our industry which has a cycle of less than two years so it means you have to fund for two to two and a half years and say if 50% of topline becomes more of opex then your requirement will immediately go to 500 Crores, 600 Crores or more to maintain the topline so I would say that these are speculative in nature at the moment let us not get worried about it the more important part is that your company is strong enough to address all these challenges as may emerge in the market and maintain its strong presence by reward to you.

Sagar Sanghvi: Sir last thing how much could be the retention money that would be given by us?

P. P. Gupta: It is 200 Crores sir the total. As of now it is a total is about 200 Crores. You can take 10% of the topline of two years that will give you a number.

Sagar Sanghvi: Thank you. Thanks a lot.

Moderator: Thank you. That was the last questions I would now like to hand the conference over to Mr. Amber Singhania.

Amber Singhania: Thank you, Ayesha. On behalf of Asian Market Securities, we thank everyone for participating in this call. A 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: Yes absolutely, Amber. First of all like to thank you for all the participants to join the call despite COVID and all challenges of COVID with them, around them still in case any of them have any query related to our performance, please drop a mail to us and we will be happy to reply and similarly I will repeat my invitation to them because we are located in Calcutta so anybody dropping in this side he is welcome to drop in our office and see how we exactly carry out our operations, so you will be our honored guest. I would like to now with this close the conference and thank everybody for joining in. Thank you so much Amber for organizing it.

Amber Singhania: Thank you. With this we can close this call Ayesha.

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