"Techno Electric & Engineering Company Limited Q2 FY 2015 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY 2015 Earnings Conference Call of Techno Electric & Engineering Company Limited, 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 hand the conference over to Mr. Amber Singhania from Asian Markets. Thank you and over to you Mr. Singhania!

Amber Singhania: Thank you Margaret. Good afternoon everyone. On behalf of Asian Markets I welcome you to the 2Q FY15 Earnings Conference Call of Techno Electric & Engineering Company Limited. We have with us today Mr. P.P. Gupta, Chairman and MD of Techno Electric, Mr. Ankit Saraiya, Director along with his their Finance Team. I handover the floor to Mr. P.P. Gupta to take us through an overview of the quarterly results and a brief overview about macro scenario earning out in the power T&D space post that we will begin the quick Q&A session. Over to you sir!

P.P. Gupta: Welcome everybody. Very, very good afternoon to everybody and welcome to this con call investor meet. I thank you all of you for joining us today to discuss Techno Electric's Financial Results for the quarter ended September 30, 2014. Anything said on this call which reflects our outlook for the future all which could be constitute as a forward-looking statement must be viewed in conjunction with the various risks that the company carries in its operations.

The three segments of our business are EPC, BOOT & BOOM and wind. The EPC business is very robust and the revenue in this quarter under consideration has grown by 27% and we are confident that overall during the year, we should be able to achieve a 25% growth over the previous year.

Additionally the operating profit margin has also improved by 43 BPS which is now at 15% plus against 14.6% during the corresponding quarter of the last year. We are hopeful to retain this for the whole year. We have bagged new orders worth around 470 Crores during the quarter and our L1 in orders were 250 Crores out of which we have already received order of 145 Crores, another order of 105 Crores we should be receiving within a fortnight.

Major orders received during this quarter are basically from Bihar State Electricity Board worth about 385 Crores. Our unexecuted as of September end 2014 stood close to 1900 Crores. We have participated in various tenders valued at around 1500 Crores and our hopeful of bagging some of that.

Our wind division's performance has not improved and is below our expectation. The power evacuation continue to be a challenge in the pocket we are having our windmills. Our PLF achieved in this quarter is around 33%. The total income grew by 13% to 59 Crores against 52 Crores recorded in the corresponding quarter of previous year. The total units we are making was 148.87 million against 129 million units generated in the corresponding period of previous year.

The BOOT and BOOM projects are progressing as per the varied schedule, Jhajjar KT is performing very strongly and we are confident to commission Patran project by April end 2016 as per the varied schedule and is within the varied cost parameters on which we had bided this project.

With this I invite now questions from the participants.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Saurabh Arya from GMO. Please go ahead.

Saurabh Arya: First of all thank you very much for giving this opportunity. Secondly congrats on good set of numbers. I have a couple of questions. The first is we have seen in EPC segment the margins have increased from 11%, 12% to 15% so could you define why there was so sudden sharp increase in margins? Was it related to some commodity prices going down? Was it due to good operating leverage or there was some another reason to it and we were expecting margins to go up in couple of quarters or maybe next year, but this is a very positive surprise. So would you say that going ahead margins can actually be much better than this one?

P.P. Gupta: Yes, generally you can trust this way but in this specific quarter our major turnover of an overseas project namely Uganda is a part of the results. So that has aided the bottomline and secondly as we have been mentioning earlier due to our better management of working capital efficiency we are no longer availing the interest bidding advances from the varied customers who award contracts to us. So this will also add another at least 1.5% to 2% to our bottomline going forward. So this is an impact because of that I do not say that there is a very major impact of commodity cycle so far visible in the operations but going forward that may also help with a varied global situation around us.

Saurabh Arya: As I understand you are saying the proportion of overseas orders for higher in this quarter execution that is why margins are better and how do we see this proportion going ahead, because if I see the order book now I think most of the order book is domestic only right?

P.P. Gupta: Absolutely, so you can expect overall over previous years, our margin should be higher by 1.5% to 2%.

Saurabh Arya: But if we were to see Q2 numbers so would it be a really high number?

P.P. Gupta: It is a little better because of the Uganda overseas project has executed now to the extent of about 70% only remaining bidding is no more than 30% now.

Saurabh Arya: Secondly in our presentation we have mentioned that for EPC business the growth would be 25% to 30% for next couple of years, but keeping right now the current order book so with this current order book are we confident enough or we are expecting a lot of order inflows in coming quarters to be finalized?

P.P. Gupta: I will only say that we are one of the few healthiest companies in this business available to the customers. We are better placed in our varied competition as well as in the execution cycle. Some of our major competitors are bleeding or are hurt due to their ambitious ways of doing things in the past. So all this has relatively placed Techno in a better position so we are very confident that opportunities are around us. It is for us now to snatch it and make the business grow. Now the growth cycle is very much visible in this kind of environment, governance and the very proactive participation of the utilities countrywide. So I can only share with you that on this last Friday I was in Delhi we were having negotiations in PowerGrid office with the UP petition on **(inaudible)** package we are L1 with a package of 105 Crores which is part of our L1 list of the orders of 50 Crores. We have already received order of 145 Crores from Rajasthan from that and this 105 will be completely done in another fortnight. So UP was only talking of their recent document for next six months. So they told us the varied business of our interest in next six months is no less than 1000 Crores and they were looking on us to come and share a major part of this order book. Similarly we see a lot of encouragement from Rajasthan, MP, UP, and Telangana every state is looking on Techno to do more of what they have done in the past for them.

Saurabh Arya: But in terms of competition so now the number of players is considerably down because you are seeing there are lot bids which are happening or it is just that Techno is getting preference?

P.P. Gupta: Both I would say, firstly the varied competition has come down, the number of bids are few and bids are happening more sensibly I would say. They are no more very aggressive in that sense. So going forward we should look for little better margin and even if we stay on our margin we can easily double our order book at these levels. So both ways it has just.

Saurabh Arya: Thank you very much. I will get back in queue. If I have more questions I will come back. Thank you very much.

Moderator: Thank you much. The next question is from the line of Rahul Gajare from Edelweiss. Please go ahead.

Rahul Gajare: Sir many congratulations for very good set of numbers. I am glad to see the margin upward by 15% this time. Couple of questions that I have got, see historically this company on the EPC side business have been doing margin of 18% and all. Now I understand a significant part of that was essentially coming from the business from the industrial side not from the SEBs and all. So in the existing order backlog of some Rs.1900 odd Crores, can you split this up if there is any industrial order and SEB order?

P.P. Gupta: You see these are largely utility orders the industrial order is only one with us now, which we are doing for Mitsubishi Chemicals at Haldia that is worth about 100 Crores inclusive of taxes. Other than that all are utility orders.

Rahul Gajare: Given the fact that overseas projects have given a good margin are we looking at bidding for more international projects or are there some pipelines that we are trying our bids with?

P.P. Gupta: We are very, very keen and aggressive now in overseas business and in bringing new overseas customers to our order book. We will be constantly exploring opportunities not only SAARC countries around us like Sri Lanka or Myanmar or Nepal or Bangladesh, but also in African countries. So in next two to three years, we will attempt at least 25% of our business comes out of overseas, which Techno historically has been very poor.

Rahul Gajare: In your experience what is the kind of margin profile that we are able to tap into the international business?

P.P. Gupta: Generally you can say the international business is at least 7% to 10% better than the varied domestic business.

Rahul Gajare: Sir and this Mitsubishi order that you are talking about is it possibly going to further spit it up in the kind of margin that this has got?

P.P. Gupta: You can take it around 20% in this case.

Rahul Gajare: So your industrial continues to be around 20% plus?

P.P. Gupta: Absolutely.

Rahul Gajare: Sir now coming to the wind business we have had a significant outstanding which have obviously come down from Tamil Nadu what is the amount of outstanding that we have from Tamil Nadu right now and the REC inventory if these are the two numbers on wind if you can share?

P.P. Gupta: We have just completed our peak wind season in Tamil Nadu. We have realized payments up to May end and June payments are in progress now. As of the books what you have seen of September and our outstanding were about 60 Crores which presently is at around 52 Crores. We are confident that this will be liquidated by them by December end number one and REC side the total number of REC business is today around 230000.

Rahul Gajare: Any improvement on the REC rate?

P.P. Gupta: No not at all.

Rahul Gajare: 1.5.

P.P. Gupta: Yesterday we had a huge meeting in CERC on varied REC subject. We were looking for amendments to the varied policy being followed by them. So let us see all are in consultation stage execution is still awaited by the government.

Rahul Gajare: Sir and finally on the BOOT business given that either Patran will be completed sometime next year. Any other project that we have bid for or we are very close to bagging something?

P.P. Gupta: No nothing because all that projects which happened in last three months were all 2000 Crores plus with 90% scope on the line side, which was a little interest to us, we are generally not interested in a single BOOT project of more than a value of 500 Crores so that is our cut off line as a criteria and substation much constitute no less than 30% to 40% of the varied cut off line value.

Rahul Gajare: Fair enough Sir. This is all that I have right now. Thank you very much and all the very best.

Moderator: Thank you much. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Good afternoon Sir. Sir just missed out on the order intake number, first half how much is the order intake.

P.P. Gupta: First half six months you mean?

Madan Gopal: Yes.

P.P. Gupta: I think it is about 800 Crores.

Madan Gopal: For the full year you are targeting how much?

P.P. Gupta: For full year we are targeting about 1500 Crores.

Madan Gopal: Sir just on the industry front although there are lot of projects that are being talked about by PGCIL as well as state as well as we talk about this BOT opportunities still we have not seen any action so, if you can give an update on each of these including the renewable corridor? What is happening? When do you really think these orders will start coming in? That will be helpful.

P.P. Gupta: Already Gopal lots of actions are in the ground. Today only we have bided for first 1165 KV package of the Green corridor. Work has already started and the first package bids have been submitted to PowerGrid today it is to create a 765 KV station at Chittorgarh. Ajmer is due after a week, so work has already started happening and within these states also we see lot more opportunities.

Madan Gopal: This will be of what size Sir, 765 KV Green corridor substation package is it by structure varied different project compared to a normal project or is it the substation is the same?

P.P. Gupta: It is a similar the same station as usual finally 765 KV category with a little better features to handle the evacuation of the power.

Madan Gopal: Whom do you see in these projects Altrom, TND and you, who else are there, Seimens, Safety?

P.P. Gupta: Fairly the six entities should be there as usual like L&T, Techno, Altrom, Seimens and BHEL.

Madan Gopal: Size should be something like 300, 400 Crores worth of projects worth of these should be?

P.P. Gupta: This is to begin with a smaller package. This is about 150 Crores package. Already in configuration because it is inside the state but what happens closure to the area of power generation they will be bigger ones as we go to Jodhpur and Jaisalmer site.

Madan Gopal: So you see more orders in this front coming in?

P.P. Gupta: Absolutely without saying.

Madan Gopal: What pipeline can be as big as 10 to 15 projects in this year for this renewable energy alone?

P.P. Gupta: No I cannot say how much will be of renewable energy. Generally, I am talking it will be lot more because when it comes to execution as the industry we do not distinguish whether it is a part of green corridor or conventional power as usual.

Madan Gopal: What something on the BOT project Sir?

P.P. Gupta: In BOOT and BOOM so far whatever tender happened as I told to Rahul just now they were mostly 2000 Crores plus and line scope was 90% plus our cut off line is that a BOOT project should be of size no more than 500 Crores and substation must be 30%, 40% in that to meet our competency in this and our criteria of investment. So these tenders are due sometime in December what opportunity is there, where we will be seeking qualification for ourselves and lot more should follow in the pipeline.

Madan Gopal: But overall how many projects have come up, two three projects have been tendered out in the BOT?

P.P. Gupta: Close to about six projects, Gopal. Six projects qualification has happened already. The total program in this year is almost about as we have told 25000 Crores out of which qualification has already happened for 10000 Crores.

Madan Gopal: So another set of six projects can come?

P.P. Gupta: Another at least about twelve projects in BOOT.

Madan Gopal: But when these guys are taking the BOT they do not discuss with you to do the, but it is even that one or two substation that might come up in the line that you are not interested to do?

P.P. Gupta: Yes, that is not very rewarding you know.

Madan Gopal: So overall you think the pipeline is improving right now and the action should be there in second half?

P.P. Gupta: Yes absolutely it is opportunities are growing number one and competition is lot more healthy and by virtue of our efficient capital management we are relatively better placed in competition than many others that is what I can say it is satisfaction. We maintain this edge over the industry, over our competition.

Madan Gopal: Thanks for taking my question.

Moderator: Thank you. The next question is from the line of Renu Baid from B&K Securities. Please go ahead.

Renu Baid: Good afternoon Sir and congrats for the good set of results. Sir my first question is on the overseas business you motioned that in next couple of years we would like your order book to have almost 25% exposure to international market so what is the strategy in terms of scaling operations there so we would like to go on our own or incrementally move with EPC players from India who are participating in these geographies. So what is our look out and game plan for this strategic change.

P.P. Gupta: We will do it departmentally as well as in partnership with the line people wherever the packages are integral with line and substations. We are already working with Kalpataru and we are now in combination with Gammon and the opportunities happened where Kalpataru is not present and we will like to do of our own wherever substation package is on a standalone basis.

Renu Baid: But in case where we are looking to go alone what kind of ramp up in terms of taints and capabilities you think, would be required to do the next couple of years and how are you gearing on that side?

P.P. Gupta: As far as capability is concerned there is no lacking with us it was a question more of a focus.

Renu Baid: Yes, I mean execution outside India, India definitely we have a very strong capability and track record.

P.P. Gupta: No executing outside India also is not a big issue for Techno. We will be rewarding our very loyal team in the company by giving them a overseas postings which are always more rewarding than a varied domestic postings, but as this business scales up with us, we may like to even have a set up outside India maybe in Dubai or in some African countries.

Renu Baid: Sir just one thought as in today of a last couple of years, domestic market has fairly been subdued with lot of working capital constraints so exports comes as a natural extension to derisk the business model. Now if we are looking at a scenario with a domestic market is likely to come back in a reasonable strong note, especially on the State Electricity Board side of the business. So in that scenario next two to three years the domestic market comes up well do you think you would still like to aggressively pursue exports to get back to 20%, 25% I think to ramp up to that level?

P.P. Gupta: Yes, absolutely because the overseas business we always believe is little more juicy and has a better bottomline unless that is visible it is not of much interest to us. We will always like to price overseas business at least at a margin of 10% higher than the domestic business to compensate for the various risks taken by the company. It is a good blend. We blend of domestic cum overseas business but rest will depend on the varied opportunities how we are able to grab it.

Renu Baid: Sir second you did mention that part of a margin improvement was helped by better as an execution of Uganda order and largely new orders also seem to be coming with better margins so overall are you seeing the price pressures which were there in the domestic market are behind now and there seems to be some pricing improvement as competition eases out, since that looking like a comfortable trend now or it seems more of an intermittent change.

P.P. Gupta: I will not say it is getting better but it is no more getting worst I would like to put it that way.

Renu Baid: So new orders that you are receiving are they coming at better margins?

P.P. Gupta: I will not say very significant better margin.

Renu Baid: At least the execution headwinds are not there?

P.P. Gupta: Absolutely.

Renu Baid: So that risk of loosing on the project margin would be lower now?

P.P. Gupta: Risks are much lower you can do the job peacefully as per the varied schedule and within the varied cost parameters that way execution is lot more proactive and affordable.

Renu Baid: Sir third question from my side when we are looking at the entire scheme of things and BOOT we have two projects now are the second project getting completed by next year, so in this scenario as and you also mentioned about the pipeline so within the pipeline would you like to highlight of the remaining twelve projects which are coming up how many projects would be fitting your criteria and size what would be your addressable market in the BOOT and BOOM market for the next six, twelve months?

P.P. Gupta: As I told one project is our interest to us out of the presently announced twelve projects in that and informally what we know the pipeline which is likely to come will have another two projects of our interest.

Renu Baid: This would be in the next six, nine months or next year?

P.P. Gupta: Yes, absolutely you can say about nine months from today and there is one interest state project being planned in the state of Bihar with the help of IFC. So that project is on the scenario which we will love to do in partnership with Kalpataru as we have done in Haryana.

Renu Baid: Sir just last question before I close overall we are seeing pipeline increasing from the SEB side. The way you mentioned from UP you mentioned in the next six months you see almost a 1000 Crores kind of pipeline so what would be the kind of bid pipeline for your addressable market from other states like MP, Rajasthan, Telangana?

P.P. Gupta: See I definitely see a total market for our interest no less than 10000 Crores, so we should be able to have 10% share out of it without any difficulty.

Renu Baid: This is the market for the second half of the year or for until financial 2016 next eighteen months.

P.P. Gupta: No I am saying for things happening right up to September 2015.

Renu Baid: For the next one year, so definitely the SEB part of the market seems to have come back again.

P.P. Gupta: Absolutely.

Renu Baid: How was the payment in working capital terms on these projects?

P.P. Gupta: You see we generally participate only on those projects which are bilaterally funded like with PFC or REC payments come directly from those funded bodies. Like even the UP project is funded by PFC although the certifying body will be PowerGrid but the payment comes to us from PFC and in UP also is the same the Bihar the payments are coming from REC directly because all those projects are funded by REC.

Renu Baid: But are you seeing any traction happening on the utility side of the market, the Genco's on the switchyard side because many power projects also seem to have started seeing some traction so on the generation switchyard are you seeing business moving on that portion of the vertical?

P.P. Gupta: Yes, but generally we have not been very active player in Genco's because of the varied way the package these islands of the project but we are there with NTPC very strongly on this islands we are doing three projects presently for NTPC at Kudgi, Vindhyachal and Meja and we will be definitely looking for more opportunities with NTPC going forward.

Renu Baid: Those NTPC seems to have got aggressive with more projects in pipeline?

P.P. Gupta: Absolutely.

Renu Baid: So that should grow that is why.

P.P. Gupta: We like their working culture, the more important in this industry is not to have order but more important is how are you complete and close the order that is more rewarding to us.

Renu Baid: That is helpful Sir. Thank you so much and I would definitely like to interact with you further later. Thank you Sir.

Moderator: Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

Pankaj Tibrewal: Good afternoon Sir. Congratulations on good set of numbers after a long time. One question just on the capital employed, when I look at your EPC capital employed this quarter and the half year ended it has gone up significantly and correspondingly there has been a reduction in the corporate capital employed quarter-on-quarter so was there a regrouping can you help us understand how that corporate and the EPC capital employed has gone up so substantially?

P.P. Gupta: It is only because of the varied payments which were not raised from Uganda they were all material supplied in the later part of August and September but now we have realized all that money.

Pankaj Tibrewal: So the money which has come up will that reduce that?

P.P. Gupta: Absolutely and our money available in mutual funds today is almost 40 Crores.

Pankaj Tibrewal: So as on September the receivable part I thought that the increase from March to September which was in the tune of 60 Crores?

P.P. Gupta: Today it was very significant.

Pankaj Tibrewal: So your 206 Crores became 262 Corers on the receivable side, it was mostly because of the wind power receivable of 60 Crores which you said but is there any large component on EPC also as you said on the Uganda side?

P.P. Gupta: No, but since we could close some of the contracts in the intervening period the EPC outstanding remained more or less on the level of 200 Crores and the balance outstanding as you see in September end figure is behalf the wind.

Pankaj Tibrewal: The second question is on the wind side how do you foresee this year the peak season has gone by do you expect any improvement in the whole year profitability on a whole year basis?

P.P. Gupta: Not more or less like the very previous year. No improvement in the top or bottomline. By the end by the year we close it. So we are working very strongly with the government that over certain frameworks, highway renewable act to see this business is growing strongly.

Pankaj Tibrewal: What is your target on the debt side? If we look at FY 2016 and maybe one and a half years down the line because your working capital seems to be quite under control on the EPC side so whatever cash flows you generate would go for reduction on debt?

P.P. Gupta: Yes there should be, you see at it is you will see the debt servicing will continue to happen because of the various wind assets we have in the company. The debt repayment is almost about 60 Crores a year on a consolidated level. Additionally we have to deploy another about 40 Crores in Patran. So that will continue to be there. I think whatever cash we generate over next two years mostly it will be used towards debt servicing and Patran project.

Pankaj Tibrewal: The last question is that you have always maintained your view that the BOOT and BOOM will be used as a portfolio approach and you may not like to continue with any project for a very long period and you will like to shuffle it so one of your projects Jhajjar has been in commissioning for almost now more than two and a half years so any thoughts on that on the selling off and kind of getting the cash which you wanted for other projects?

P.P. Gupta: Not immediately. We would like to hold it for four years as I told you because we consider four years is a critical period which at least you are able to serve about 35% to 40% of the debt and as well as the operations are fully stabilized and the equipments are also have stabilized among themselves as operationally so we will be looking for that exit in that project no earlier than mid 2016.

Pankaj Tibrewal: Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Aseem Gupta from CIMB Securities. Please go ahead.

Aseem Gupta: Thank you so much Sir for the opportunity. Most of my questions have got answered. Just one thing, Sir on the Bihar order which was the other L1 Companies?

P.P. Gupta: In Bihar?

Aseem Gupta: Yes Sir if you could share?

P.P. Gupta: See in Bihar we have two business products one is transmission, which are the substations and by and large the other bidders were Alstrom and L&T and BHEL in one of the packages. On distribution side there are number of bidders as usual companies like Ashoka Buildcon, Godrej, EMC and L&T, few companies from Hyderabad so they are all there but they had a criteria for it the job we got is a constituency of the very chairman of the corporation so he wanted a good agency to work in his area so that project is assured to be completed. We generally take up on that distribution project as a challenge, wherever authority as an extended interest and he is willing to pay our price.

Aseem Gupta: That is what I wanted to understand. Thank you Sir.

Moderator: Thank you. The next question is from the line of Chintan Sheth from SKS Capital & Research. Please go ahead.

Chintan Sheth: Congratulations for the good set of numbers. Si I just missed out few data points if you can provide me again. Such I get a Q2 order inflow data?

P.P. Gupta: Q2 order inflow is about 385 Crores.

Chintan Sheth: Sir gross data?

P.P. Gupta: Pardon.

Chintan Sheth: Total borrowing on consolidated basis?

P.P. Gupta: On a consolidated basis our long-term debt is about 475 Crores. There is negligible working capital loan of another 50 Crores minus out our funds in mutual fund it is 0. By and large it is a long-term fund for long-term loans for wind assets.

Chintan Sheth: Of the long-term loan Sir borrowing from the wind segment if you can?

P.P. Gupta: Only wind segment this is totally for wind segment.

Chintan Sheth: So we are debt free on EPC side?

P.P. Gupta: EPC side there is no borrowing.

Chintan Sheth: Sir when you mentioned that your order book of 1900 Crores as of September it is totally from domestic front and are there is no export as of now?

P.P. Gupta: There is left over portion of job we are doing in Uganda that is another about 25 Crores.

Chintan Sheth: Which can be coming in the subsequent quarters?

P.P. Gupta: Absolutely other than that there is nothing all are domestic.

Chintan Sheth: We have bided in the export orders?

P.P. Gupta: No there is nothing pending in the export business as of now.

Chintan Sheth: So as your strategy of overseas business like you are targeting a 20% to 25% for your order book coming from the overseas business is there any direction to that any efforts is being put in place to garner to basically get those orders from the overseas side, your strategy basically Sir your strategy on how you will try to map that opportunity in overseas market?

P.P. Gupta: I mentioned clearly that we would like to have this 20%, 25% I and of three years from henceforth, a year itself.

Chintan Sheth: Overall you have guided 25% on revenue side and your EBITDA margin will be in the range of 14%, 15% on a higher end or lower end Sir?

P.P. Gupta: No we should be able to attain our 15% EBITDA margin this year?

Chintan Sheth: On overall basis?

P.P. Gupta: Overall basis with the topline growth of 25% as projected with wind assets stagnating to the previous year level by and large it will remain the same the major improvement will happen this year will be in EPC.

Chintan Sheth: Sir we got an L1 order is currently at 250 Crores right L1?

P.P. Gupta: Yes we have now received one order out of 250 already. It is almost 45 Crores other 105 Crores we will receive within a fortnight.

Chintan Sheth: You have tendered for 1500 Crores currently right you have put in bids for 1500 Crores orders?

P.P. Gupta: Absolutely they are in the pipeline.

Chintan Sheth: All the best for the future and many congratulations again. Thanks Sir.

Moderator: Thank you. The next question is a follow up from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Thanks for taking my followup question. This is again on the international side, so we have been looking at KECs and Kalpatarus working in L&T you have been very successful in the transmission line business in the international front?

P.P. Gupta: Going without saying India as a country is a world leader in transmission line that is a credible achievement.

Madan Gopal: So to get the same thing done in the substation side like the way we are trying to what are the challenges you think and how competition I think obviously competition will be very different on the substation side you have this European guys who are very keen on those so you think we can possibly repeat what has been done on the transmission line side over next two three years or so just if you can give a thing on competition and challenges that will be helpful?

P.P. Gupta: You see doing overseas work in substation on standalone basis is a huge challenge. On one hand this definitely European entities have their own monopolies and carters in place and other hand China is extremely competitive and aggressive. So the findings space between two of them is generally a very, very challenging task so that is why we are not in looking on a very huge market size. We are only saying to begin with we will attempt $50 million only and that to over next two to three years may be to begin with it will be a business no more than 10, 15 million which will go up to 50 million over two, three years and that should not be a big task to my mind, because there are markets where very at least I can share with you one or two Japanese companies have approached us now to partner with them in doing jobs in Middle East and I am also hopeful to secure some jobs in SAARC countries like Bangladesh, Sri Lanka, Myanmar we are finding them also equally good markets and the proximity to Kolkata is very good compared to others. So I am only saying putting the whole scenario in place that we have created a department, we have started turning around and we will be also be looking for strategic partnerships with Japanese company and also with the very line people. So we are hopeful to achieve these targets which we believe are very achievable.

Madan Gopal: SAARC, Africa these are the regions that you will be looking at right?

P.P. Gupta: Yes Gopal.

Madan Gopal: The returns of contract are very similar because in the transmission side it is fixed contracts so I obviously here also it will be fixed contracts but is there anything in the payment side that you will be different from what you are getting it in India?

P.P. Gupta: Yes they are different. Milestones are differently defined number one and secondly I will say that the very specification they follow are also different than

India because of consultants involved are all from Australia or London so the specific followed are different than India as well as milestones are differently defined so that changes the very comes of payment.

Madan Gopal: Is it better than India or the working?

P.P. Gupta: You see it is no way better than India I will say but you can do your job lot more peacefully there because consultant plays a huge equity role in their relationship. If you have very challenge go to the consultant he will issue your certificate, the extra works are very easily settled because of the end contract variations are easy to handle. So that way the convenience of doing job on business is huge, that is what we experienced in Uganda.

Madan Gopal: Good Sir. Thanks a lot for this.

Moderator: Thank you. The next question is from the line of Amber Singhania from Asian Markets. Please go ahead.

Amber Singhania: Sir just wanted to understand on the BOOT and BOOM front, like as you mentioned 10000 worth of orders has been identified and these are like large projects similarly another 25000 is the targeted this year which are again large projects we have only one half out of these 25000 Crores of projects so what is the philosophy going forward or thought process going forward you think could be for future whether it is, is it like we will see more of these large projects coming up and we will have less opportunity for us as 500 Crores worth of projects will be less or how things going forward looks like sir on the macro scenario?

P.P. Gupta: It is Amber bit early to talk very specific on this part, firstly between you and me, because the government is still struggling to put a very revised policy in place. Whatever we are seeing today is an extension of the very policies followed in the past and this is the pipeline getting executed because the first call of the government is that everybody must tone up and get efficient so it is a resultant of that I would say that, but once the revised thinking come in place integrally I am sure the transmission projects will be a lot more prudently planned in terms of the content and value rather than looking on a huge value projects on a standalone basis. I do not think there are many, many private players to absorb projects of this magnitude leaving aside one or two only. So this itself will put the government pressure back on the government to think on a smaller value projects so that more of private entities can be part of it, not few of that.

Amber Singhania: Secondly Sir like as Jhajjar was one of its kind and first of its kind project we got a viability gap funding also later on subsequent projects got slightly toned on with not having viability gap funding. How things are panning out in the future projects are we seeing the IRR is squeezing further and are we going on the similar lines where the road BOTs have moved over a period of time?

P.P. Gupta: See, I do not say that these projects which are being bided now in transmission or on poor IRR per se. The issue is when you do a line work today and although it is not my sector but when we interact at the industry level what we understand is this doing the very line work is becoming as a huge challenge in terms of right away and the very cost of acquiring this right away so this by these kind of measures they are not able to retain their project cost that is an issue, but if government comes out with the revised land procurement rules as it was there in the today's paper also that government is committed to do these as reforms going forward but the present land buying rules definitely does not facilitate this business, because you have to acquire land in process, acquire lands spread over the area of no less than 500 kilometer so this is hugely time consuming as well as costly, so this is where the very uncertainty and risk involved in the projects have gone up which is not the case what we do a substation is a definite location project and once the land parcel is identified in a one pocket your project is done with. So these challenges are of a verity of nature and somebody while pricing obviously he must properly consider the risk and rewards and price it out.

Amber Singhania: Sir my second question is for the wind side like it has been a couple of months that the new government is in place and we have seen that the LC mechanism has not panned out as it was planned earlier government focus continues to renew that we they have a very high regard for the renewable energy going forward, but nothing has come in which can safeguard this mechanism which has been launched couple of years back is there anything happening on that part or is it just going on a similar part of the previous regulations and all which has happened so just taken down the renewable energies to this so far?

P.P. Gupta: I will only say by creating it is my personal view by creating one ministry has created bigger challenges then solved it because power is a huge subject and leaving this portfolio to 1% only we will occupy his mind with some of the priorities and not all of the priorities presently he is struggling only with very conventional power the project struck in the conventional power because they are of large values and they have fuel issues like coal mines and mining issues related and how to unlock the very stuck projects so in renewable you can say it is largely remained a lip service only and last but not least which we were all hoping in the industry on Mr. Suresh Prabhu to be part of this very sector is gifted to railways now. So let us see some how they want to carry it forward renewables is only a fancy issue or they want to really mean Mr. Modi his pet subject so I am sure he must have something above his sleep.

Amber Singhania: Yes, thanks Sir and Sir one more thing like given our expertise about the substation part and synchronization of grid and power do we also have any role to play in the overall railway in further is there any scope for us?

P.P. Gupta: In railway what are the electrical part of the job is involved we can do it we are competent.

Amber Singhania: Are we aiming for those things because that is again going to be a major capex driven sector now as going forward?

P.P. Gupta: Not at the moment unless programs are rolled out and we know precisely the very visibility of the programs we have not thought of it so far.

Amber Singhania: Sir when do we expect this bid to be open on Chittorgarh and Ajmer which we are going to be submitted next week?

P.P. Gupta: Chittorgarh is due today it has already been submitted and Ajmer is due on I am told the revised date is about 21.

Amber Singhania: When can we expect the announcement results to be announced after this roughly how much time it takes?

P.P. Gupta: It happens very fast I believe Chittorgarh we will know within this month.

Amber Singhania: Sir just bookkeeping question what is the total cash balance we have cash and equivalent along with the mutual funds and all?

P.P. Gupta: On a consolidated level it is now 100 Crores and standalone 40 Crores as of today.

Amber Singhania: This was around 200 odd Crores at the end of the FY 2014 so do we expect that?

P.P. Gupta: Yes this will again catch up you, because the peak revenues of the wind will get paid over next three, four months so by March again we should come back to 150 Crores such.

Amber Singhania: Sir any guidance you would like to give or share with us for EPC and wind order overall consolidated entity for FY15 and 16 in terms of topline and profits?

P.P. Gupta: You see in March 2015 we are targeting a top-line of about 800 Crores plus.

Amber Singhania: On EPC side.

P.P. Gupta: Total EPC you should take about 700 Crores, another 125 Crores on the wind side that will be the topline and bottom-line ware looking on a EPS of about Rs.20 plus.

Amber Singhania: That is all from my side.

Moderator: Thank you. As there are no further questions I would now like to hand the floor over to Mr. Amber Singhania for closing comments.

Amber Singhania: Thank you Margaret. On behalf of Asian Markets, I thank everyone for joining the call and a special thanks to Mr. P.P. Gupta and Mr. Ankit for providing valuable insight about the company business and the overall sector. With that we conclude the call sir you would like to make any closing comments.

P.P. Gupta: Thank you all for joining our con call in case you have any quarry related to our performance you can always be in regular touch with us on email or on our website with that I would like to close the conference and once again thank everybody for joining us. Thank you very much and we are really, really, really thankful to you to take interest in working of our company and making our company valuable.

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