



TECHNO ELECTRIC & ENGINEERING COMPANY LIMITED

AN INVESTOR PRESENTATION

Quarter Ended
June 30, 2018



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Corporate Overview



Techno Electric & Engineering Company Limited (TEECL)

is among India's largest in power-infrastructure companies. It is one of the most attractive proxies of India's power sector, headquartered in Kolkata.



» 35+ Years

of rich experience in the power sector EPC



» 350+ Projects

completed since inception



» 25+ Years

of average experience of core engineering team



» 500 Professionals

in team (engineering, commercial, graduates and postgraduates)



» AA Long Term

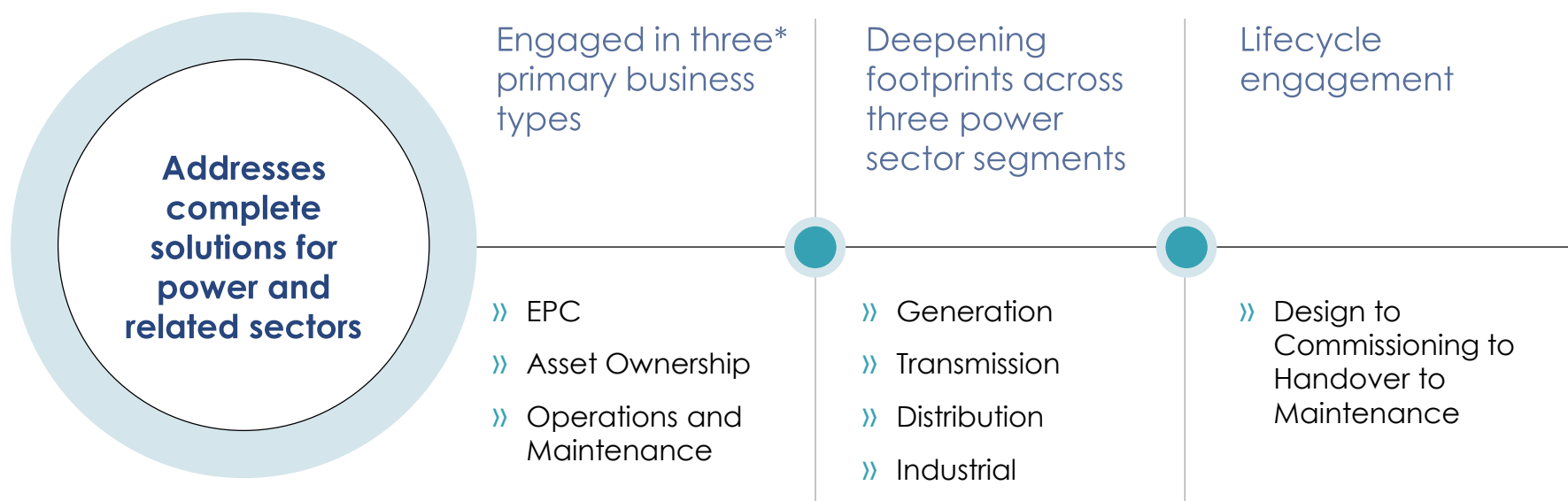


» A1+ Short Term



» BSE, NSE

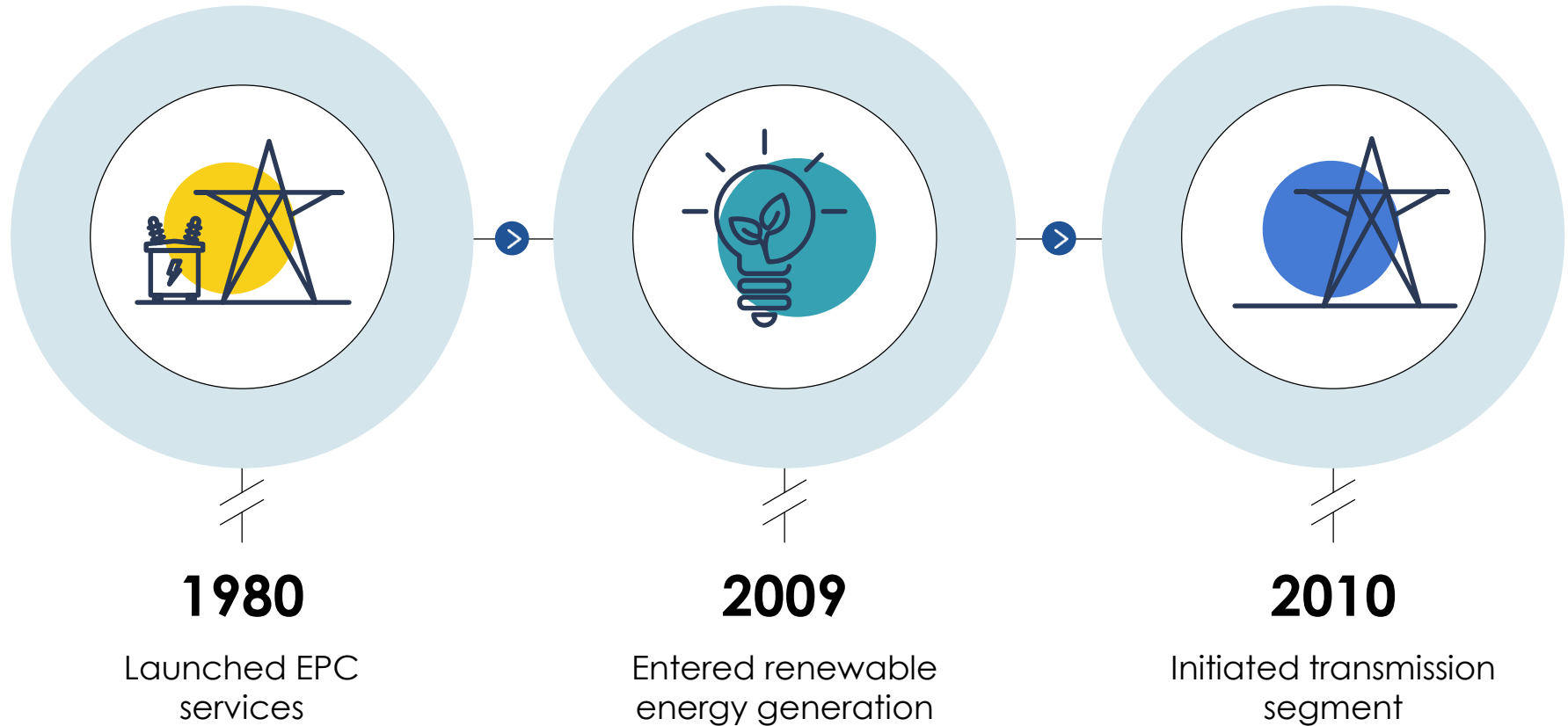
listed



* TEECL is divesting its renewable energy assets to concentrate more on its core businesses of EPC and BOOT and BOOM operations.



KEY MILESTONES



ADVANCING WITH EXPERIENCE AND EXPERTISE



EPC



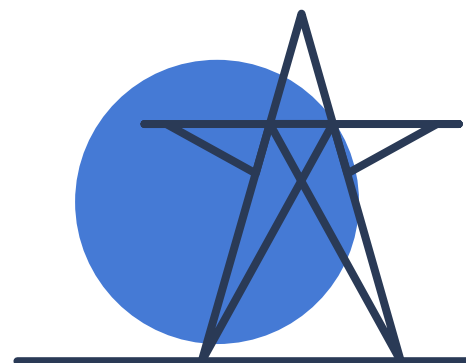
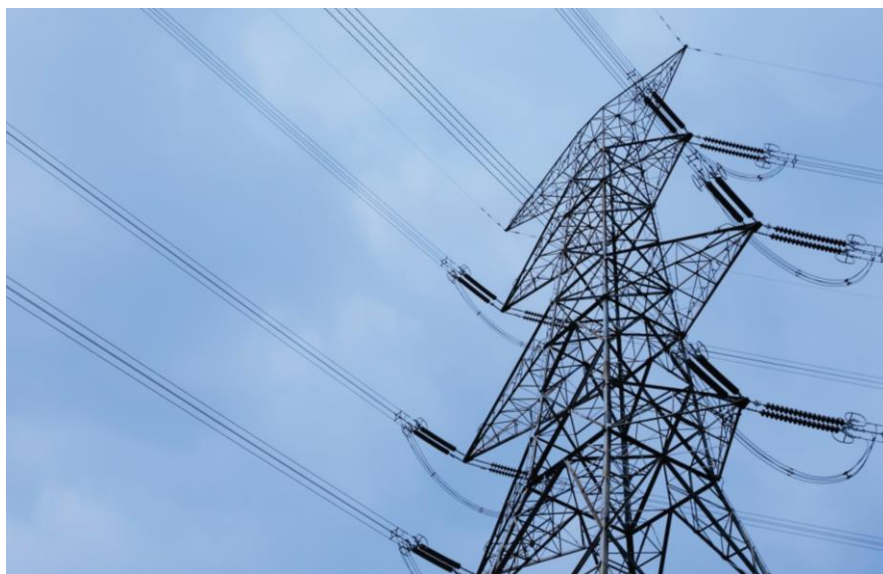
PPP Transmission



Green Power



- » T&D including rural electrification
- » Balance of plant
- » Captive waste heat recovery and upto 200 MW of conventional power plant on turnkey basis
- » Solutions for power-intensive industries
- » Less capital-intensive, high risk-reward ratio
- » 88% of revenues
- » 63% of EBIT, FY18

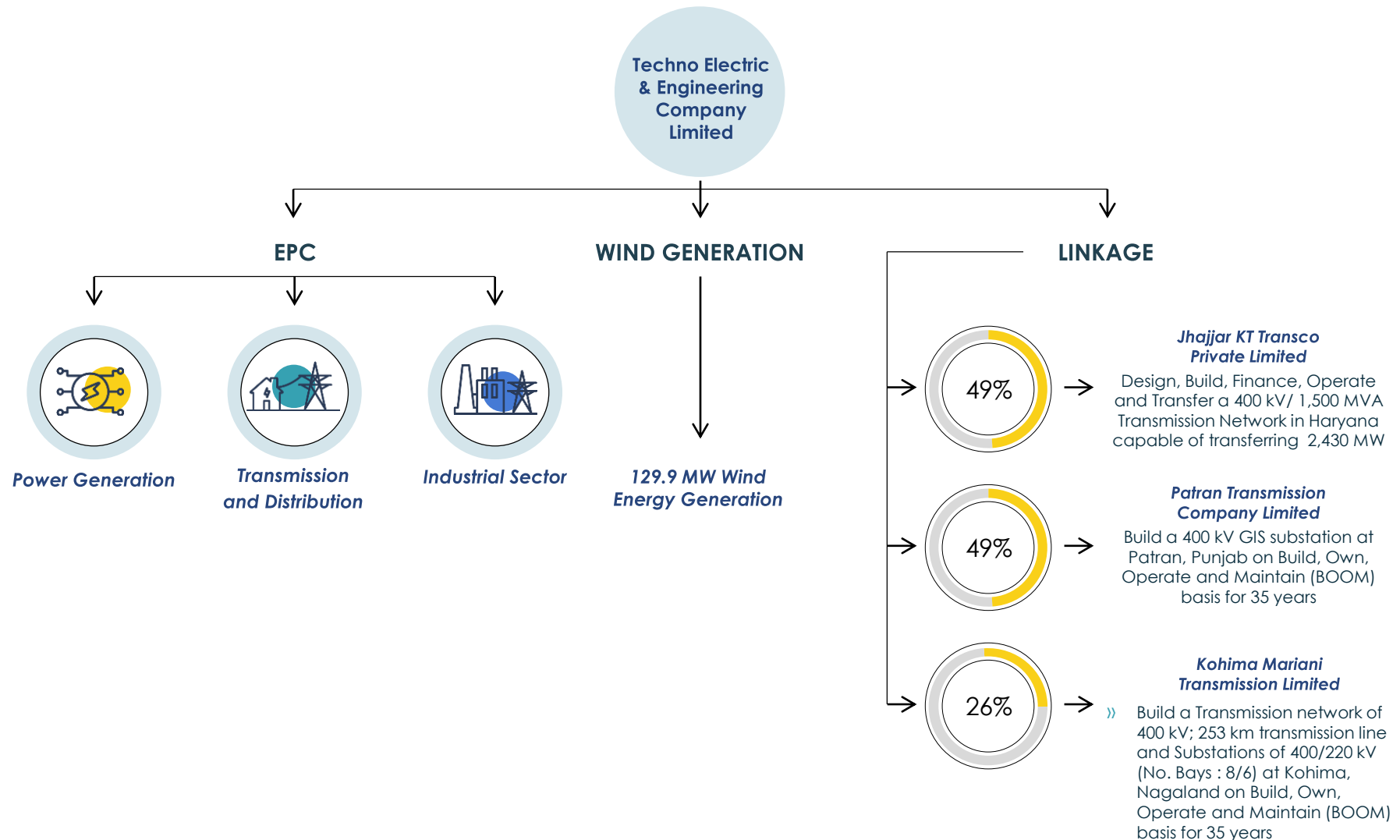


- » Build Own Operate and Transfer (BOOT)
- » Build Own Operate and Maintain (BOOM)
- » Provide annuity income
- » Capital intensive
- » Modest ROE
- » Stable multi-year income/cash flow
- » In-house EPC business
- » O&M revenues

ADVANCING WITH EXPERIENCE AND EXPERTISE



- » Capital-intensive
- » Modest IRR
- » Multi-year stable income/cash flows
- » 10% of revenues,
- » 25% of EBIDTA, FY18



TEECL primarily serves CPSUs, state-run utilities and private sector customers (captive power plant and power distribution system for power intensive industries). Over the years, it

- » Helped build 50% of India's national power grid
- » Engaged with over 50% NTPC projects of various capacities
- » Bagged multi-year engagements with marquee PSUs
- » Provided power distribution solutions to major oil refineries (Bina, Paradip, Bhatinda and Panipat among others)
- » Collaborated with aluminium smelters (Hindalco and Nalco, among others) for their power solutions

The Company follows the operating philosophy of 'Once a customer, always a customer'.

Domestic



POWER GRID CORPORATION OF INDIA LIMITED
(A Government of India Enterprise)



International





> **'Best player in 765 KV AIS Substation Construction in India in 2018' by PGCIL**



> **IEI Industry Excellence Award, 2016**



> **Mr. P. P. Gupta receiving the best performance award, 2013**



> **Meritorious Performance in Power Sector in 2011-12 by Ministry of Power**

» Received Safety Award from NTPC in 2018 for 'Best HSE Performance at Kudgi Site.'

» Received award from PGCIL in 2018 as 'Best player in 765 KV AIS Substation Construction in India'

» Awarded Certificate of appreciation from North Bihar Power Distribution Co. Ltd. and Bihar State Power (Holding) Company Limited in 2016

» Won IEI Industry Excellence Award 2016 from the Institution of Engineers (India) for demonstrating Highest Order of Business Excellence

» Conferred with Best Performance & Safety award 2016, 2015, 2014 and 2013 from Power Grid Corporation

» Bagged National award for meritorious performance in the power sector from the Ministry of Power, 2014

» Named 'Best Vendor in Eastern India' by Bharat Heavy Electricals Limited in 2010 - 11

» Recognised as 'Best Under a Billion'—Top 200 small and mid-cap companies by Forbes in 2008



> **Mr P. P. Gupta**
Key Promoter and Managing Director

Qualification

- » Honours graduate in Industrial Engineering
- » Postgraduate in Management (IIM, Ahmedabad)

Experience

- » Management consultant deputed to BHEL
- » Merchant banker with National Grindlays Bank

Association with TEECL

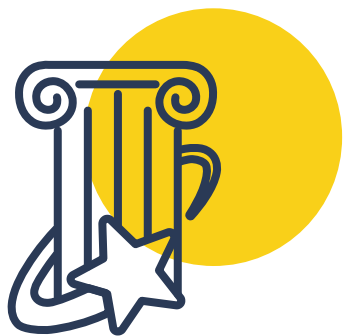
- » Joined TEECL since 1980
- » Grew TEECL into prominent Indian EPC company in power generation and transmission PPP linkages

Industry Engagements

- » Served industry associations like IEEMA, Confederation of Indian Industry, IIPW and IIW, Vice President of Indian Electricals and Electronics Manufacturers Association

Recognitions

- » Acknowledged as top 100 Indian CEOs by Business Today – PWC 2016-17



TEECL is geared to capitalise on the opportunities offered and bid for the projects that come in years ahead.

Policies to influence the power industry

- » 450 GW total generation capacity target by 2022
- » 280 GW total capacity in demand till 2022
- » 85 GW fresh capacity addition with 35% in private sector by 2022
- » 118GW expected increase in inter-regional capacity in FY22 from 63 GW in FY17
- » 5,00,000 MVA target substation capacity
- » 1,30,000 MVA additional capacity target
- » Rising private sector participation through TBCB and VGF scheme
- » State DISCOMS and TRANSCOS expected to strengthen T&D infrastructure as part of UDAY[#] scheme

Investment roadmap of industry

- » ₹ 2,600 billion total transmission sector investments, of which ₹ 1,600 billion in 400 KV and ₹ 1,000 billion in 220 KV
- » ₹ 1,000 billion worth projects to be allocated
- » ₹ 74 billion worth additional projects identified
- » ₹ 72 billion investments from government projects like IPDS^{*} and DDUGY[^] in FY18-22 period

[#]Ujwal DISCOM Assurance Yojana (UDAY)

^{*}Integrated Power Development Scheme (IPDS)

[^]Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGY)



TEECL's strengths stem from the following abilities:



» Consistent upgradation to industry-next technology



» Ability to embrace challenges



» Efficient working capital management



» Rich terrain understanding



» On-time project completion



» Cost-effectiveness



» Partnership with large international manufacturers



» Robust vendor eco-system

UTILISING CORPORATE STRENGTH - (Contd.)



» Constantly improving focus on customer-centricity and contractual obligations.



» Quicker project completion than industry standards



» Recorded low gearing, high credit rating, low-cost debt



» Delivered most EPC and BOOT/BOOM projects on or before schedule



» Management of customer expectations and contractual Obligations



» Zero Penalty Record

Business Segment Review



EPC



BOOT and BOOM
Business



Green Power



Key highlights for FY 2017-18



» 67%

ROCE of EPC as on
31 March, 2018



» ₹17,872 million

size of order book as on
30 June, 2018



» 24 months

revenue visibility



» ₹ 2,500+ million

annual cash surplus



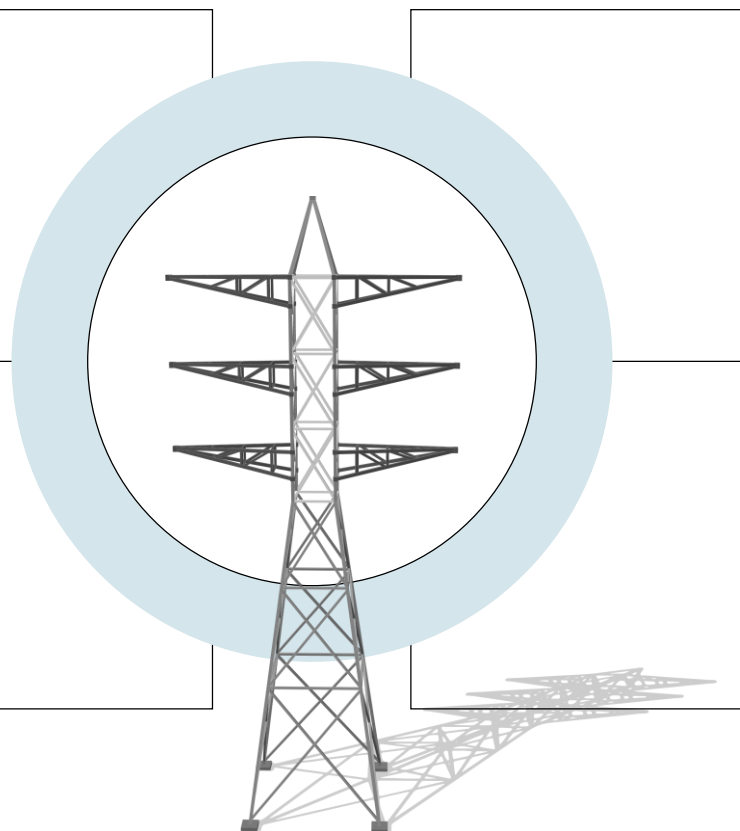
» 23%

CAGR of EPC revenues
over last 4 year

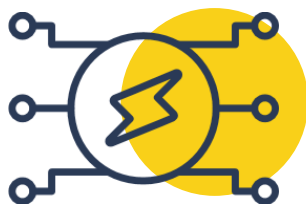


» 88%

Revenue of the total
business from EPC as
on 31 March, 2018

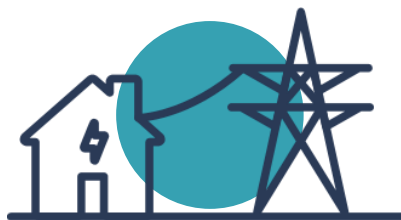


Power Generation



- » Turnkey solutions to captive power plants
- » Balance of Plant

Transmission and Distribution



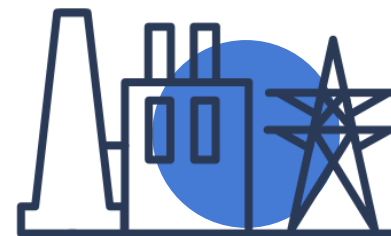
EHV substations

- » EHV substations up to 765 kV (AIS/GIS)
- » STATCOM installation up to 250 MVar

Distribution

- » Distribution systems management (APDRP*)
- » Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY)

Industrial Sector



- » Power distribution systems to power intensive industries
- » Offsite piping systems
- » Oil handling plant process industries
- » Naptha and Diesel based system for turbine based power plant
- » Water and allied system
- » Fire protection system
- » Plant electrical and illumination system

*Accelerated Power Development and Reforms Programme

- » Well-planned projects executed in sync with cash flow and contractual obligations
- » Focus on PAT/retained cash (not size of order book)
- » Conservative project management approach
- » Cash rich; low gearing; income mix (lumpy and annuity)
- » Zero penalty record; realised retention money within 12 months of project completion
- » Marginal working capital outlay
- » De-risked: bid with own cash; work for CPSUs or bilaterally/multi-laterally funded SEB projects
- » Conservative accounting policy
- » 90-day receivables, quicker than industry standard (without considering retention)
- » Quality assets for national benefit



EPC ORDER BOOK AS ON 30TH JUNE, 2018



Segment-wise order book for the quarter ended 30th June, 2018

» ₹ 779 million

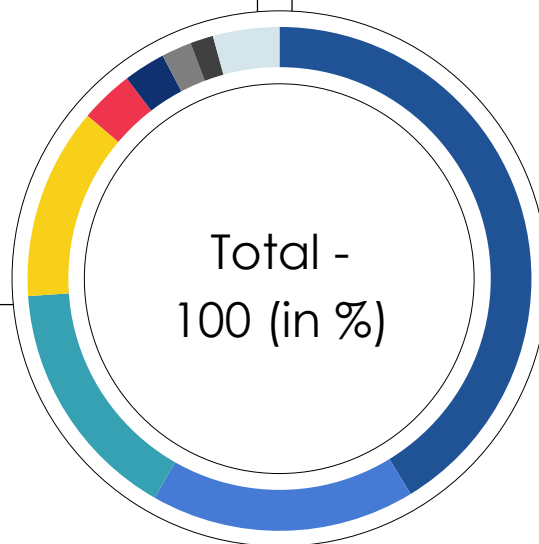
Generation

» ₹ 13,715 million

Transmission

» ₹ 3,377 million

Distribution



| | Name of the client | Amount in mn |
|---------|--------------------------------------------|-----------------|
| 41.28 % | PGCIL | 7,377.7 |
| 16.96 % | Jharkhand Bijli Vitran Nigam Ltd. | 3,031.6 |
| 15.67 % | NERSS, Nagaland (BOOT Project) | 2,800.0 |
| 12.31 % | DABS, Afghanistan | 2,200.0 |
| 3.42% | TS Transco Ltd. | 611.8 |
| 2.69% | NTPC Ltd. | 480.9 |
| 1.93% | Rajasthan Rajya Vidyut Prasaran Nigam Ltd. | 345.5 |
| 1.48% | North Bihar Power Distribution Co Ltd | 263.6 |
| 4.26% | Others | 761.0 |
| | Total | 17,872.2 |

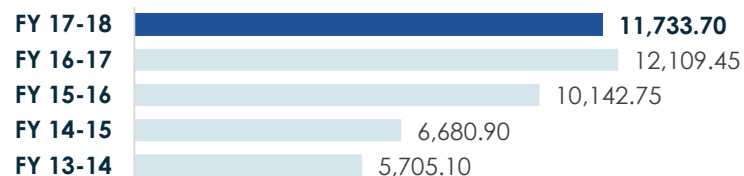
DISTINCT ACCOUNTING FRAMEWORK FOR FY17 AND FY18



EPC Financials

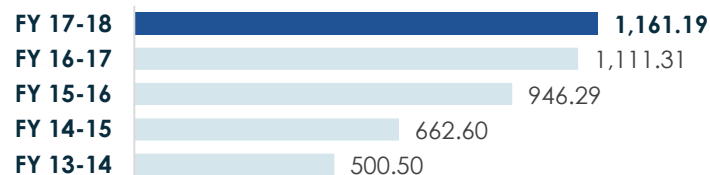
Revenue

(₹ in mn)



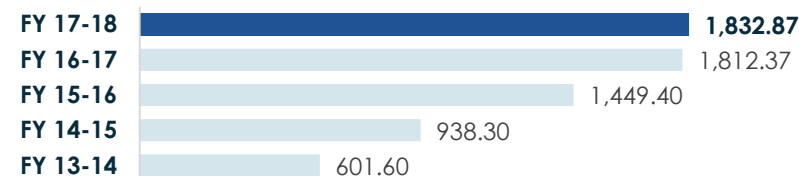
PAT

(₹ in mn)



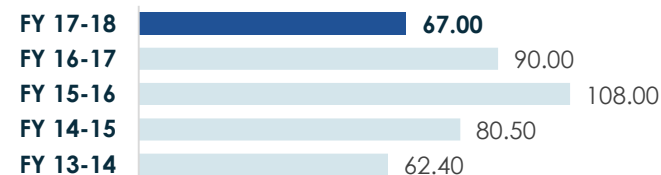
EBITDA

(₹ in mn)



ROCE

(in %)



Market conditions that defined TEECL's financials:

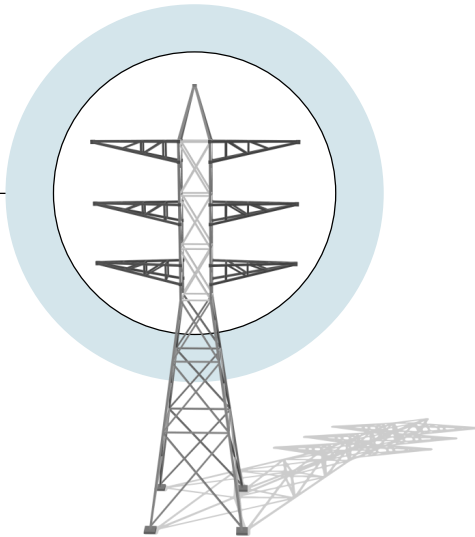
- » In FY17, revenues were accounted inclusive of taxes
- » Post GST* revenues are recorded exclusive of taxes
- » Revenues are 10-11% lower for FY18, owing to accounting practices
- » Some of TEECL's customers are yet to amended their contracts after GST
- » The Company accounted the bills with GST from its sub-contractors

*Goods and Services Tax



1

Enhanced demand for power in industries



- » Combined expected investment of more than ₹ 12,00,000 million by IOC*, BP^, HP# and others on refinery expansions in the next five years plan
- » Expected capex from Vedanta and NALCO for enhanced capacities in the next 3-5 years to be valued at ~₹ 4,00,000 million
- » Sharpened skills and expertise in niche areas of handling complex projects, which include high precision fabrication and machining skills in power guzzling industrial units
- » Experienced in installation of high end (360KA) aluminum bus bar system for aluminum smelters
- » Specialised knowledge for plant's electrical and illumination, cabling project, water and allied system, installation of fire protection system

#Indian Oil Corporation

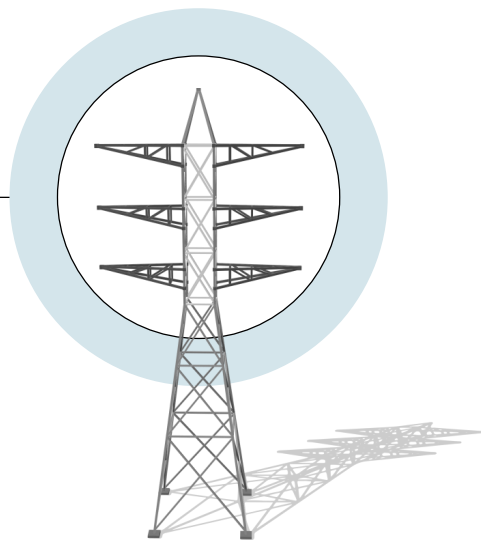
| ^Bharat Petroleum

| #Hindustan Petroleum



2

Increasing presence in overseas markets



Bagged two trans-border projects

» UGANDA

Design, supply and erection of 160 km 132 Kv double circuit Mbarara - Nkenda transmission line and associated substations worth ₹ 95 crores

» AFGHANISTAN

The Afghanistan Breshna Sherkat (DABS), Kabul, Afghanistan for design, supply and construction of 500 KV Substation worth US\$ 35 million. TEECL's portion is US\$ 26 million, that is likely to be enhanced to US\$ 40 million

Foreign project on the horizon

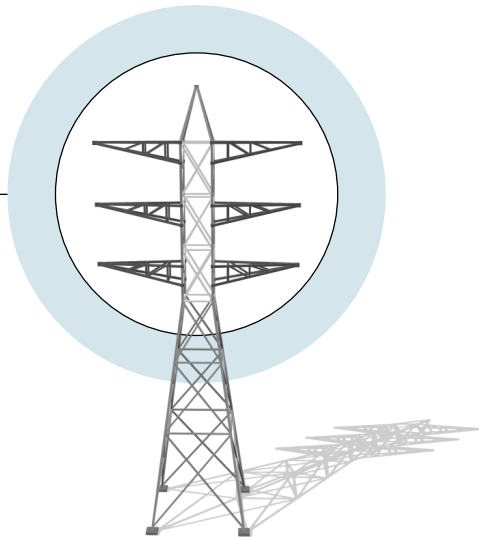
» KENYA

Order worth US\$ 87 million is in the advanced stages of settlement, for KETRACO, Government of Kenya Undertaking. Scope: 220KV power network with line sub-contractor being Kalpataru Power Transmission Co. Ltd.



3

New emission control policies



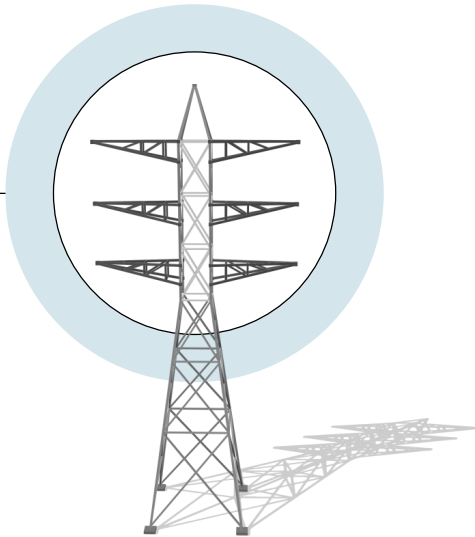
Pursuant to Government of India, Gazette notification of 7th December, 2015 all Thermal Power Plants need to limit their sulphur emission.

- » Expected to bag 1-2 orders with an order size of ₹ 2,000-5,000 million
- » Requirement of global technology tie-ups by EPC players. Total investment of ₹ 1,200 billion estimated.
- » Collaborated with global major K C Cottrell, South Korea for emission control technology and under discussion with other global majors for specific technology applicable for various industries.



4

Technology Innovation



Solar Power

- » Targeted 100 GW of solar capacity by 2022 in India through investment of ₹ 6,000 billion
- » 25 GW of installation expected through from EPC route of ₹ 1,500 billion; NTPC to execute 10 GW installation in the next five years
- » Poised to execute 3-5% of installations by CPSUs in EPC route over the next five years

Waste-to-Heat Technology

NTPC to set up 100 waste-to-energy pollution-free plants.

- » According to MNRE*, it has a potential to generate power of 2,780 MW by 2050
- » Under discussion with global major from Norway for waste-to-energy technology

*Ministry of New and Renewable Energy

Business Segment Review



EPC



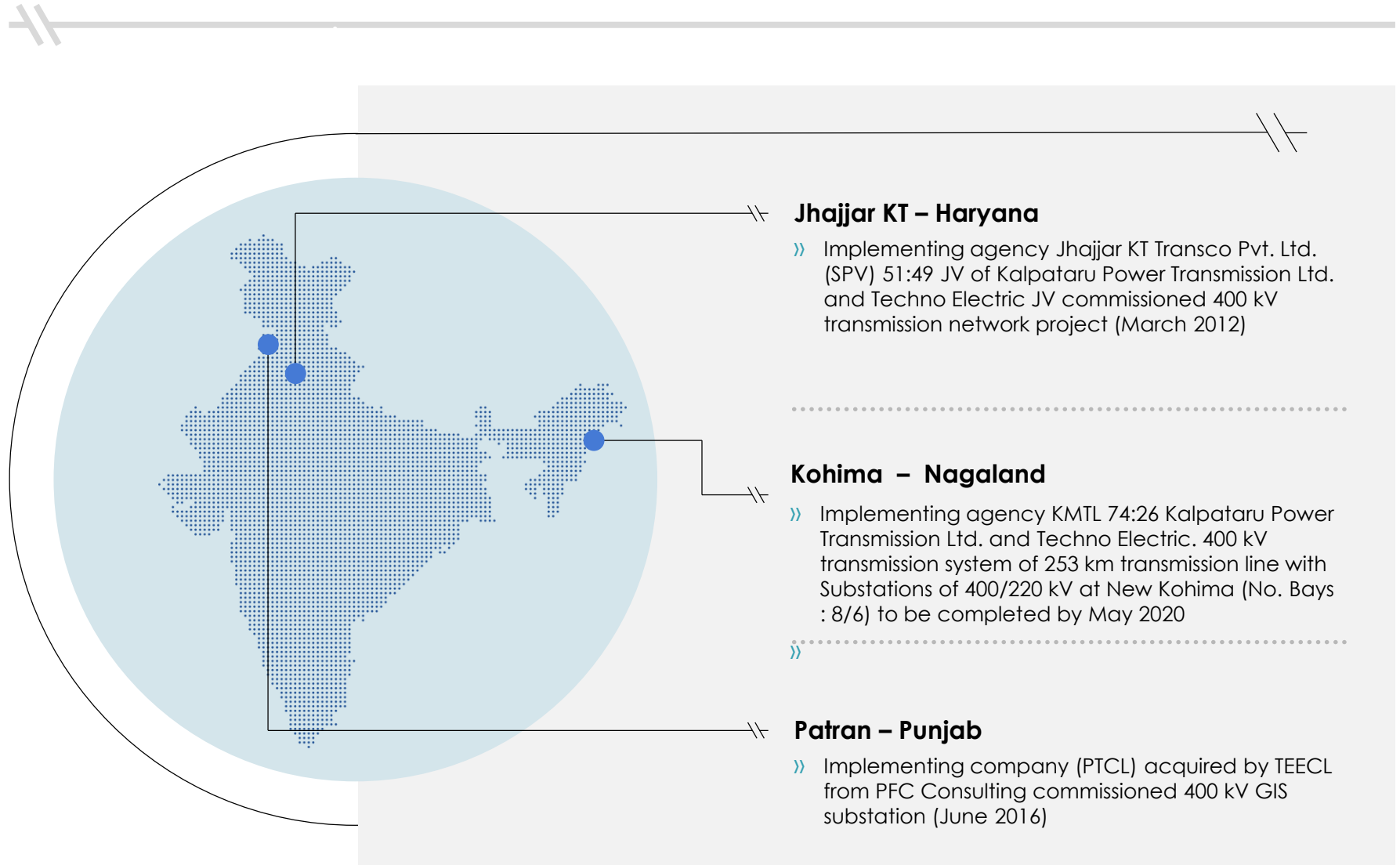
**BOOT and BOOM
Business**



Green Power



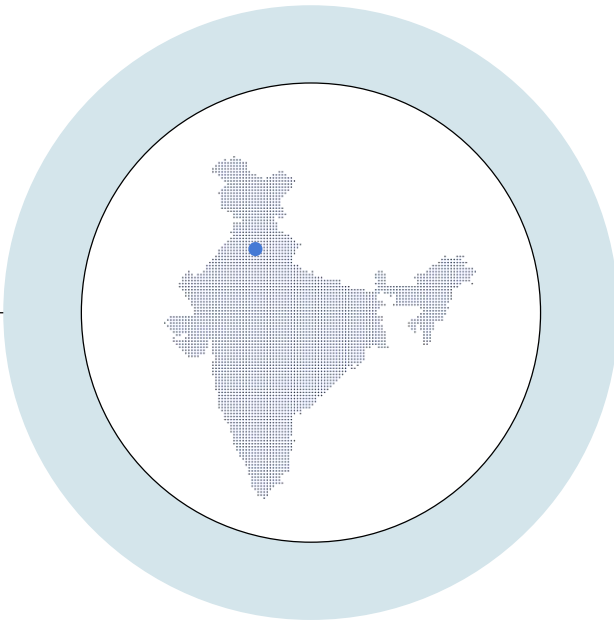
BUILDING PARTNERSHIPS ACROSS VARIOUS PPP PROJECTS





1

Jhajjar KT – Haryana

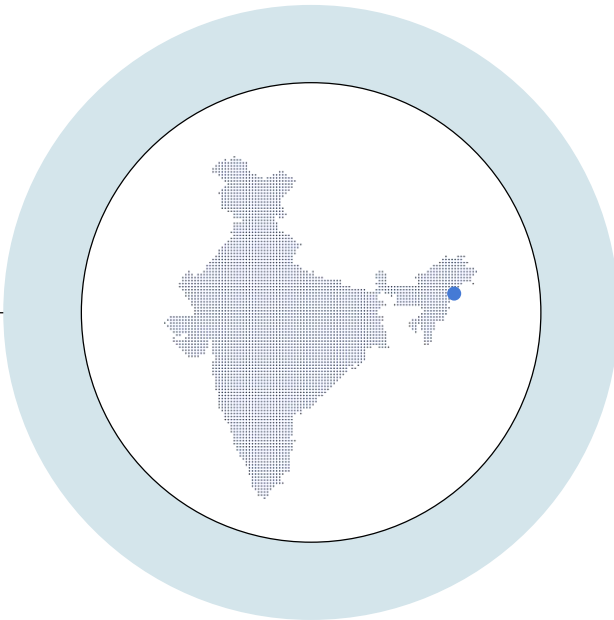


- » Project commissioned in record 15 months
- » 400 kV transmission system comprises Double Circuit Quad Moose Line
- » Extending from Jharli to Kabulpur, Rohtak (35 KM)
- » Extending from Kabulpur to Dipalpur, Sonapat (64 KM)
- » Two substations of 400/220 kV of 24 bays each at Rohtak and Sonapat
- » Transmission network designed to evacuate 2,400 MW
- » First transmission project to receive viability gap funding support from Central Government
- » ₹ 920 million grant by Central Government



2

Kohima – Nagaland

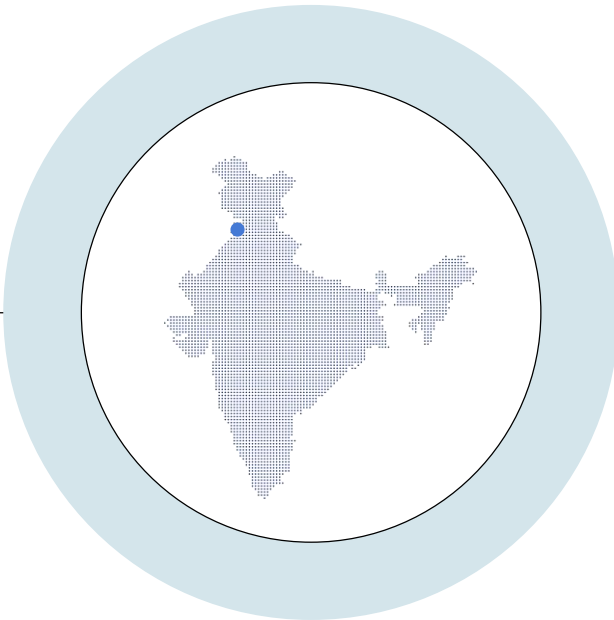


- » Build, Own, Operate and Maintain (BOOM) transmission network.
- » Designing, constructing, erecting, completing and commissioning responsibility
- » Financial closure has been achieved; expected date of commissioning in May, 2020
- » 400 kV transmission system
- » Transmission line from Imphal to New Kohima (134 KM)
- » Transmission line from New Kohima to Mariani (119 KM)
- » Substations of 400/220 kV at New Kohima (No. Bays : 8/6)



3

Patran – Punjab



- » Build, Own, Operate and Maintain (BOOM) transmission network
- » Designing, constructing, erecting, completing and commissioning responsibility
- » Financial closure achieved at competitive rates; commissioned in June, 2016
- » 1,000 MVA evacuation capacity, comprises of:
 - » LILO of Patiala-Kaithal 400 kV double circuit triple snow bird line at Patran
 - » 400/220kV GIS substation with 14 bays in Patran

Jhajjar KT – Haryana

- » ₹ 4,440 million project (debt and equity)
- » ₹ 2,760 million debt and combined equity ₹ 760 million from JV partners
- » DBFOT arrangement for 25 years (extendable by 10 years)
- » Terminal value 60 months of revenue (after 25 years of concession period)
- » ₹ 45 million income/month without considering inflation

Patran – Punjab

- » ₹ 2,000 million project with Debt Equity ratio of 3
- » ₹ 1,750 million to TEECL EPC arm
- » Annual revenue of ₹ 300 million
- » Expected revenue to O&M agency (TEECL) of ₹ 20 million annually
- » Projected ₹ 10,000 million income over the complete concession period of 35 years
- » Entered a definite agreement with India Grid Trust to sell 46% of shares of Patran at Enterprise Value of ₹ 232 crores

Kohima – Nagaland

- » ₹ 13,000 million project with Debt Equity ratio of 3
- » ₹ 2,500 million to TEECL EPC arm
- » Expected revenue for O&M to TEECL of ₹ 60 million annually
- » Annual revenue of expected ₹ 2,000 million
- » Projected ₹ 70,000 million income over the complete concession period of 35 years



- » Leverage EPC knowledge as transmission asset complements EPC
- » Enhance valuation and profitable encashment opportunities with long-term annuity incomes
- » Generate operations and maintenance revenues
- » Improve scale and stability with asset ownership
- » Reduce requirement to bid aggressively and therefore, decrease participation in unhealthy competition

With growing government preference for private sector's role in the power distribution and transmission segment, the BOOT and BOOM industry is expected to grow steadily. In this industry landscape, TEECL will aim to

- » Execute 1-2 project annually
- » Attain projected portfolio of four projects by 2020
- » Generate increasing insourcing of EPC contracts
- » From 20% of EPC orders from PPP projects in 2012 to 10% in 2015 to 20% (est.) by 2020
- » Build efficient evacuation facilities for the nation



Business Segment Review



EPC



BOOT and BOOM
Business



Green Power



Key highlights of the segment

- » Sold 44.45 MW of wind power assets at an effective valuation of ₹ 2,150 million during the Q1 FY 2016
- » Sold 33 MW of wind energy assets at an effective valuation of ₹ 1,650 million in January 2017
- » Exited the assets at the same price at which investment was made
- » 12 MW of wind energy asset sold to erstwhile Simran (Now TEECL post amalgamation)

TEECL intends to divest balance portfolio of 129.9 MW wind assets to improve strength for bidding in more PPP projects in transmission sector, improve ROCE and focus on core EPC vertical.





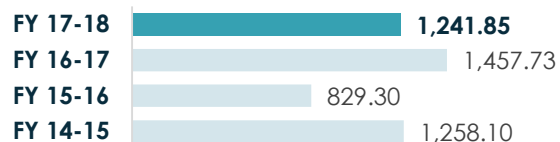
Simran Wind Project Limited

| | | |
|-----------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Capacity | 18 MW | 111.90 MW |
| Date of Acquisition/ Commissioning | During 2009-10 | March 31, 2011 - February 24, 2012 |
| Location | Karnataka | Tamil Nadu (111.90 MW) |
| Capacity | 12 turbines x 1.5 MW each | 48 turbines x 1.5 MW each; 19 turbines x 2.1 MW each |
| PLF | 18% - 26% | 19% - 26% |
| Tariff | ₹ 3.40 (Karnataka) | APPC tariff – ₹ 3.12 (TN) for 111.90 MW |
| Project cost | ₹ 885 mn | ₹ 6,650 mn |
| O&M | Free for first 5 years; 5% escalation from ₹ 1 mn/MW | Free for first 4.5 years; 5% escalation from ₹ 0.80 mn/MW started from May 2016 for 72MW and ₹ 0.95 mn/MW starting Aug 2018 |
| GBI benefit | – | 111.9 MW registered with IREDA |

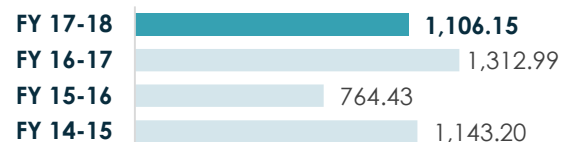


Green Energy Financials

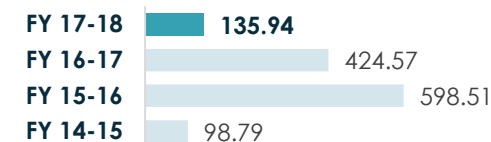
Revenue (₹ in mn)



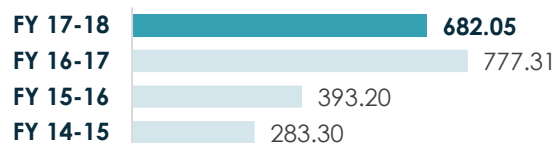
EBITDA (₹ in mn)



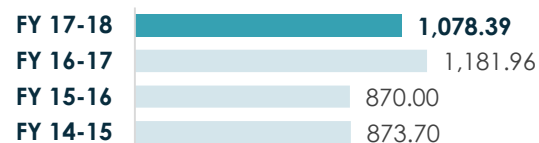
Other Income (₹ in mn)



PAT (₹ in mn)



Cash Generated (₹ in mn)



Units generated (in mn)



Realisation/unit (₹)



FY 16

- » Divested 44.45 MW
- » Excluded from total turnover value is capital gain of ₹ 25.4 crores from sale of wind assets

FY 17

- » Divested 33MW
- » Recorded lower EBITDA owing to revenues of ₹ 19.06 crores from sale of wind assets
- » Ruled out from total turnover value is capital gain of ₹ 23.34 crores due to the sale of wind asset

Financial Review



ANALYSING QUARTER-ON-QUARTER FINANCIALS – Q1FY19



Quarterly financials

Revenue

(₹ in mn)



EBITDA Margin

(%)



Profit after tax

(₹ in mn)



■ Q1FY19 ■ Q1FY18

EBITDA

(₹ in mn)



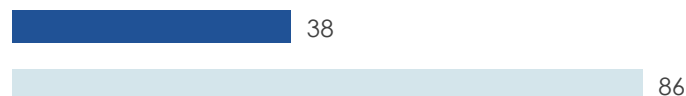
Other income

(₹ in mn)



Interest Cost

(₹ in mn)



Market conditions rendered Q42017 and Q4FY18 financials incomparable due to:

- » Distinct taxation system of FY17 and FY18 owing to implementation of GST
- » Some contracts remain unaltered post GST
- » Adoption of GST by TEECL for accounting its subcontractors bill

ANALYSING QUARTER-ON-QUARTER FINANCIALS

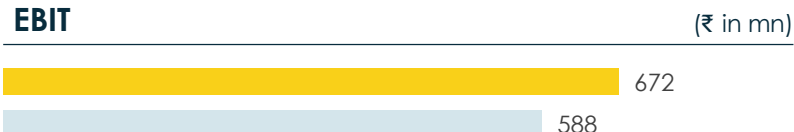


EPC

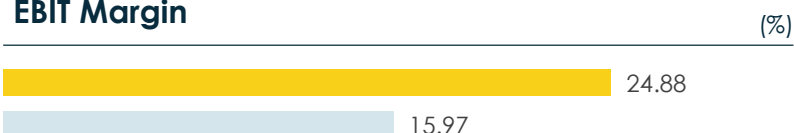
Revenue



EBIT



EBIT Margin



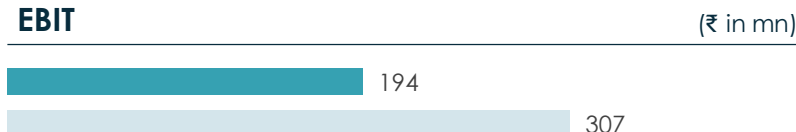
■ Q1FY 19 ■ Q1FY 18

Energy

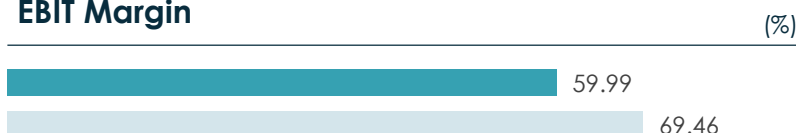
Revenue



EBIT



EBIT Margin



■ Q1FY 19 ■ Q1FY 18

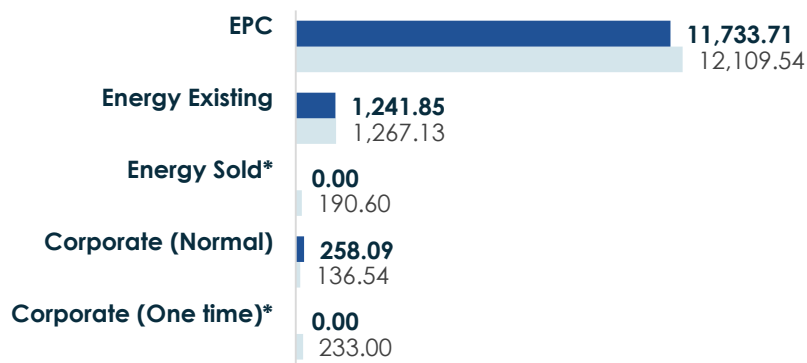
1. Earlier our revenue used to be inclusive of taxes, now, post GST, it is exclusive of taxes. Thus, our topline has lowered to the effect of 14% approximately. Accordingly the gross revenue figures for the quarter are not comparable with the previous period presented in the result.
2. Last year in Q1FY18, we have booked higher sales in EPC division of Rs 50 crores as some customers were pushing to book sales before of GST implementation. After that we were back to the normal process of booking sales. Hence the figures are not comparable year on year basis.
3. Some of our contracts were not amended by our clients post GST and now the contracted value stands amended and billing to that extent has been completed this quarter. We had earlier accounted for bills with GST effect from our sub-contractors as expenses and bills in last quarter and bills against these expenses were raised by us to our customers in this quarter. This has increased the EBITDA margin in Q1FY19 by 7%.
4. Revenue from Wind Segment stands at Rs 31.16 Cr compared to Rs 39.76 crores. The revenue was lower as the wind picked up late in the quarter, however, by this time we have been able to cover up for the same till date and we are confident that the full year revenue should be in line with last year.



Income Statement

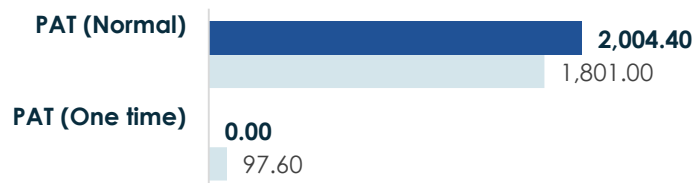
Revenue

(₹ in mn)



PAT

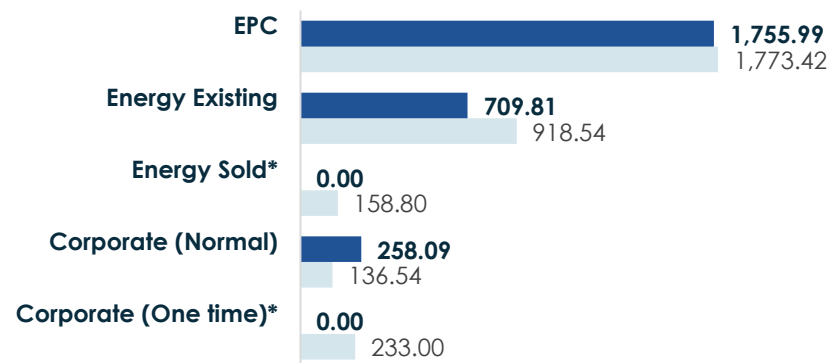
(₹ in mn)



March, 2018 March, 2017

EBIT

(₹ in mn)



* 1. Energy Sold represent Wind Asset unit (33 MW) that the company sold in FY17, which was not there in FY18. Energy Existing is excluding figures from this asset.

2. Corporate One- time represents the profit from sale of the said wind asset (33 MW)



Balance Sheet

| | 2017 | 2018 |
|----------------------------------|---------------|---------------|
| SOURCES OF FUNDS | | |
| Shareholders' funds | 11,070 | 12,223 |
| Minority interest | --- | --- |
| Loan funds | 2,099 | 224 |
| Deferred tax liabilities | 975 | 1,130 |
| Other liabilities and provisions | 213 | 355 |
| Total | 14,358 | 13,932 |

APPLICATION OF FUNDS

| | | |
|-------------------------------------------------------------|---------------|---------------|
| Net fixed assets | 6,468 | 5,846 |
| Investments | 789 | 751 |
| Loans and advances | 85 | 141 |
| Cash and Bank Balance (including short term Investment) (a) | 4,871 | 4,085 |
| Current assets (b: Less a) | 7,197 | 8,274 |
| Current liabilities (c) | 5,053 | 5,165 |
| Net current assets (b – c) | 2,144 | 3,109 |
| Total | 14,358 | 13,932 |



Distinct taxation in FY17 and FY18 owing to roll out of GST

- » Revenues negatively impacted by ~10-11% in FY18 because earlier they were recorded inclusive of taxes as opposed to now

Adoption of GST by TEECL but not raised with clients

- » Accounted bills with GST from sub-contractors as expenses, and bills against these expenses are yet to be raised to customers

Some contracts remain unaltered post GST

- » Billings remain unresolved for those clients, who haven't modified contracts post GST implementation

Elimination of capital gains from total income during FY18

- » Divesting assets in FY16 and FY17 increased total revenues for those years, which is lacking in FY18



Thank You

TECHNO ELECTRIC &
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LIMITED

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