



## **Tecpro Systems Limited**

### **Q1FY13 earnings conference call**

### **August 14, 2012**

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- Moderator** Ladies and gentlemen, good day and welcome to the Tecpro System Limited's Q1FY13 earnings conference call. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Varun Divadkar of CDR India. Thank you and over to you sir.
- Varun Divadkar** Thank you for joining us for the Q1FY2013 earnings conference call of Tecpro Systems Limited. We have with us Mr. A. K. Bishnoi – Chairman and Managing Director of Tecpro Systems; Mr. Amul Gabrani – Vice Chairman and Managing Director; Mr. Kulbhushan Arora – Chief Financial Officer and Mr. Pankaj Tandon – General Manager (Corporate affairs) and Company Secretary. We will start this conference call with opening remarks from the management, after which we will have the floor open for interactive question and answer session. Before we begin, I would like to point out that certain statements made in today's discussion may be forward looking in nature and a disclaimer to this effect is included in the investor release and conference call invite which was sent to you earlier. I would now handover the call to Mr. Bishnoi to make his opening remarks.
- A. K. Bishnoi** A very warm welcome to everyone present and thank you very much for joining us today to discuss the operating and financial performance of our company for the first quarter ending 30<sup>th</sup> June, 2012. I would like to begin the discussion with an overview on the company's operational performance for the quarter, following which Mr. Gabrani will provide the financial highlights of the company.
- We have started the year on a positive note with a healthy in flow of order across our multiple business segments. During the quarter under review, the company secured orders worth Rs. 739 crore. Post 30<sup>th</sup> June, 2012 we have received further orders worth Rs. 425 crore, taking the total order book position till date to Rs. 4,745 crore. The major thrust has come from the coal and ash handling segment where we continue to maintain our dominant position.
- However, I am also very pleased to inform all of you that we have also been successful in maintaining our position in the waste heat recovery segment where, in addition to the jobs in the cement sector from Ultratech and other companies, in the last financial year, this year also we have been successful in getting another order in the cement sector, and have also been successful in entering the steel sector for the Waste Heat Recovery with the receipt of our first order from the Steel Authority of India Limited. So, in addition to cement, we are also looking at Waste Heat Recovery in the steel sector.

In addition to this, we have also made substantial progress in our water segment where through the acquisition of Ambika Projects we have been successful in getting two major jobs from well-known clients. One of these projects is from Gas Authority of India and the other is from Bhopal Municipal Corporation. I would like to add that these jobs are with a pre order tie-up with another company and it was a joint bid which was submitted.

With regards to Eversun which we acquired in February 2012, in the Solar EPC space, again the developments are quite good. We have been successful in getting good inquires and we have quoted for lot of projects, some of which are large value projects. We are quite confident that we will be able to book good orders as time goes by.

Some of the major jobs which we have booked in this financial year are basically jobs where we were lowest in the last financial year and which we had covered in our last conference call. Just to give you brief details, some of these jobs include the ash handling package for the Solapur Super Thermal Project, which is around Rs. 142 crore which is from NTPC, then there is another NTPC job for the Muzaffarpur Thermal Power Project which is around Rs. 83 crore and the third one again is an ash handling package of NTPC for its Meja Thermal Power Project which is around Rs. 162 crore.

Another very note worthy development during the quarter was the receipt of our first major international order which we have bagged through our subsidiary company in Singapore. The order is worth US\$ 32.7 million and it is from Hyundai Rotem Company of Korea and our scope is supply of coal, limestone and ash handling system for the 2 X 500 MW Mong Doun 1 Thermal Power Plant Project.

I would also like to share a recent announcement which we have made a couple of hours back. We have received another major international order which is from Indonesia, where the total value of the order is in excess of Rs. 300 crore and our portion is about Rs. 210 crore. Tecpro will execute this project in consortium with a local Indonesian company. We are obviously looking at continuing our thrust on the international business and I am sure with the receipt of these two major international orders, we will be successful in booking more such jobs.

With regards to BoP, if you could remember in the last call we had mentioned that there was not much activity in the last financial year. This financial year has started on a more positive note. We have booked a small balance of plant job from the Maharashtra State Power Generation company which is for the Koradi Thermal Power Plant, but this is a very small project. It is not one of the major BoP jobs. With regards to the major BoP jobs, there have been a couple of good enquiries and in fact we have submitted one major order, in consortium with other leading companies as we have done earlier, for Korba and for the other BoP jobs. In addition to the NTPC project, we have received one more order from BHEL, which is worth around Rs. 81 crore and it is for the coal handling plant. So our association with BHEL continues and we are still looked upon by them as one of the major suppliers for coal handling system. We have also received a mine conveyor order from Jindal India Thermal Power Limited which is worth about Rs. 78 crore and as I mentioned here, with Jindal India Thermal, we have already been working earlier and we are doing a major project for them already. So, this is our second major order with the same client at the same construction site.

Our order pipeline continues to be robust with large number of live enquiries across all segments. In addition to our BoP segment, we have also submitted tenders for a lot of coal handling and ash handling systems jobs. For the coming financial year, we are obviously optimistic of winning some major orders not only from NTPC, where we are expecting the 800 MW packaged tender to be finalized, but we are also looking at the coal and ash handling system from other companies and also water systems and solar EPC where we have already submitted good enquiries.

In addition to the marketing thrust which I have mentioned, as a company we also recognize that in a working capital intensive industry like ours, liquidity management is very important and our focus this year will be on improving our collections and driving profitability. Lot of action on this front has been taken and I am sure with the effort which has already been put in and which is continuously being put, the results will be there in the coming months. We are also optimistic that the government will take active steps to spur infrastructure investment which will result into renewed order inflows for the sector as well as for Tecpro Systems and this will strengthen our order book position further. We are confident that the inherent strength of our business model spanning across Balance of Plant, Coal handling, Ash handling, Water systems and Solar systems, will help us in navigating the ongoing sluggish phase of the economy and once recovery sets in, Tecpro Systems will be one of the foremost beneficiaries of the exponential opportunities that we hope will arise.

I would now like to handover to Mr. Gabrani to take you through the financial highlights. Thank you very much.

**Amul Gabrani**

Thank you Mr. Bishnoi. The first quarter, as you all know, is generally quiet after execution peaks in Q4. We have, however, delivered good performance in the first quarter with our top-line growing at about 59.8% and bottom-line growing at about 30.9% on a year on year basis.

As Mr. Bishnoi already indicated, we have already seen fair share of order inflows coming in this year across multiple segments. In fact, to add to what Mr. Bishnoi just said regarding our order inflows of Rs. 1,164 crore in this financial year, I would like to add another order of about Rs. 209 crore, for which we have just released the announcement, taking it to about Rs. 1,373 crore booked in this financial year. Last year, the BoP segment was muted with delays in finalization of orders. However, we are quite hopeful of revival in this segment this year. Our bid pipeline continues to be strong across all service lines and we are optimistic that we can translate these into order inflows.

On the operational front, we are doing well and do not expect any significant delay in the projects. We are currently executing lots of project which demonstrates our superior design & engineering capabilities, and project management skills.

Coming to the financials, the revenues for Q1 FY2013 stand at Rs. 558.2 crore representing a growth of 59.8% as compared to Rs. 349.2 crore during the corresponding period last year. Majority of revenues were from the execution of the material handling projects which contributed 63% of the revenue. The BoP projects contributed 29% of the quarterly revenues. EBIDTA for the quarter was at Rs. 70.12 crore, higher by about 60.38% as against Rs. 43.72 crore for the same period last year. Our operating margin remained healthy at about 12.56%. We have been constantly integrating backwards to ensure that margins remain fairly consistent. The depreciation for Q1FY13 increased to Rs. 4.4 crore as compared to Rs. 2.7 crore in Q1FY12. Financial charges for Q1FY13 amounted to Rs. 65 crore, compared to Rs. 40.5 crore for the same period last year, on account of high interest rates prevailing at the moment. Consequently, PAT for Q1FY13 stood at Rs. 7.04 crore up 30.9% as compared to Rs. 5.38 crore recorded during Q1FY12. Profitability will increase in proportion to the revenue throughout the year as expenditures and overheads will get amortized over larger revenues.

Our emphasis this year would be on sustainable and profitable growth achieved through timely execution of our existing order backlog and better cash management. Our aim is to improve our inventory and collection cycle this year and augment our profitability. We also anticipate interest rate and inflation to moderate which will assist us further. At the same time, we will aggressively market our services across all our

business segments and to various sectors we cater to. We will continue to demonstrate the strength of our robust business model and are confident of consolidating and growing even during these uncertain times.

At this point, I would like to thank every one once again for your participation and request the moderator to open this call for questions. Thank you.

- Moderator** Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Nirav Vasa of SBI Caps Securities. Please go ahead.
- Nirav Vasa** Sir, my first question pertains to your interest cost. For the first quarter, the interest cost was around Rs. 65 crore. So would it be possible for you to give some guidance on the interest cost that you are anticipating for the next three quarters?
- Amul Gabrani** See, our endeavor is to maintain the same interest cost, which was there in the first quarter.
- Nirav Vasa** So sir, in order to lower the interest cost, can you help me with the outstanding debt number right now?
- Amul Gabrani** Rs. 1,437 crore for working capital.
- Nirav Vasa** So, the point that I was making here is that, if the company wants to maintain its interest or if it intends to lower it, then I believe the money which is stuck up in the retention must be released. So what is the strategy to get the money which is stuck up in retention a bit earlier from the client or how are you planning to lower the retention?
- A. K. Bishnoi** I would like to answer your question in two ways. 1) What we are planning this year is that, a major portion of our turnover this year will be covered by letter of credit. I would like to mention that, in addition to whatever business we do in the export segment, for the two major orders which we just mentioned, we will also be doing business in the domestic segment for orders which are covered by letter of credit. I would like to mention that we have on hand orders from clients like Punj Lloyd, Lanco, and NTPC where we have letter of credits in hand. So, two things will happen, 1) whatever business we do this year, a major portion would be covered under the letter of credit, the realization will be in this financial year itself. 2) In this financial year, we are also looking at closing some major jobs. In fact, we are in the process of closing major jobs, obviously some amounts of retention could come in and if you remember we also mentioned about booking major orders this year. This would obviously mean inflow of advances. So, all these factors together will definitely help us in maintaining the debt level which will help us maintain the overall interest cost which Mr. Amul just mentioned.
- Nirav Vasa** So what is the advance that you have received in the first quarter?
- A. K. Bishnoi** See, we have booked about Rs. 700 crore out of which, theoretically we should have received Rs. 70 crore, but some will spill over, may be it will come in July – August. So, we have received about Rs. 40 crore in the first quarter.
- Nirav Vasa** Sir my last question pertains to the order that you have bagged from Hyundai, I believe that it is a subcontracting order?
- A. K. Bishnoi** See Hyundai is the main contractor and Hyundai Rotem is the company which is under the Hyundai segment. So, the order is with Hyundai Rotem and we have got the order from Hyundai Rotem.

**Nirav Vasa** Sir, the margin profile in international projects is almost the same like that we have in India or can you quantify the margins there please. I am talking about EBITA margins.

**A. K. Bishnoi** The margins obviously in export orders are better, but I think it will be too premature to put it into numbers. But I can just mention that they are obviously better than the margins which you get in the domestic segment.

**Moderator** Thank you very much. Our next question is from Lokesh Garg of Kotak. Please go ahead.

**Lokesh Garg** Sir, my question is from a sectoral perspective. You have announced based on our understanding, Solapur and Meja orders for ash handling right?

**A. K. Bishnoi** Yes.

**Lokesh Garg** Now, in the 660 MW tender there were 5 plants to be ordered. So Mouda, Nabinagar, and Raghunathpur should also have been decided by NTPC. So, just wanted to know whether you are still in the bidding phase for that or whether it has been decided in somebody else's favor. So, from an ash handling perspective first and then we can come to the coal part of it.

**Amul Gabrani** See in the ash handling perspective, if you notice out of the 660 MW segment we have got 2, which is Meja and Solapur; Muzaffarpur is not really the 660 MW segment.

**Lokesh Garg** Mouda, Nabinagar and Raghunathpur are 660 MW.

**Amul Gabrani** Yes, you are right. I think to the best of my knowledge the orders have been released for at least 4 of them. But I am not too sure.

**Lokesh Garg** Which plant is remaining in your judgment?

**A. K. Bishnoi** In my judgment, possibly Nabinagar would be remaining.

**Lokesh Garg** Who has got that ash handling order?

**A. K. Bishnoi** Again, difficult to say project-wise.

**Lokesh Garg** And similarly in ash, what is the opportunity which is remaining and which has been decided, because I am sure you would have been vying for all of those right, practically? Basically there is a similar opportunity as on the coal-side also, so what has already been decided and what remains on the table, as of now?

**Amul Gabrani** See, on the coal-side, as I just mentioned we have received an order from BHEL and the end customer is again NTPC which is for Meja. So, NTPC has given the order of Meja to BHEL and part of the order for the coal handling system in the tender which BHEL floated has been received by Tecpro. And to the best of my knowledge Mouda has also been decided and so has been Solapur.

**Lokesh Garg** And we haven't got those orders as of now?

**A. K. Bishnoi** No we haven't got those as yet.

**Lokesh Garg** May be then, Raghunathpur and Nabinagar again remains to be decided.

**Amul Gabrani** Yes, may be and then the 800 MW series would start. See, if you are following the NTPC business which is coming in, along with the 660 MW series, the 800 MW series would start coming in. So, if you go as per the old time-lines which NTPC had mentioned, then some of these 800 MW series would definitely get decided in this financial year.

**Lokesh Garg** But are these already in, in terms of qualifications requirements and coming through or are they still in decision?

**A. K. Bishnoi** The qualification requirement for 660 MW and 800 MW is common and as you know that Tecpro is qualified in both coal and ash handling, so we don't foresee any problem at all with regards to qualification.

**Lokesh Garg** My purpose is not in terms of problem, but my purpose was whether the process has started or not for 800 MW?

**A. K. Bishnoi** Yes, the process has started for the 800 MW series. In fact, I am not too sure of the name but I think it is Kudgi, I could be wrong on the name, but I think that will be the first of the lot to be put up for tendering.

**Lokesh Garg** 3x800 MW?

**A. K. Bishnoi** Yes, 3x800 MW.

**Amul Gabrani** Lokesh, just to answer your question on ash handling. In Mouda, Nabinagar and Raghunathpur there are no ash handling packages.

**Lokesh Garg** They must have clubbed those packages under some other package, right?

**Amul Gabrani** I think they have not independently been floated, only these two are floated.

**Lokesh Garg** So, they must have clubbed it with either coal or some other tender basically.

**Amul Gabrani** No it is not with coal, but we will have to check that. The existing system only would be there.

**Moderator** Thank you very much. The next question is from Chinmay Gandre of KR Choksey. Please go ahead.

**Chinmay Gandre** Sir, you have mentioned that, with respect to the interest cost, you will be using LCs and this quarter the average interest cost was 12%. So, if you use these methods, then how much would the interest cost come down in terms of percentage?

**Amul Gabrani** See it is very difficult at this stage to give you in terms of numbers, but we can only give you the direction because the collection cycle will go down due to letter of credits. So that will help us in reducing our interest cost. But number would be very difficult to project at this stage. But yes, once we cross one or two more quarters, we will be able to get a better sense of it.

**Chinmay Gandre** And earlier why we didn't use the letter of credit?

**Amul Gabrani** See, we have to push the clients now because lots of money was stuck and we were unable to collect, so we pushed the clients and finally they agreed to give us letter of credits.

**Chinmay Gandre** And what is the debtors amount on your balance sheet as of Q1?

**Amul Gabrani** About Rs. 2,300 crore including retention.

**Chinmay Gandre** And how much would be the retention?

**Amul Gabrani** About Rs. 760 crore.

**Chinmay Gandre** And I guess for the full year you have given a guidance in the last quarter of roughly 20% sales growth and I see that Q1 was pretty strong. So, what is your guidance now, do you still maintain the same?

**Amul Gabrani** The Q1 performance is fairly encouraging and we are hoping that we will be able to have a top-line growth of over 20%. But yes, Q1 constitutes a smaller part of the overall annual results. So may be another one or two quarters will give us a better understanding, but we are hoping with the kind of order book and with the kind of planning we have done, we will be able to cross 20%.

**Chinmay Gandre** And in terms of order inflow guidance, what is your order inflow guidance for full year considering that you have bagged about Rs. 1,100 crore plus in the current fiscals so far?

**A. K. Bishnoi** As Mr. Gabrani just mentioned, including the Indonesian order which we have just announced, we have crossed about Rs. 1,300 crore in this financial year, so with the bids in hand and with our marketing feedback which we have, our orders will get decided and we are looking at about Rs. 3,500 to Rs. 4,000 crore of booking for the whole financial year, which will obviously include all the segments like water and WHR and the others segments.

**Chinmay Gandre** And internationally, how is the pipeline, because this is the first time you are getting an international order. So, if you could throw some light on where you are bidding and how is the pipeline?

**A. K. Bishnoi** See, in the international segment we are currently looking mainly into countries like Indonesia, Vietnam, and all the neighboring countries. The pipeline in terms of enquiries is pretty good. We have lot of enquiries which are either received or some of them are under discussion, some of them are under technical discussions. So, we have been successful in our foray so far, as we have said we have received two major jobs. We are aggressively marketing our coal handling and ash handling system. Some of the major companies there have come and they have seen the facilities which Tecpro Systems has in India in terms of manufacturing. They have also seen our construction site, both for ash and for coal. Generally, they have been very happy with what they have seen. So, I am sure with the receipt of these two orders, there will definitely be short in the arm for us and we can definitely look for further business from the international segment.

**Chinmay Gandre** In terms of opportunities if you could throw some numbers?

**A. K. Bishnoi** In terms of opportunity, I can just mention to you the countries, because it will be difficult to give the names of the clients for obvious reasons. So, there are very good opportunities in Indonesia and in Vietnam.

**Moderator** Thank you. Our next question is from Amber Singhania of Quant Capital. Please go ahead.

- Amber Singhania** My question pertains more on your working capital side. As you mentioned that we are having retention money of Rs. 725 crore. To my understanding what I assume is that, generally the retention money is 10% for one year or 12 months after the completion of the project, whereas when I see Rs. 725 crore, it is way too high as compared to our FY12 revenue or even last three year's cumulative revenue. So, where exactly is this retention money stuck and why it is so high?
- Amul Gabrani** Retention money is not for the ongoing projects only, but with every invoice the retention money is deducted and it is only payable 12 months after the project is completed. Theoretically speaking, if it is a 36-month project, practically whatever you have invoiced in the first month will be available after about 48 months. So, there has been lot of projects like BoP projects and NTPC projects where the gestation period is large. So that is why the retention is stuck for a larger period.
- Amber Singhania** Sir, are you seeing completion of the three BoP projects of power which we have taken earlier this year, where we can release some good amount of retention money?
- Amul Gabrani** We are hoping that the Chhattisgarh project is towards the closure. So once it is closed, the PG test is done, and the boiler turbine which is not in our scope is commissioned, then we are hoping that, the retention might come in. So, let's see, but it is a little early for us to comment whether we get that kind of money in this quarter, in this year or may be beginning next financial year.
- Amber Singhania** And about the debtors apart from this retention money that is also substantially high, what are the steps you are taking to reduce it, as you had mentioned in the last conference call. Also, what is the progress in the last 3-4 months as such and what is the improvement on that?
- A. K. Bishnoi** See there, as I mentioned, we have taken some very positive steps. One is that, I am sure you would have appreciated that the company has been successful in converting some of the new jobs with payment terms against letter of credit which will definitely help us in getting time bound payments. So our debtors, with regards to whatever invoiced this financial year could be under control. The second is that, in the first quarter we have had a fairly good collection. In fact to give you a rough idea, we had collections of about Rs. 420 crore in the first quarter and up to early hours, I think we have been successful in collecting more than Rs. 650 crore. So, that itself is a very healthy sign that the financial year has started on a positive note with regards to the collections of debtors. So, combination of thrust on collection, thrust on getting projects closed and collecting the retention, combined with new jobs being invoiced under letter of credit, I am sure this will help the company in keeping the total debtors under control.
- Amber Singhania** What is your target for the year end, in terms of debtors?
- A. K. Bishnoi** I think it is too early to give a year end target now with regards to debtors, because as I mentioned we are having a drive to completely collect whatever is due. I think as time goes by we will be in a position to give some idea on numbers. It is too early to mention a number as to what could be the year end debtors.
- Amber Singhania** Sir, just to get some more sense about this huge chunk of debtors, who would be our single largest debtor or what could be the size as such, or is there anything which had got stuck since long time instead of rotation?
- A. K. Bishnoi** See one thing which is very good and which is very healthy is that we don't have any such single debtor where money is stuck; which is major; which is for a long time. As you know, most of our clients are either the large public sector undertakings like NTPC, BHEL or we have excellent private sector companies like Ultratech, ACC etc. So, I

would like to answer it by saying that, there is no single debtor which is causing concern in terms of whether this can be collected or not. Most of it are running debtors and I think we have discussed this in the last concall also, wherein we had mentioned that our customer profile is possibly one of the best as we look at getting most of our business from an existing customers. Even this year if you see we have got business from Jindal, who is our existing client. We have got BHEL, NTPC, all of them are our existing clients and all of them are paying money. Yes, there are delays in payment, but I would like to mention that i don't think there is any single debtor which is causing us concern with regard to this.

**Amber Singhania** You said that working capital debt is about Rs. 1,437 crore, what would be the total debt, working and non-working capital combined together?

**Amul Gabrani** About Rs. 1,570 crore which includes term loan.

**Amber Singhania** My last question is towards the order book. As you mentioned that you have added substantial amount of orders, what has been in the pipeline if you can tell us in terms of L1 and apart from that, how much you have bided already?

**A. K. Bishnoi** See, currently there is no major L1 order, because most of them have been received, either in the first quarter or in July and August, but yes we have submitted bids both international and domestic to major customers. With regards to giving names I think it is little too premature, but yes I can only tell you that we have a very good bid which has been submitted including a Balance of Plant bid.

**Amber Singhania** This year can we see major orders coming from the BoP segment and how do you see Waste Heat Recovery and water management panning out?

**A. K. Bishnoi** See, I will answer that segment by segment. In terms of BoP, we have made a positive beginning by booking a small job from the Maharashtra Generation Corporation and we have submitted a major bid for BoP project which is already in consortium. We are definitely hopeful that, this will be decided by November – December and we are aggressively looking at this particular bid. With regards to coal and ash, we have already closed about Rs. 1,300 crore, which also includes a portion of water and a portion of waste heat recovery. So, under coal and ash I imagine that we will continue to drive the business further, because there we are undoubtedly one of the top companies in the country and with our foray into the international segment which is basically coal and ash, I see that these two segments will continue to give major portion of business to the company. In addition, we have been successful in getting two jobs in waste heat recovery, one in the cement sector and one in the steel sector. So in the waste heat recovery in addition to cement, we will now start looking at steel also. In the water segment, after acquisition of Ambika project, we have been successful in getting two major jobs, totaling to more than about Rs. 70 crore. There again we have substantial bids which have been submitted. So, I expect major business to come from BoP, and coal and ash and waste heat recovery, captive power and water would definitely provide us support in booking the jobs.

**Amber Singhania** Sir, one last question on industry-wide phenomena. Last year we have seen a lot of execution of projects slowing down in the industry, so how is the scenario now? Has it improved over the period of last 3-6 months or what exactly are you facing in terms of problems or opportunities on the ground level?

**A. K. Bishnoi** With regards to execution, I think Mr. Gabrani had covered this in his initial remarks, but I would like to mention that with regards to BoP, all the three jobs which we have on hand like Korba and the two in Andhra Pradesh, are running and with regards to coal and ash, most of our business is from major customers like NTPC, BHEL, where we don't have any issues at all. Currently, if you ask me to single out a major project where

there is a problem with regard to execution, i would say there is none. All of the jobs in hand are progressing and work is going ahead.

**Moderator** Thank you very much. Our next question is from Madan Gopal of Sundaram Mutual Funds. Please go ahead.

**Madan Gopal** Sir, i wanted to understand which kind of customers are you asking for LCs now?

**A. K. Bishnoi** We have received LCs from customers like Lanco which is for their Koradi Thermal Power Project, another from Punj Lloyd which is for Haldia and from GVK. We have also received LC from NTPC for the Pakri project and in addition to that obviously both the international jobs, Hyundai and the new one from Indonesia would be covered under the letter of credit.

**Madan Gopal** Sir, usually LCs are a part of the contracts or you are asking it from specific clients?

**A. K. Bishnoi** See, as you know the terms of payments especially for private clients are negotiated which Mr. Gabrani just explained a few minutes back. We have been successful in negotiating terms of payments with letter of credit as far as the private clients are concerned and for the international business obviously the terms of payment as tendered was the letter of credit.

**Madan Gopal** But, NTPC may not be having this as a practice, as they have a common practice for all the projects. So in the ash handling project also you have LC?

**A. K. Bishnoi** Yes, in the ash handling also. See, what NTPC has done is that they have started giving LCs for the supply portion. In all NTPC projects you have supply and civil works and you also have site work where payment is mainly measurement driven. So, NTPC has started giving LC's for the supply portion. In addition to Pakri, we also have for Ash handling. But if you just compare what we have done recently with NTPC in the coal handling segment, we are now doing Nabinagar with them and we have just finished doing Korba with them. In both the jobs we did not have letter of credit.

**Madan Gopal** So currently out of your order book how much would be covered under LC?

**A. K. Bishnoi** Including the international orders, a thumb rule figure will be close to about Rs. 1,100-1,200 crore because exports itself would give us close to about Rs. 400 crore.

**Madan Gopal** So secondly on the export front, you see a kind of domestic slow down that might come up on the power side in India, so you are trying to enter into international sites. First, what are the challenges that you see from BoP operators entering into international projects. I think you are the first company among the Indian BoP players who are trying to do it and second thing is when you are tying up with someone like Hyundai, they do lot of these MENA region projects, probably some of them are in coal as well, which recently they have won also. So, are you seeing those also as an opportunity?

**A. K. Bishnoi** See I would like to mention two things, 1) we started looking at international business, not only because of the situation domestically. I am sure you will appreciate that before you look at international business you should have built up the company to a certain standard. So we have, in the last couple of years, completed major jobs which have given us the capability and the qualification to look at international projects. As you aware in the coal handling segment, we have completed 300 MW, 600 MW for Hisar; we have also completed 525 MW for Tata Power and also 500 MW for NTPC. Similarly, we have completed major jobs for NTPC in the ash handling segment and for Andhra Pradesh Generation Corporation in the ash handling segment. So having achieved certain capability in terms of completed projects, I think that was the time when we

started looking at international business aggressively and considering that we wanted to do business in these countries which I mentioned, we opened a subsidiary company in Singapore and it obviously took little time because we had to start our marketing exercise, clients had to be educated about what Tecpro Systems can do and then after they came and saw our capabilities in India, we have been successful in winning these orders.

- Amul Gabrani** Just to add to what Mr. Bishnoi was saying on the export front, we have been able to successfully book some small jobs from market leaders like Technip of France and Autotech of Germany. There the order size is small, but that has given us a foothold into those companies also.
- Madan Gopal** What kind of projects you did for Technip?
- A. K. Bishnoi** Our scope is material handling, but which particular project, we will have to provide those details later.
- Amul Gabrani** The location and the other things I will give you later. So, these are small jobs which we have already booked from them and this has given us a foothold into much larger companies even in Europe now.
- Madan Gopal** So in these projects how much of your cost would be rupee and how much would be international?
- Amul Gabrani** These are all international. They are very small sized orders. It is just a beginning to build the confidence that yes India is going to become a major supplier for them and with that idea in mind we are trying to export this.
- Moderator** Thank you very much. The next question is from Sagar Karkhanis of Nirmal Bang. Please go ahead.
- Sagar Karkhanis** The question is on Steel Authority order. What would be the size of the order and it is for which plant?
- A. K. Bishnoi** You are talking about the Waste Heat Recovery?
- Sagar Karkhanis** Yes.
- A. K. Bishnoi** It is for SAIL Chandrapur and I think it is about Rs. 30 crore.
- Sagar Karkhanis** And should we be more excited about getting more such orders from other steel plants; could you elaborate on what is the market you see for this?
- A. K. Bishnoi** As we mentioned in our earlier call, we were first looking at consolidating our position in the cement sector as far as Waste Heat Recovery is concerned which I would imagine we have done now because we have jobs with Ultratech, ACC, and we have completed jobs with Shree Cements, now with Nirma. So having done that, we have now entered the steel segment with Steel Authority of India and there are good numbers of enquiries in this steel segment both from SAIL as well as from the private sector companies like Bhushan and Jindal, etc. So we are obviously looking at these enquiries and having made our first successful foray with SAIL, Chandrapur we are definitely hopeful of getting further business here.

**Sagar Karkhanis** But, in the cement was the sector, last year, where you received big orders from Shree Cements or Ultratech. After that almost a year we haven't seen any big orders coming in the cement sector?

**A. K. Bishnoi** No, we have received an order Nirma this year. This financial year we have received Nirma and we have already submitted our bids to clients like Shree Cements, and we are also looking at an enquiry from Ultratech. Nothing much has been decided in this financial year. Nirma has been decided which we have already booked.

**Sagar Karkhanis** And sir I am assuming that even for steel, the plant would be supplied by our Chinese partner NTK? Is that correct?

**A. K. Bishnoi** Yes they are our partner, NTK of China.

**Sagar Karkhanis** The fact that we have a Chinese partner who will be supplying the equipment and the rupee has depreciated and at the same time even the import duty has been imposed on foreign equipment, so how would that affect us in terms of the competitive pricing when we are bidding for Waste Heat Recovery boiler?

**A. K. Bishnoi** Two things, for all new jobs which are under quotation, obviously the dollar conversion is being taken at different rates, so that wont really affect us, because we have already factored that in while we are quoting for the job. Most of the negotiations with regards to NTK have been done at the time, at certain rates and we have ensured that the particular aspect, in the estimates and in the pricing is well covered. So that will not really affect us. See, as you are aware, we are importing the boiler and turbine from them and rest of the project is completely done here. So the dollar conversion has been taken into account in the quotation and finalization stage.

**Sagar Karkhanis** So in terms of size could you just quantify the Waste Heat Recovery segment, how big it can be or will it continue to remain a minuscule percentage of your order book when compared to your BoP and the Ash handling size of the order?

**A. K. Bishnoi** See in terms of percentage it obviously won't be big because as you for know Waste Heat Recovery orders, the values are smaller. But I can only mention one thing, that WHR now is something which is a part of any cement plant and which will become part of any steel plants and then it will also get into other industries where you have heat generated. So it can be seen now, whichever new cement plant expansions are being planned, WHR is being planned in the initial stage itself. So it will become part of any of these industries. So there will be good amount of business for this segment, but in terms of what would it contribute in terms of percentage would be difficult to mention. For Tecpro obviously the percentages would be low, because as you know the BoP order values and the coal handling plant order values are much larger.

**Moderator** Thank you very much. Our next question is from Devang Patel of Avendus. Please go ahead.

**Devang Patel** Sir, on the R&M BoP order that we have got, can you give more details like what is the scope of that order and does it involve O&M or is it sales and supply?

**A. K. Bishnoi** You are talking about the MAHAGENCO order?

**Devang Patel** Yes.

**A. K. Bishnoi** MAHAGENCO order is basically a small Balance of Plant order and it is partly for renovation and partly for a new construction in the Koradi thermal power plant. As you

are aware Koradi is a very old power plant in the state of Maharashtra. So this is a bid where part of the renovation is involved and part of it is new construction.

**Devang Patel**

This is very different from a boiler R&M order which we have?

**A. K. Bishnoi**

Yes, this is much different. See, this has nothing to do with our new plant. That is the reason why in my opening remarks I mention that the values are smaller and this is not the conventional BoP orders like Korba or like Andhra, the BTG is being done by somebody like BHEL and the entire Balance of Plant is being done by somebody else. That order for Koradi was released last year itself, which is 3x660 MW and which was taken by Lanco and then as I mentioned some time back, Lanco has given us the coal handling plant.

**Devang Patel**

Right, we have not seen these kinds of orders before. So is this a new segment and opportunity opening up where turnkey R&M are given and does it involve an O&M component?

**A. K. Bishnoi**

See, this has been a segment which has been available all along, but we have not looked at it aggressively earlier, because as I mentioned we were looking at larger BoP projects but with our experience in the last financial year when most of the large projects got delayed for various reasons which we have discussed earlier, we thought that this could be a segment which we should look at in the interim period as far as the Balance of Plant stream is concerned. So again this is a segment which is here to stay because most of the power plants which are State Electricity Board owned have been running for a pretty long time and they would obviously need a certain amount of renovation which will come up and these type of tenders will continue to come up but values would be comparatively much smaller.

**Devang Patel**

Sir, the orders that we have booked year to date is about Rs. 1,150 crore, the orders that we declared in various press releases comes to about Rs. 800 crore, so balance of about Rs. 300 - 350 crore, are also project orders but of a smaller size and all of these are in the standalone or this would include water projects, solar projects, and subsidiaries?

**Amul Gabrani**

I think we have declared all the orders and the total order book is about Rs. 1,373 crore which includes Rs. 209 crore released today. I think most of them has been released, may be in some small orders once in a while when it can get missed from Rs. 15-20 crore, but most of them have been released.

**Moderator**

Thank you very much. Our next question is from Akshay of Morgan Stanley. Please go ahead.

**Akshay**

This is Akshay here from Morgan Stanley. Just 2-3 questions, 1) you spoke about the overflow that you had of L1 prospects from last year into this times order flow. Now from that about Rs. 1,100 crore that you have got from the beginning of the year, would you be able to quantify how much of it might have been overflow?

**A. K. Bishnoi**

Overflow is mainly the three ash handling jobs, which is Solapur, Muzaffarpur, and Meja which will be close to about Rs. 400 crore and I think BHEL Meja which is about Rs. 80 crore. Not very exact figures but thumb rule figure would be about Rs. 500-560 crore.

**Akshay**

And had fresh orders of about Rs. 500 – 550 crore for the first four months? that basically means that other than that overflow, you would have

**Amul Gabrani**

About Rs. 850 crore, the total order book is Rs. 1,373 crore.

- Akshay** Right, understood. Basically versus Rs. 800 crore, you are looking at potentially picking up another Rs. 2,200 crore over the next eight months, is that correct?
- A. K. Bishnoi** Yes.
- Akshay** So you are looking at a pretty reasonable Rs. 2,200 to Rs. 2,700 crore based on your Rs. 3,500-4,000 crore. So you are looking at a pretty reasonable pickup at the moment without having any L1's in the bag. So where is this confidence coming from, is this based on NTPC's 800 MW side or is it based on some ordering environment pickup that you are actually seeing out there, either in the private or public sector?
- A. K. Bishnoi** See this figure is based out of three factors, one it is based out of the Balance of Plant sector where I mentioned sometime back that we have already submitted a major bid which is a substantial bid, which is in consortium and we are definitely hopeful that this order will get finalized by November – December this year. In addition to this BoP bid, we are also looking at one or two more BoP bids which are already under discussion, which we expect to be finalized in this financial year. So one segment where we hope to book some jobs is the BoP segment. With regards to coal, it is not only the 800 MW series of NTPC, but we also have enquiries from other companies with regards to coal. We also have some business from BHEL which is expected in this financial year which is under discussion. We are also looking at, as you know in our material handling segment we not only do coal handling but we also do the conventional material handling, so we are definitely looking at some business from the NMDC steel plant because we have already submitted bids there, which are under discussion and which we are sure will get finalized in this financial year. This is for the plant which is coming up in Jagdalpur where we have large bids which are submitted. We also have some enquiries from the cement sector which is for limestone handling. So, in the material handling segment, we are looking at obviously booking some jobs which will include steel and cement in addition to power and then in addition to that obviously we will have our ash handling business which has come in from NTPC, BHEL, and other players in the power sector. In addition, we expect to receive business from the WHR segment which I explained sometime back with our foray into steel in addition to cement. We are looking at business coming in and we have been successful in booking a reasonable business in our water company Ambika which we took over sometime back so that will give us some business and we are hoping to book reasonable business even in our solar EPC which is through the acquisition of Eversun.
- Amul Gabrani** Then apart from this we have also bid two jobs in international space, where we are placed reasonably well. So that also can be added to a pipeline of enquiries.
- Akshay** What I was trying to get was, are you really looking at, it seems to imply that you are looking at a bit of a pickup in the economy or let's say more importantly the ordering environment as versus the same time last year in the second half of this year. So is that really the case or is it just based on the orders that you have submitted and not really of pickup. Basically are delays in the system going down or are they still around the same level?
- A. K. Bishnoi** No I would put this differently. We are not really looking at any pickup which will happen. I am only talking to you based on enquiries which are in hand, which have been submitted. Even the BoP which I mentioned which will get finalized in November, the enquiry was floated quite some time back, the offer has been submitted, it is under technical discussion. The BTG package for this particular project has already been awarded and the financial closure obviously has been achieved before awarding the BTG package; they have all the clearances on hand and it is again the Government sector. It is not one of the private plants. So, we are absolutely confident that ordering for this would be done by November – December 2012, because they have already released the BTG package order. Similarly, the NMDC steel plant which I mentioned to

you, I named the end client also, the tenders have been out for sometime; we have submitted our offers. The technical scrutiny is in place and most of these enquiries which we are talking about are all in hand, we are not talking about fresh enquiries which may or may not come depending on the pickup in the economy if that is what your question is.

**Akshay**

You have spoken about the foreign side and how you are looking at Indonesia and Vietnam. Do you have any kind of targets in mind for the short term, the medium term, the long term in terms of where you want to be in the international side as a proportion of inflows or revenues or anything?

**A. K. Bishnoi**

No, not really. See there let me just tell you the way the Tecpro Systems management is looking at it. First of all, we have identified projects where we have obviously done our due diligence from which we are confident that we will be able to execute both technically and where we are sure that the finances are in place that is one. Secondly, we have obviously built in our infrastructure in a manner where we can cater to the international market. So again to give you a specific answer, I think we would be looking at specified jobs, which we have already earmarked, where we feel we have the technical wherewithal to execute these jobs and where we feel that the company's financial strength is unquestionable. Also I think at the end of the day, the quantum of job would be decided by our existing infrastructure which we can allocate to these jobs and it would also then finally at the end of the day, as you know in our business the main issue is how successful is your last job. So we are obviously looking at Hyundai which is our first major job that we want to execute it to a level where more and more business comes in. But we will look at it one by one. If that is your question again we are not going to go all out and book business. We will book only collective business and we look at first consolidating ourselves with an excellent execution of the Hyundai and the Indonesian job.

**Moderator**

Thank you very much. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference back to the management for closing comments.

**Amul Gabrani**

I would like to thank all the participants and all the investors for their continued support and look forward to this support in the coming quarters also.

**Moderator**

On behalf of Tecpro Systems that concludes this con-call.