



## “Tecpro Systems Earnings Q4 FY13 Conference Call”

May 31, 2013



**ANALYST: Ms. POOJA DOKANIA**

**MANAGEMENT: MR. A.K. BISHNOI  
MR. AMUL GABRANI  
MR. KUL BHUSHAN ARORA  
MR. PANKAJ TANDON**



*Tecpro Systems Limited  
May 31, 2013*

**Moderator:** Ladies and gentlemen, good day and welcome to the Tecpro Systems Q4 FY 2013 Earnings Conference Call hosted by Four-S Services. As a reminder for the duration of the conference all participant lines are 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 call, please signal and 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 Ms. Pooja Dokania. Thank you and over to you Madam.

**Pooja Dokania:** Thank you for joining us Q4 FY 2013 earnings conference call of Tecpro Systems Limited. We have with us today Mr. A.K. Bishnoi, Chairman and Managing Director of Tecpro Systems, Mr. Amul Gabrani, Vice Chairman and Managing Director, Mr. Kul Bhushan Arora, CFO and Mr. Pankaj Tandon, General Manager (Corporate Affairs) & Company Secretary. We will start this conference call with opening remarks from the management after which we will have the floor open for question and answer session. I will now hand over the call to Mr. Bishnoi to make his opening remarks. Over to you Sir.

**A.K. Bishnoi:** Good afternoon everyone and a very warm welcome to the conference call for the quarter and year ended March 31, 2013 for our company Tecpro Systems Limited. I would like to begin the discussion with an overview of the company's operational performance for the year following which Mr. Gabrani will discuss the financial performance of the company.

The year gone by has been a challenging one for the Indian economy as growth was pulled down to a decade low due to sharp investment slowdown. The power sector continued to be plagued with issues of resource shortage, poor SEB finances and land allocation and environmental clearances. Thus lesser number of power projects were commissioned during the year leading to subdued order inflows for EPC companies. However, as power remains the cornerstone of the country's growth the government has initiated several reforms during the year which would change the pace of progress for the power sector going forward and revise the investment cycle. The macroeconomic indicators have also started looking up and we see a positive year ahead.

Non-finalization of power projects impacted vendors like us. We saw subdued quarter in terms of order inflow. During Q4, we secured orders of about Rs. 350 Crores including an order worth Rs. 139.8 Crores from the West Bengal Power Development Corporation Ltd. This is for supply of ash handling plant on turnkey package basis for Sagardighi Thermal Power Extension Project. However, otherwise this has been a landmark year for us as we ventured into international markets. We won three export orders in FY 2013, Rs. 209 Crores order for coal handling system from Bukit Assam, an order of Rs. 180 Crores for coal, limestone and ash handling systems from Hyundai Rotem



*Tecpro Systems Limited*  
*May 31, 2013*

and another order from SKEC which is also a company based out of Korea. In the BOP segment, the year has been a more positive one as we booked an order worth Rs. 198 Crores from the Rajasthan Rajya Vidyut Nigam Limited. For the full year FY 2013, we secured orders worth Rs. 2,550 Crores taking our order book position to Rs. 4,180 Crores as on March 31, 2013.

Post March, we made some significant strides in our other business areas including pollution control equipment and solar EPC. In May 2013, recently, we entered into an exclusive license agreement with Mitsubishi Heavy Industries Mechatronics Systems Limited of Japan for manufacturing and marketing of ESPs in the Indian Market. It is a significant move that not only makes the company stronger but is also a move for sustainability. We also bagged a significant solar EPC project through our wholly owned subsidiary Eversun Energy Private Limited, the EPC order is for 5 MW solar power plants for NTPC for their Faridabad Unit.

The Government of India is taking active steps to revive the power sector including SEB restructuring, addressing coal gas shortage and faster implementation of projects. We remain confident that as government reforms provide boost to the CapEx cycle we would see an uptake in the order inflows for both material handling, ash handling and BOP segments. The company would continue to consolidate its leadership position in the material and ash handling space as well as look at diverse sources of revenue in the EPC space. I am confident that our strong execution track record built on strong manufacturing and engineering capabilities would continue to drive our business going forward. With these words I would now like to hand over to Mr. Gabrani to take you through the financial highlights. Thank you very much.

**Amul Gabrani:**

Thank you Mr. Bishnoi. As Mr. Bishnoi had pointed earlier this has been a tough year for the power sector, however despite the issues in the Industry which lead to delay in finalization of projects we have added orders to the tune of about Rs. 2,550 Crores in FY 2013 compared to Rs. 2,150 Crores booked in the last fiscal year. Our order book position as of March 31, 2013 stood at about Rs. 4,180 Crores, During the year, we continue to strengthen our position in material and ash handling and in the WHR space where we have extended our offerings from cement to steel sector.

I shall now provide you with an overview of our company's financial performance for the year ended March 31, 2013. The revenues for FY 2013 stand at Rs. 2,610.5 Crores representing a growth of 3.2% as compared to Rs. 2,529.7 Crores during FY 2012. Material handling contributed to 63.2% of revenues, BOP 27.6% and ash handling 9.2% of the total revenues. EBITDA for the period was at Rs. 355.5 Crores with the EBITDA margin at 13.6%, financial charges for FY 2013 amounted to Rs. 301.3 Crores compared to Rs. 196.8 Crores for the same period last year. Consequently, PAT for FY 2013 stood at Rs. 28.9 Crores as compared to Rs. 124.9 Crores recorded during FY 2012. Exceptionally high interest rates have impacted our profitability.



*Tecpro Systems Limited*  
*May 31, 2013*

Now let me take you through the financial performance for the last quarter. Our Q4 FY 2013 revenues stood at between Rs. 860.8 Crores as compared to Rs. 1,100.7 Crores during Q4 2012. EBITDA stood at Rs. 99.9 Crores. PAT for the three months stood at Rs. 4.3 Crores as compared to Rs. 96.3 Crores during the corresponding period last year.

We continue to lay emphasis on improving working capital cycle through various measures. We have been successful in getting some LC backed contracts which will enable us to receive time bound payments. We have already received LC from customers like NTPC, Punj Lloyd etc. In addition, all our export orders are LC backed. Further we will also look to recover some retention money on completion of execution of some large projects.

We see the sector outlook improving as the government has stepped up efforts to revive the sector; the likely easing of interest rates also bodes well. We aim to achieve sustainable and profitable growth through better execution of projects and improving cash conversion cycle. With our robust business model and inherent strength we are well positioned to capitalize on the tremendous opportunities once the government efforts and reform starts showing results. At this point I would like to thank everyone once again for your participation and request the moderator to open this call for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Sumit Kishore from JP Morgan; please go ahead.

**Sumit Kishor:** Good afternoon sir, thanks for the call. My question is on the opportunity landscape in the power sector. Over the next 12 months basically for FY 2014, what do you see the opportunity size in gigawatt terms for projects that get awarded in the private, central and state sectors? I believe most of them would be in the state and central sectors and could you quantify the opportunities for the space for material handling, BOP and Ash handling? Thank you so much.

**A.K. Bishnoi:** In the current financial year up to March 2014, we are not looking at much business coming from the private sector in the power sector. What I mean is that we do not expect many of the private players to really make sizable investments in the power sector. The way we see it is most of the investment would be made by NTPC and also by some of the state electricity boards. I must mention here that some of the state electricity boards who have announced projects even in last financial year, but somehow not been able to close it, the ordering portion, when I say close means the ordering and these were also got delayed. So the way I think we are going forward at least in the next ten months, I would imagine that main business would come in from NTPC and from some of the state electricity boards who have earlier announced their projects and which would possibly be ordered out. Briefly I can say that it is expected that in this financial year the main power sector business would come from NTPC and some of the state electricity boards who had announced such projects in the last year.



*Tecpro Systems Limited*  
*May 31, 2013*

**Sumit Kishor:** For NTPC mostly I suspect it will be related to the 800 MW and 660 MW by tender that the BTG has largely been awarded?

**A.K. Bishnoi:** You are absolutely right. Most of it could be 660 MW and 800 MW series.

**Sumit Kishor:** So what has been the progress so far as far as NTPC is concerned on awarding BOP and the other ancillary contracts and what remains actually now?

**A.K. Bishnoi:** NTPC normally does not award BOP as you are aware. They go on package basis, so they have been constantly finalizing the orders in the 660 series. They have already finalized orders like Mauda, like Sholapur they have also finalized Nabinagar. But in this financial year from whatever market information we have and based on whatever BTGs they have either finalized or which are getting finalized they should be finalizing close to about five coal handling plants, each of these would be reasonable sized and at least about similar numbers of ash handling plants. We expect all of these to be finalized before March 2014.

**Sumit Kishor:** Among SEBs, which are the states where you expect to see traction where the projects have got delayed?

**A.K. Bishnoi:** See Maharashtra there is one project, which they had announced sometime back we expect that to possibly get finalized in this financial year. Similarly in the state of MP there was a project, which we expect possibly to be finalized. There is one project for Neyveli Lignite Corporation, which has been tendered last year and it is under the technical discussion. It should hopefully get finalized. There is also one Singareni Collieries, which is not really a state electricity board per se, but it is an Andhra based government owned company, which would also get hopefully finalized. Actually four of these are in advanced stages per se.

**Sumit Kishor:** My last question is on the working capital position of your company. Could you briefly touch upon how has the payment cycle moved from FY'12 to FY'13 and what proportion of it is stuck with private sector and what are the things to expect year going forward?

**Amul Gabrani:** Last year has been fairly tough from the working capital perspective, which has led to increase in debtors and led to increase in the interest cost and debt position also. The gross debt position in FY'12 was about Rs. 1,300 Crores which has gone up to Rs. 2,088 Crores in FY'13 and as far as financial cost is concerned obviously it has also increased in FY'13. So working capital cycle and the number of debtor days also has gone up substantially and which has definitely caused stress in the system and which has primarily been because there have been some delays in payment and some retention money, which is yet to be released and macro level factors have also affected. We are



*Tecpro Systems Limited*  
*May 31, 2013*

expecting that now once the interest rates get moderated and also once the availability of funds with the clients improve I think situation should improve in this financial year.

**Sumit Kishor:** Thank you Sir and wish you all the best.

**Moderator:** Thank you. Next question is from the line of Gaurav Malik from Locus Investments Group. Please go ahead.

**Gaurav Malik:** Just a couple of questions, one is on your receivables, it is about Rs. 2,500 Crores as of now. How much is greater than six months in that, the number for greater than six months?

**Amul Gabrani:** See number within six months we will have to work out otherwise current and non-current is there. As far as receivables for this year as on March 31, 2013 in non-current is about 430 Crores and current is about Rs. 2500 Crores.

**Gaurav Malik:** On the other hand, the total debt number you said was Rs. 2,088 Crores?

**Amul Gabrani:** That includes the term loans which are about Rs. 86 Crores.

**Gaurav Malik:** Alright. That is about it Sir. Thank you.

**Moderator:** Thank you. Next question is from the line of Chinmay Gandre from KR Choksey. Please go ahead.

**Chinmay Gandre:** Good afternoon Sir. Sir normally your fourth quarter is a quite robust quarter for you, but this time we saw a decline in sales, because your order backlog is decent so any particular reason why the sales decline and also the margin in the fourth quarter are quite good for you but this time the margins are not good, I understand that because sales declined that would have also contributed to that but your raw material cost has also increased to like almost 73%. So can you throw some light on both these things?

**Amul Gabrani:** Primarily the reason why it has happened this fourth quarter is because the overall macro level situation was difficult and obviously getting some support from various financial agencies also was getting a little under stress. So we needed some non-funded based support, which due to the macro level conditions were not available. And some of our vendors also were not in a financial position to really give the material plus some of our buyers also did not pick up the material so overall it was a total package. So the revenues what we were expecting till the end of third quarter for fourth quarter we could not achieve and all other numbers are consequence of that because our basic costs are fixed, our overheads are fixed, we had planned for a larger turnover in the fourth quarter, but for certain factors,



*Tecpro Systems Limited*  
*May 31, 2013*

which were beyond our control we could not achieve and subsequently automatically the profit number also went down.

**Chinmay Gandre:** Sir regarding our margin, the raw material cost it is directly related to sales and that has gone up significantly to 73% versus almost 69% on a YoY basis for Q4?

**Amul Gabrani:** I will tell you for the quarter ending this year, the direct expense to revenue from operation is about 75.7% and whereas in the last quarter, the quarter ending December 31, it was about 72.5%. It depends on the mix of the projects you execute in a particular quarter. But yes once the revenues increased beyond let us say Rs. 1,000 Crores then automatically certain cost like design and drawing charges would have been fixed & they would have not increased further. So it would have reduced our percentage of direct expense to revenue from operations.

**Chinmay Gandre:** So for FY' 14 on a full year basis because we have the order backlog, but there are doubts regarding the macro, so do you see that sales could grow from here or whatever sales we could not do in the Q4 that would happen in Q1 and can you throw some light on that and also on the margin front like for full year almost 13.5% kind of a margin we did at operating level. So for full year FY' 14 what is your target?

**Amul Gabrani:** I think it is very difficult to really give you any forward-looking statement on expected revenue or expected margins. I would only say that yes, overall scenario in the last quarter from the efforts from the government looked to be fairly positive. We are expecting interest rates to moderate, once the interest rates moderate so it will impact heavily because we are quite interest sensitive industry. So it will impact our business and the commodity prices also are important, how it is going to factor we are not expecting it to grow too much, that is in any case of the risk condition, situation available on commodity and we have got a decent order booking so we are expecting that this year definitely should be better than what we have seen in FY' 13 and we are quite positive on that as of now.

**Chinmay Gandre:** Your debtors are almost like Rs. 2,900 if I am not wrong, if I just add, your current and non-current roughly to whatever number you have given in the BSE filing. So roughly Rs. 2,900 Crores of debtors there versus Rs. 2,300 Crores, how much would be retention of that?

**Amul Gabrani:** Retention would be about Rs. 1,000 Crores.

**Chinmay Gandre:** What was it last time in FY' 12?

**Amul Gabrani:** About Rs. 750 Crores because retention is 10% of the revenue so it was around Rs. 750 Crores.



*Tecpro Systems Limited*  
*May 31, 2013*

**Chinmay Gandre:** What I am trying to understand is like your debtor's are almost in fact more than your full year top-line, which are the customers who are not paying you on time or where the debtors have been struck or where the receivables are beyond your comfort zone, because if I see your order backlog, your main projects are APGENCO which is BOP and also BHEL, NTPC, Kanti Bijlee and Lanco. So can you throw some light on, which of these customers have primarily stretched your debtors and basically when do you see them paying you and what is your strategy basically as far as receivable collections is concerned because that is what impacting through your P&L to interest cost?

**A.K. Bishnoi:** I think the point raised by you is absolutely correct and we ourselves are fully aware of this situation. Now to answer you one-by-one there is no single debtors where we have problem. Fortunately for us none of our projects are on hold or none of our projects are such where we expect that the project will run into a problem. It is that by and large there is a slowdown everywhere so project is impacted for various reasons which Mr. Gabrani just mentioned. Coming to this year what we expect is that just to add to what Mr. Gabrani said, we expect a better performance for two reasons one in this year we will be executing at least 80% of our export jobs, which are close to about INR 500 Crores. So we expect about close to INR 400 odd Crores to come out of these jobs, which obviously being LC backed the collection cycle would not be there practically. So that would come in very handy in this financial year. In addition I am sure you would have known we have commissioned Korba BOP some time back about two months back and having commissioned Korba, we expect that all the Korba outstanding including possibly, I will use the word possibly, but we are hoping that at least by the end of the financial year, we should be able to collect part of the retention also of Korba. In any case we will definitely be able to collect all the outstanding because all the finishing jobs, which are linked to collections, are being done now. So we expect good collections from Korba, we expect good collections from exports, we are also expecting this year that one of the two Andhra jobs between Kakatiya and Rayalseema, the Kakatiya job we expect should be over by March 2014. So, considering that it is likely to be completed by March, a fair amount of progress would have taken place, which would also help us in getting payments from there. So it is a combination of all the jobs and just to mention here that if you go by year-to-year number, it is not that in last financial year the collections have been poor or anything but they have just been lower to expectation undoubtedly, but if you compare with the financial year March 2012, I think we have collected almost about 11% more than what we collected in March 2012 and the main reason was, as Mr. Gabrani explained, that our Q4 numbers by way of top-line were very, very low.

**Chinmay Gandre:** Sir how much is outstanding from Korba?

**A.K. Bishnoi:** The Korba retention itself would be in the region of Rs. 99 Crores because it is 10% of the contract value.



*Tecpro Systems Limited*  
*May 31, 2013*

**Amul Gabrani:** Overall total Korba debtor is about Rs. 220 odd Crores and out of which retention will be close to Rs. 90 -95 Crores.

**Chinmay Gandre:** So your debtors considering what you have said, from Rs. 2,900 Crores how do you see the number for FY'14 how would that move from here?

**A.K. Bishnoi:** See I think in May to mention the number as of March, I think would be a little difficult. We can possibly discuss that sometime in September because we will have more realistic picture. But as I mentioned that if you just see the trend in this year that will give you an indication that the company will definitely collect Rs. 400 odd Crores only from the export jobs and then if Korba as I mentioned, we are able to collect even part of the retention, we should collect another about Rs. 150 odd Crores from Korba, so between these two itself we will be collecting Rs. 550 Crores to Rs. 600 Crores and then Andhra Kakatiya almost we are getting nearer to closure. See last year was the period where all these jobs Korba was in its final stages and it got commissioned only at the March end or in early April and Kakatiya and Rayalseema was both going full swing. So this year that situation will change with Korba getting over and Kakatiya also nearer to completion.

**Chinmay Gandre:** Sir your Q4 interest cost is Rs. 88 Crores, does it include bank charges?

**Amul Gabrani:** Yes everything.

**Chinmay Gandre:** So what would be the bank charges and interest cost for the quarter?

**Amul Gabrani:** For the quarter out of Rs. 88 Crores about Rs. 71 Crores is interest and Rs. 17 Crores is bank charges.

**Chinmay Gandre:** Full year if you can give me a number of Rs. 301 Crores?

**Amul Gabrani:** Full year the interest is about Rs. 251 Crores and bank charges are about Rs. 50 Crores.

**Chinmay Gandre:** So your borrowing cost is quite high, your debt as of the year end is roughly Rs. 2,100 odd Crores and you said roughly Rs. 71 odd Crores for the quarter. So what is the average cost of borrowing because it seems quite high?

**Amul Gabrani:** This interest also includes the advances received from customers, which is interest bearing. It is not only bank interest & the borrowing cost percentage would be close to 12.5%.

**Chinmay Gandre:** So over and above that would be advances from customers?



*Tecpro Systems Limited*  
*May 31, 2013*

- Amul Gabrani:** Yes.
- Chinmay Gandre:** Thank you. That is it from my side. In case I have anything else I will just come back to you.
- Moderator:** Thank you. Next question is from the lien of Amber Singhania from Quant Capital. Please go ahead.
- Amber Singhania:** I have couple of questions, if you could permit me. First thing is that as you just mentioned that during last year you were completing Korba and Kakatiya and other projects were also under full swing despite that we have not seen the sales coming in Q4. So I just could not able to relate to that despite having the full swing work on these major projects our net sales was not that up to the mark and also related to that you mentioned that the sales were lower because of the lack of fund based limit, but we have seen that higher interest by almost 20 - 25 Crores?
- A.K. Bishnoi:** I will just clarify both of your questions. Number one if you have seen our December numbers you would have found that they are more or less in line with what we had done in the previous year and looking at December obviously there was confidence all around that we will be able to achieve what we had targeted. In this quarter what has really happened is that our non-fund-based limits they took little time in getting sanction and getting into place we have expected that, that would have happened earlier when I say non-fund we mean bank guarantee limits and LC limits. Now since that did not happen, it took a little more time than what was expected in getting into place. We obviously had to complete these projects as you just mentioned we had to complete Korba plus we would have had contractual issues, we also have to keep pace with the other projects. So obviously we had to resort to short-term borrowing, which is cash borrowing. So as a result you will find that our interest went up. Now why did we not receive the turnover, was that the turnover targets are based on obviously that we will be able to move at some of the material to non-fund based limit and as Mr. Gabrani mentioned, we were also looking at a general throughout i.e. with creditors and also with the clients a general feel where everybody is willing to look at a faster progress, which did not happen. Generally there was a feeling of slowdown by and large everywhere except that yes Korba got commissioned because the plant was ready, it had to be commissioned in time otherwise it could have let to contractual issues. So not reaching the target was mainly because of this reason and does that answer your question or there is something, which remains?
- Amber Singhania:** The nine-month I was not taking a benchmark because as anyways we do 90% of our PAT or majority of our turnover?
- A.K. Bishnoi:** No, but if you see in this financial year in this fourth quarter we have hardly done about 800 Crores.
- Amber Singhania:** Typically that was the surprising factor.



*Tecpro Systems Limited*  
*May 31, 2013*

- A.K. Bishnoi:** Yes, whereas if you compare it with Q4 of last financial year, we would have done close to about Rs. 1,100 Crores. This year we should have done as per what we had indicated in December, we should have at least done closer to about Rs. 1,200 to Rs. 1,300 Crores, if not more in this financial year, which would have obviously changed the entire picture in terms of interest cost as a percentage, in terms of profitability, everything else, but yes for various reasons which are now over we have got the non-fund based limits sanctioned and it has taken a little extra time than what we expected but it has come in now. So since we are back on rails and as we mentioned this year with the export jobs and everything else being there we obviously are looking at a much better performance.
- Amber Singhanian:** The total debt you mentioned is around Rs. 2,088 Crores, which is the combination of short-term and long-term but there is also one head, which is debt maturing within one year, which forms a part of other current liability under the current SEBI disclosures. So how much is that Sir?
- Amul Gabrani:** That is Rs. 33 Crores.
- Amber Singhanian:** Sir you mentioned retention money is Rs. 1,000 Crores versus Rs. 750 Crores last year, this year we did around Rs. 2,600 Crores of turnover 10% of which is Rs. 260 Crores so that means we have not received any retention money which was pending till last year?
- A.K. Bishnoi:** We have received, but see in this year what has happened is that most of the retention money is for running jobs. As you are aware that even if in the month of April, if you bill Rs.100 on any client Rs.10 gets added to your retention, in this financial year we have collected part of the retention of our Mecon NLC jobs, we have also on course to collect the retention for the NTPC Korba job, which we have already closed. In addition we have collected some smaller ones I am just talking the major ones. Now if you see Rs. 1000 Crores of retention, out of this if you only take into account the APGENCO and Korba that itself will be a sizable figure, because Korba as Mr. Gabrani mentioned is close to about Rs. 90 Crores and between the two APGENCO we would again have a sizable figure, so that is why it has increased. In this year we will again be collecting hopefully 50% at least of Korba, we will be collecting Mithon, we have also collected incidently Reliance Rosa Power retention, but I think that is in this quarter that is possibly after April. So among the major retentions we will be collecting would be Mithon, would be Rosa, would be left over balance of Neyveli, would be obviously Korba, would be NTPC Korba, which we have closed and also some of the ash handling NTPC projects, which have been closed by us like Vindhyachal and one or two of the rest.
- Amber Singhanian:** Sir one thing I was just trying to understand like today our debtor position is almost 410 days or 409 days of this year's sales, I am just trying to understand are we chasing top-line at the cost of balance sheet health or because last two years we are continuously saying that we will be improving debtors by this way and that way but it is not happening. So is it something, which is like stopping us from



*Tecpro Systems Limited*  
*May 31, 2013*

collecting those debtors like someone is not paying us or is there that we are going towards the top-line more rather than improving the profitability that they give where exactly is this disconnect like last six quarters we are hearing that it is going to improve this quarter or the next quarter or this year, but it is not happening yet. So could you just throw some light where exactly are we getting disconnected there?

**A.K. Bishnoi:** It is not a question of chasing the top-line because if you see in this year the top-line is practically flat there is hardly any growth.

**Amber Singhania:** But that is mainly because of lack of fund-based limits.

**A.K. Bishnoi:** Yes I will just explain it. It is mainly because of whatever reasons we explained, but see in our business I am sure you will appreciate two things. One, topline cannot be controlled by the Company because it is also driven by the delivery schedules which are accepted by the company from various clients. So to that extent you have to necessarily execute some of the jobs in the timelines, which are provided. Point number two is that for collections we have explained this earlier also that if you see the company's performance till 2009-10, the company was mainly executing smaller value jobs where we were doing design and supply and our collection cycle obviously was much smaller, we were able to bet our money in time and we were not really doing the conventional EPC jobs so to say neither for balance of plant not for coal handling in terms of doing the entire work including civil structure civil electrical etc. In the last two years, three years what we have noticed, your point is well taken that the increase in debtor has been mainly because of these two, three BOP jobs where the collection is outstanding and also some of the jobs, which are traditional EPC jobs. So what comes out clearly is a comparison between the smaller jobs when the company was executing at this. Now to answer your question what happens next and when do we collected since four, five quarters as you mentioned have gone, the answer I think we gave earlier that now the company is getting into a stage where we are closing jobs, we are not really in a stage where we are progressing jobs, the jobs are nearer to completion. For example Korba is already completed and we are definitely hoping to collect a major portion of the outstanding of Korba in this financial year. Similarly as I mentioned Kakatiya would be more or less getting closed by March and we expect to collect the sizable amount of money there. The only left would be Rayalseema, which could possibly go into later part of 2014. So in this financial year, you would definitely see a change because these two major jobs, you would have a major collection, which would definitely lead to sundry debtors going down as far as the jobs are concerned.

**Amul Gabrani:** Just to add to what Mr. Bishnoi was just saying, I would like to share with you that out of our total debtors almost 48% of debtors are with 10 companies only. This is primarily because these projects are of longer duration, longer gestation projects so delivery schedules are much longer, so retention money is stuck for much longer period and also the milestones are driven in such a manner that most



*Tecpro Systems Limited*  
*May 31, 2013*

of the payment is back ended, which has been one of the reasons why the collections also has been slow apart from any other reasons and all these 10 companies are fairly large companies where almost 48% - 49% of the debtors are there.

**A.K. Bishnoi:** Amul, you are absolutely right. As I just mentioned what will happen now is that once we collect Korba and hopefully we will collect a major amount of Kakatiya also the things will change as far as sundry debtors is concerned.

**Amber Singhania:** Sir just pardon at the cost of repetition, I am just trying to understand like today our total debtor is Rs. 2,900 odd Crores whereas Korba outstanding as you mentioned is roughly around Rs. 220 Crores, which is not even 10% of this even if I assume Kakatiya would be in the range of Rs. 300, Rs. 400 odd Crores as such. Since we will be like left with Rs. 2,200 odd Crores of debtor, which is significantly higher than 300 days, we have mainly three BOP projects even if I remove all the three BOP projects on a rough cut assumption numbers we would be having roughly Rs. 2,000 Crores of debtor outstanding, which is again 300 days plus. So I was just trying to understand like even if I remove the movement from a BOP or from an ash handling player to a BOP player, these three projects, despite that we have a pretty sizable debtor position. So I just wanted your comments on that Sir how do you see that as a situation or am I wrong anywhere on that?

**A.K. Bishnoi:** I will just answer that. Let us hope on a totality basis out of Rs. 2,900 as Mr. Gabrani mentioned about close to Rs. 1,000 Crores is the retention, so let us leave retention out of it. Now leaving aside retention for reasons explained and discussed, you will find the others are mainly your BOP outstanding and as I mentioned some time back these are your EPC outstanding for larger jobs, which are having duration of 24 months, 22 months etc., where the company has gone from being a design supply company to an EPC company. It is not only balance of plant but it is also your coal handling and your ash handling jobs, which you are doing for major clients where you are executing on a turnkey basis where the payments are milestone driven and they are back ended you have to necessarily do some work and then you have to keep up the progress. So it is a combination of ash handling, coal handling and balance of plants leaving aside the retention, which has led to this situation and since we will be closing two major jobs and since we are also looking at export collections this year I am sure the situation this year would be different.

**Amber Singhania:** Sir just one last question, I just wanted your outlook for FY' 14-15 top-line and margin profile Sir?

**A.K. Bishnoi:** See March 2014, top-line it is very difficult to give as of now.

**Amber Singhania:** No, what is your outlook Sir on that and also margin?



*Tecpro Systems Limited*  
*May 31, 2013*

**A.K. Bishnoi:** See that without really making a firm commitment and just as a very rough cut indication, I would imagine that the company should do close to about Rs. 3,000 Crores top-line.

**Amber Singhania:** Okay and margin would like to come back to the old level Sir?

**A.K. Bishnoi:** Margins, I think yes, internally we have made our plans and we are definitely hopeful for reasons explained why the margins have fallen in this financial year which would not happened in this year so I think we will definitely come back to the old one.

**Amul Gabrani:** See at this stage, it is very difficult to give any projections and what all Mr. Bishnoi has given is a rough cut and because in any case projections in this kind of environment are fairly difficult to be given but yes seeing the overall macro level and seeing the efforts by the government to improve the macro level scenario we are hoping that situation will be definitely be better this year.

**Amber Singhania:** Thank you very much and all the best for your future.

**Moderator:** Thank you. Next question is from the line of Ravindranath Nayak from SBI Caps Securities. Please go ahead.

**Ravindranath Nayak:** Thank you Sir and good afternoon. Sir you mentioned that you are working on five coal handling and five ash handling projects of NTPC and also you are working on two states, Maharashtra, MP and Singareni Collieries and Neyveli Lignite projects. Can you please tell me what is the quantum of order you are working on and what is the margin you are looking at on these projects?

**A.K. Bishnoi:** What I mentioned was these are tenders, which are expected in this financial year and to give you the details, which you want each of these coal handling plants will be a sizably big coal handling plants, considering that some of these are for the 800 series and the balance are for the 660 series. So similarly with ash handling since these are for large sized power plants the values would obviously be quite substantial.

**Ravindranath Nayak:** Sir, can you just quantify the numbers in the coal handling and ash handling?

**A.K. Bishnoi:** I really cannot quantify the numbers specifically because it will depend on the scope and the soil conditions and everything else. But if you just go by past experience, which is again not in any way commitment on the numbers but just for you to have a feel of the type of business, which could be there, similar coal handling plants, NTPC has finalized earlier of prices ranging in excess of 350 to 400 Crores. So this is just an indicated number it is no way suggestion that these projects will have the same value and ash handling again NTPC for similar jobs has finalized anywhere between 130,



*Tecpro Systems Limited*  
*May 31, 2013*

140 and 200 Crores. So that just gives you a feel of the numbers. These are indicative numbers obviously. Now the BOP projects, which I mentioned, I mentioned about Maharashtra, I mentioned about MP, I also mentioned about Neyveli and Singareni, these are all balance of plant projects with various different configurations. So the values obviously would change but it is expected that these should hopefully get finalized by March 2014.

**Ravindranath Nayak:** So by any terms, can you have any indicative numbers, I was looking at from this way in value terms from these core contracts?

**A.K. Bishnoi:** Not really, very difficult to mention that. I can only make a statement, which is based on actual numbers achieved. If you see in the last financial year, the company has booked close to about Rs. 2,600 odd Crores as compared about Rs. 2,100 Crores in the year before i.e. March 2012, the total booking was about Rs. 2,100 Crores as compared to that March 2013, the total booking was about Rs. 2,600 Crores. So it just gives you a feel. That is again not a commitment on any order booking.

**Ravindranath Nayak:** Sir what I am trying to understand is that yours competitors are also eying these projects what you are mentioning like all these projects are being eyed by all your competitors?

**A.K. Bishnoi:** Yes absolutely. These are not projects which are meant for Tecpro per se. This is in the market and all the companies who gets qualified you are right all the qualified companies would definitely be eying that but when we talk about this it is not only these eight jobs are going to get finalized. The question then asked was that in the power sector, which are the main jobs, which one expect would get finalized so immediately these are the jobs, which come to mind. As far as Tecpro is concerned I am sure you are aware that we also operate in the cement sector, we have waste heat recovery as a very major product, we also operate in the steel sector and we also have subsidiary companies where we do enviro, we do water, we just announced our first major solar project for NTPC, so as far as Tecpro is concerned it is not that these eight or nine projects itself will decide what will be the order booking of Tecpro because Tecpro is multi product company and we will obviously have business in other products and also into material handling from the other segments like steel, cement etc.

**Ravindranath Nayak:** What is the enquiry level for your waste heat recovery etc., in the quarter one?

**A.K. Bishnoi:** The enquiry level as of today I can just tell you the number of jobs. I cannot tell you what are the values obviously but we are in discussion for at least four or five waste heat recovery projects currently, which are under various stages of discussion.

**Ravindranath Nayak:** These are all domestic projects or overseas projects?



*Tecpro Systems Limited*  
*May 31, 2013*

- A.K. Bishnoi:** They are all domestic, actually in solar also we have just got our first big order of 5 megawatts but there are other bigger orders of solar, which are under discussion because solar is an upcoming field, as you know, so if you take the total basket of product of Tecpro it is a different thing all together, this was a specific question on the power sector which I had answered.
- Ravindranath Nayak:** I understand that, but in the waste heat recovery these are all related to cement or which industry is it?
- A.K. Bishnoi:** In waste heat recovery it is primarily cement and one or two are in the steel segment. As you know we have picked up our first steel waste heat recovery job last year it was from Steel Authority of India. I think it was from Chandrapur Steel Plant and these jobs are primarily in the cement. That is correct to answer your question.
- Ravindranath Nayak:** Can you name these four waste heat recovery systems that you are looking at, I mean the customers you are looking at?
- A.K. Bishnoi:** For obvious reasons, I would not like to give you the name of the customers.
- Ravindranath Nayak:** Can you tell which region?
- A.K. Bishnoi:** Region again would be difficult to specify because the cement plants could be anywhere it obviously depends on from where the order is getting finalized from either the plant or from their head office.
- Ravindranath Nayak:** Okay, why I am asking this is one of your competitors also mentioned the enquiry level in cement sector is not that much great so that is why you are saying that only four waste heat recovery systems that you are looking at?
- A.K. Bishnoi:** See it will basically depend on as I mentioned in these things you cannot go by one competitor with the other, it will depend on who is qualified where. I am sure you must be aware we are currently doing two waste heat recovery jobs for Ultratech, we are doing a waste heat recovery job for ACC, we have just finished and commissioned a waste heat recovery job for Shree Cement, we are also doing a waste heat recovery job in, I am only talking cement now, for Nirma and we are also doing one for Dalmia. So it will depend on who is qualified where so similarly my competitor would be qualified possibly with some other cement companies, because these are not the only cement companies in the country, so one company has its own strength so one has to go by that.
- Ravindranath Nayak:** Sir secondly with respect to your tie-up with Mitsubishi, what is the plan, whether it is completely EPC type of job you are looking at in electricity precipitator or is something some manufacturing you



*Tecpro Systems Limited*  
*May 31, 2013*

are planning and what could be the quantum of investment you are looking at in next two to three years time?

**A.K. Bishnoi:** See as we have announced, this is a license agreement with Mitsubishi where the plan is to manufacture ESPs in India, which is under license from Mitsubishi. The design drawings of the ESP will come from Mitsubishi. The quality standard should be as per Mitsubishi and the entire process of manufacturing will be as advised by Mitsubishi. They will be manufactured by us in our upcoming manufacturing unit near Chennai and it will be an EPC contracts in the sense that they will be designed, it will be supplied and also installed by Tecpro under license from Mitsubishi.

**Ravindranath Nayak:** What is the quantum of investment you are looking at in the rest one year or two years time?

**A.K. Bishnoi:** We have already acquired the land in the last financial year and now that the license agreement is signed the entire manufacturing sources is being planned based on Mitsubishi's advice we are looking at investment of close to about Rs. 20 Crores to Rs. 22 Crores in the particular venture.

**Amul Gabrani:** See the number would be subsequently released because detailed project report is under preparation once DPR is ready then we will be able to give you the exact numbers. These are the indicative numbers.

**Ravindranath Nayak:** Sir I am just looking at indicative numbers Rs. 22 Crores investment you are looking at right?

**A.K. Bishnoi:** Yes.

**Ravindranath Nayak:** This includes the land cost?

**Amul Gabrani:** No, it is excluding the land cost.

**Ravindranath Nayak:** If at all I will come back in the queue. Thank you.

**Moderator:** Thank you. Next question is from the line of Sudhakar Prabhu from Span Capital. Please go ahead.

**Sudhakar Prabhu:** Good afternoon this is the first time I am on Tecpro call, so some of my questions might be very basic. Sir first of all if you could tell me what exactly you doing in material handling and ash handling? Do you actually supply the equipment or do you do the EPC part? What exactly do you do?

**A.K. Bishnoi:** First of all welcome to the Tecpro concall. We will have you with us in future calls also. In material handling we do what is called as EPC, which means we do the entire designing, we do the



*Tecpro Systems Limited*  
*May 31, 2013*

engineering, and we do the procurement and the construction. So to make it more simpler we design, we supply, we manufacture in our factories and we partially supply what we do not manufacture we source it out and then we also do the site works and the same thing is relevant in ash handling field.

- Sudhakar Prabhu:** Who would your competitors in this business, Elecon, McNally all those would be your competitors?
- A.K. Bishnoi:** You are absolutely right for material handling our major competitors are Larsen & Toubro, it will be Elecon, it will be McNally Bharat, and it will be Tata Robins Fraser and Stephen Group.
- Sudhakar Prabhu:** Typically in a Rs. 100 Crores contract how much would be the equipment part and how much would be the EPC let say you get a Rs. 100 Crores contract of material handling or ash handling contract. So how much would be the material handling and the designing part and how much would be the civil part?
- Amul Gabrani:** It depends on the contracts, there are certain contracts which are primarily design and supply, certain are only turnkey with erection, certain contracts are including civil so it will depend individually on the contract if you say on a wholesome basis, yes our manufacturing would be almost about 35% approximately of the contract generally, but wherever civil is more then the manufacturing percentage automatically goes down.
- Sudhakar Prabhu:** Sir the reason why I am asking this question is because if I look at your margins, which are around 15% - 16%, your margin seems to be superior to some of your competitors like TRF which incurred a loss this quarter or for that matter McNally who is doing 7%, 8% so what would you attribute this superior margin to?
- A.K. Bishnoi:** Two main reasons, one we have some of the best collaborations for manufacturing as Mr. Gabrani just mentioned, we have a wide scale of manufacturing facilities in the sense that we make our own crushers, we make our own screens, we do our own staker reclaimers, we do our own idler pulleys and all the structure work, we also have our own environment related project, we have our own ash handling manufacturing of all the items, we have our own foundry, so our expertise in manufacturing or our infrastructure available is I would say different to others. Also we have, I would say a more elaborate setup in the design field we have more than 300, 350 engineers in the design department spread over eight locations, which gives us an edge see in this business at the end of it, it is basically to get better margins, it is your designing ability, how well you can design a system in terms of making it competitive price wise and also your manufacturing edge, since you are manufacturing most of it in-house gives you better margins.



*Tecpro Systems Limited*  
*May 31, 2013*

- Sudhakar Prabhu:** Because as I understand you do lot of sourcing from Elecon and they do a margin of around 10%, 12% so I was just wondering in spite of sourcing from Elecon you are doing 15%, 16%?
- A.K. Bishnoi:** No, we do not source lot from Elecon. Just to give you a feel in a project of Rs. 250 Crores my order value on Elecon would not be more than Rs. 10 - 12 Crores.
- Sudhakar Prabhu:** Okay so very small percentage?
- A.K. Bishnoi:** Yes very small percentage, now and what on that portion whatever margin he makes is obviously his issue.
- Amul Gabrani:** And you will appreciate that margins of different products are based on their competition and as far as project sector is concerned, margins are based on your design engineering capability, your manufacturing capability that is a different field itself.
- Sudhakar Prabhu:** Out of your order book of around Rs. 4,000 odd Crores how much would be the PSUs or the state order and how much would be the private?
- A.K. Bishnoi:** It is mainly the balance of plant jobs, which are all obviously state electricity board which we have recently bagged and most of it otherwise is coal and ash and in the private sector it is mainly cement-oriented and to a certain extent steel-oriented mainly cement which is Ultratech and ACC and the rest in the power sector it is primarily dominated by PSUs, it also includes the steel plant at Jagdalpur which is for NMDC which is again PSU.
- Amul Gabrani:** Just to give you the numbers if you go by in terms of value then 62% of our orders are based out of government or PSUs and 38% from private sector, whereas if you go in numbers then obviously because private sector orders are smaller in size and smaller in value. So almost 82% of the jobs are private sector and 18% are government sector but all government sector jobs are of high value primarily NTPC or BOPs and all.
- Sudhakar Prabhu:** Sure and also on your debtors and there have been lot of questions on your debtors would it be possible for you to breakup between private and PSUs. PSU or the state sectors?
- Amul Gabrani:** In terms of debtors including retention the government is about 58% and private sector is about 42%.
- Sudhakar Prabhu:** Retention you said is around Rs. 1,000 Crores?
- Amul Gabrani:** Yes.



*Tecpro Systems Limited*  
*May 31, 2013*

- Sudhakar Prabhu:** Lastly Sir would not it be prudent to make some provision under debtors which are more than one year?
- Amul Gabrani:** See our business is such where let us say in a BOP project, delivery schedule is 30 months so the first bill you raise the 10% retention is deducted. You start providing based on one year then that will be very difficult for us to operate. We have the provisioning process if you see the provisioning is done based on the project and the condition of client whether he can pay or whatever the conditions based on the project status. We as a prudent businessmen we have been consistently providing whatever wherever we realized that yes it is difficult to collect or it is a bad debt we have been providing and this year's balance sheet also I think our provision is about Rs. 29 Crores.
- Sudhakar Prabhu:** Lastly what kind of tendering do we see in the current year in terms of size?
- A.K. Bishnoi:** Size possibly would be difficult to say.
- Sudhakar Prabhu:** Thank you and all the best.
- Moderator:** Thank you. The last question is from the line of Gaurav Malik from Locus Investments Group. Please go ahead.
- Gaurav Malik:** Thanks all my questions have been answered. Thank you.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference to the management for closing comments.
- A.K. Bishnoi:** Thank you very much, all the participants, for participating in the conference call. I am sure we have been able to answer all your questions. If you have any further queries, please contact Mr. Pankaj Tandon and he will be happy to give you the necessary details. Mr. Gabrani would you like to add something.
- Amul Gabrani:** Thank you everyone and we look forward to interacting with you all in our next quarter call. Thank you.
- Moderator:** Thank you. On behalf of Four-S Service that concludes this conference. Thank you for joining us. You may now disconnect your lines.