

# Techno Electric & Engineering Company

**Rs 741**
*Engineering well*

Sensex: 74,119

Nifty: 22,494

## FINANCIALS SUMMARY

	SALES	OPM (%)	OP	PBIDT	INTEREST	PBDT DEPRECIATION	PBT	EO INCOME	TAX	PAT	EPS (Rs)*	
2103 (12)	889.23	24.3	216.08	255.83	7.85	247.99	41.15	206.84	27.10	50.32	183.62	14.9
2203 (12)	999.17	15.8	158.02	202.03	6.38	195.65	7.44	188.21	110.36	59.17	239.40	13.7
2303 (12)	829.5	10.4	86.67	161.31	10.66	150.66	7.60	143.06	0.00	46.45	96.61	9.0
2403 (12) P	1576.18	15.4	242.08	373.69	19.08	354.61	7.98	346.63	0.00	70.26	276.36	25.7
2503 (12) P	2059.69	16.6	341.67	486.44	20.04	466.41	9.18	457.23	0.00	118.88	338.35	31.4

\* EPS is on current equity (post buyback) of Rs 21.5238 crore, Face value of Rs 2. # EPS is not annualised due to seasonality of business. EPS excludes EO, adjusted for tax. Figures in Rs crore.

Source: Capitaline Databases

Techno Electric and Engineering Company (TEECL) is in the business of undertaking turnkey EPC projects predominantly in the power sector across transmission & distribution as well as generation. The company is also into asset ownership, operations and maintenance services. Portfolio of the company is impressive with 450+ pan-India projects as a turnkey solutions provider, independent transmission asset owner (under PPP/BOOT model) and autonomous wind power producer.

Currently it has an wind energy generation assets with a capacity of 21 MW and of which 18 MW is in the state of Karnataka and 3 MW is in the state of Tamil Nadu.

### Established track record in power sector EPC business

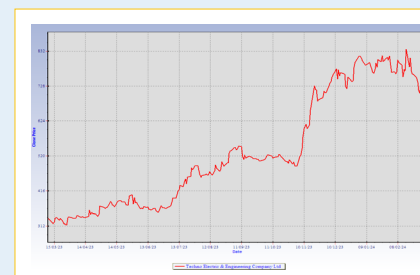
The company started out as an EPC player in 1963 has over the year built strong expertise and successful track record especially in all three segments of power sector i.e. generation, transmission and distribution as well as industrial projects.

EPC service delivery capabilities of the company in power generation include turnkey solutions to captive power plants, Balance of Plants, Flue Gas Desulfurization(FGD); in power transmission it include EHV substations upto 765 kV (AIS/GIS), STATCOM installation upto 250 MVAr; in Distribution it include advance metering infrastructure, distribution systems management and RGGVY; and in industrial sector it include power distribution systems to power intensive industries, offsite piping systems, oil handling plant process industries, Naphtha& Diesel based system for turbine based power plant, water and allied systems, fire protection systems and plant electrical and illumination system.

TEECL was one of the early entrants in the 765 kV substation segment in India. In addition, TEECL has been a frontrunner in the rollout of emerging power transmission technologies like STATCOM (Static Synchronous Compensator). In fact, more than 50% of the substations operated by PGCIL have been built by TEECL.

Over the years, the company has made a footprint in the overseas markets as well in the transmission and distribution segment.

TEECL, as a leading EPC player have aligned its focus with the transformation in the power sector where GOI, focus on strengthening the power infrastructure through Flue Gas Desulphurisation (FGD), future-ready transmission, and smart meters. It has



## STOCK DATA

BSE Code	:	542141
BSE Group	:	A
NSE Code	:	TECHNOE
Bloomberg	:	TECHNOE IN
Reuters	:	TEEC.BO
Par Value	:	Rs 2
52-week High/Low	:	Rs. 860 / 312
Sector	:	Infra Devel. & Ops

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 3.46
Institutions	: 23.99
Govt Holding	: 0.00
Corporate Holding	: 3.82
Promoters	: 61.52
Public & Others	: 7.22
Totals	: 100

\* as on 31/12/2023. Source: Capitaline Databases

fortified its capabilities in FGD and Advanced Metering Infrastructure (AMI), enabling it to meet the evolving environmental and technological demands in the power sector. In FY2020, the company forayed into the delivery of electromechanical solutions like FGD installation at thermal power plants.

Additionally, in 2021, TEECL has ventured into the fast-growing data centre market to empower businesses by providing them with ultra scale hyper-density data centre infrastructures, driving India's digital transformation.

#### **Expect to commission its first Data Centre in Mar/April 2024**

TEECL has forayed into data centre business is to tap the growing opportunity in Data Centre business in India and leverage its MEP capabilities. Data centre capacity in the country is currently at 700 MW and that is expected to grow to 2 GW by FY26 and to about 5GW by 2030. MEP (Mechanical, Electrical in Power sector) accounts for about 50-60% of the total project cost of a data centre.

TEECL envisages to develop 250 MW of Data Centers with a capex of over USD 1.3 billion in the next 5-6 years.

Techno has planned for develop hyper-density Data Centres of 250 MW by FY2028 across India. Techno has already started working on 24 MW Data Centre in Chennai. The total capex for Chennai DC will be approximately Rs 1000 crore and of which about Rs 500 crore by March 2023, when it will be commissioned and about Rs 200-225 crore per year for next 2-3 years. Chennai data centre is expected to be ready by no later than March/April 2024 or latest by Jun 2024. The all phases of the project will be completed by March 2025.

The company is looking out for large data centre operators as strategic partners to take care of clients, users as well as operations apart from investing money in the projects. Post commissioning the role of the company will be only to maintain infrastructure and as a power supplier.

In case of Kolkata the company have got land allotted but registration has to be completed. Similarly in Hyderabad the company is in negotiation with state government for land and debt to acquire land in the industrial estate at Chandivali. TEECL is confident of achieving a 250 megawatt capacity in data centre by 2030.

#### **Forays into AMI under DBFOOT & TOTEX**

TEECL operate in the AMI or smart meter segment through both EPC and project bidding on a contract basis or under DBFOOT or TOTEX model.

Contracts under DBFOOT model apart from ensuring captive EPC jobs also result in owning of assets. The company have already won smart meter orders under DBFOOT including one order for setting up 2.5 lakh smart meters worth about Rs 338 crore in FY23.

While the 2.5 lakh smart meter order is expected to be completed by Q4FY24, the company has already bagged orders to install 7.25 lakh smart mters under the DBFOOT model in the state of J&K as well as orders to install 5.53 lakh meters in the city of Indore and Indore discoms. Together these two orders from Indore Discom for (5.53 lakh meters) and J&K Discom (for 7.25 lakh meters) are worth about Rs 633.23 crore. It is also L1 for order to install 4 lakh meters in the state of Tripura.

TEECL is bidding for various projects for 40 Lakh meter projects worth Rs 4500 crore. The company is participating in smart metering business in the state of

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Rajasthan and Jharkhand and expects that by the close of the year it will expect additional business of about a million meter more.

Opportunistic investments in development projects in the space of AMI, transmission & data centres to help incremental business for EPC segment

Having successfully leveraged its EPC capabilities by picking up stake in development projects in transmission sector the company has now looks up data centres & AMI as new growth opportunities.

Though the company has divested its investment in all 3 BOOT transmission projects it continue to look for right opportunities that meets its internal targets especially those in difficult terrain that has less competition and better returns.

The investment in DC and BOOT transmission projects are expected to facilitate captive orders for the company going forward.

#### **Strong diverse order book as well as L1 orders offers strong revenue visibility**

EPC order book of the company as end of Dec 2023 stood at Rs 5441 crore [comprising Rs 2058.4 crore transmission order, Rs 1361.5 crore FGD orders, Rs 263.3 crore Data Centre order and Rs 1757.8 crore distribution, which includes Smart Meter DBFOOT/TOTEX of Rs 1600.7 crore] up from Rs 3771.9 crore [comprising Rs 1433.4 crore transmission order, Rs 1459.2 crore FGD orders, Rs 422.4 crore Data Centre order and Rs 456.7 crore distribution] as end of March 31, 2023. This translates into 3.95 times of its TTM consolidated sales ended Dec 2023.

The company had an order inflow of about Rs 2738 crore in 9mFY24 and additionally placed L1 for orders worth Rs 1700 crore.

The company has strong relationship with both PSUs, SEBs as well as private sector transmission project developers.

Of the current order book Power Grid Corporation of India accounts for 26.14%, Rajasthan Rajya Vidhyut Prasaran Nigam 24.89%, J&K Discom (Smart Meters) 16.22%, Indore Discom (smart Meters) 9.86%, Sterlite Grid `18 Limited 5.09%, Techno Infra Developers 4.84%, Techno AMI Solutions 3.34%, REC Power Distribution 2.89% and others 6.73%.

#### **Strong balance sheet as well as strong track record in successful monetisation of transmission/wind assets**

The company have diligently de-leveraged its balance sheet by selling the wind assets and focused on investing in future-ready solutions, setting a strong footing to accelerate growth. In FY 2022-23, the company proceeded with the sale of 108.90 MW of its Wind Power Assets out of the 111.90 MW situated in Tamil Nadu at an approximate consideration of Rs 425 crore.

TEECL that has earmarked capex driven data centre and AMI as growth verticals is proposed to invest a capex of about Rs 20000-25000 crore in next 5-6 years including Rs 10000 crore for 250 MW of data centres and Rs 10000 crore for developing 10 million meters under DBFOOT.

To support such strong capex driven growth the company is currently sitting with a liquid investment and cash/bank balance to the tune of Rs 1444.7667 crore as end of Sep 30, 2023. This includes current investment of Rs 1221 crore and cash/bank balance of Rs 224 crore. The company have nil long term debts as end of Sep 30, 2023.

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### Strong show in 9mFY24

For the quarter ended Dec 2023, the consolidated operating revenue was up 76% to Rs 326.54 crore. However with OPM expand by sharp 470 bps to 17.3%, the operating profit jumped up 141% to Rs 56.33 crore. The other income was up 125% to Rs 44.83 crore. The interest was up 142% to Rs 3.95 crore and the depreciation was up 3% to Rs 1.99 crore. The PBT before EO was up 140% to Rs 95.22 crore. EO income was nil for the quarter as well as corresponding previous period. After accounting for lower taxation (down 59% to Rs 3.35 crore), the PAT was up 191% to Rs 91.88 crore. Eventually the net profit after MI was up 192% to Rs 91.88 crore.

For the nine month ended Dec 2023, the operating revenue was up 106% to Rs 1062.76 crore. With OPM contract by 80 bps to 14.6%, the OP was up 95% to Rs 155.01 crore. The PBT before EO was up 99% to Rs 241.85 crore. The EO income was nil for the period as well as corresponding previous period. Thus the PBT after EO was up 99% to Rs 241.85 crore. The taxation was up 56% to Rs 48.36 crore and thus the PAT was up 114% to Rs 193.49 crore. Eventually the net profit was up 51% to Rs 190.92 crore.

### Outlook

Sitting with strong order book the company expects pace of execution to pick up. The quarterly execution (on standalone basis including those of captive orders execution) has already ramped up to about Rs 400 crore per quarter so far in FY24 compared to Rs 200-225 crore in FY23. And the company expects the quarterly average run-rate/execution is to further ramp up to about Rs 550-600 crore/quarter for Q4FY24 and FY25. The execution is expected to rise further to Rs 800 crore in FY26.

The power sector is undergoing reforms with a strong emphasis on ensuring the reliability and availability of supply. Further with focus on sustainable and less pollutant sources the country is also gearing up to accommodate renewable power injection of up to 30% in the grid, up from the current 14-15%. The company given its competencies and realigned focuses is well-positioned to capitalize on investments in modernisation, capacity augmentation and efficiency improvement in T&D systems as well as emission control efforts in the power sector.

The company aims on capturing orders worth Rs 500-1000 crore annually from FGD and Rs 2000 crore in transmission. On smart metering front the company targets order booking of Rs 2000-2500 crore annually. This is expected to replenish the strong order book and support revenue growth going forward.

EBITDA margin of EPC business of the company stood over 15% in the last five fiscal. This demonstrates its strategy of having presence in segments which have a minimum threshold level of design and engineering complexity leading to less competitive pressures, focus on margin/retained cash rather than size of the order book, work with CPSUs or bilateral /multi laterally funded SEB projects to derisk cash flow and well planned project execution in sync with cash flow and contractual obligations. Further with most of the projects come with some form of price variation clause the company is largely insulated with volatility in commodity prices.

### Valuation

We expect the company to register consolidated EPS of Rs 25.7 for FY24 and Rs 31.4 for FY2025. The scrip is trading around Rs 741, which discounts the FY25 EPS by around 24 times.

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The company is currently sitting with a liquid investment and cash/bank balance to the tune of Rs 1444.7667 crore as end of Sep 30, 2023

### TECHNO ELECTRIC & ENGINEERING COMPANY : CONSOLIDATED RESULTS

PARTICULARS	2312 (03)	2212 (03)	VAR.(%)	2312 (09)	2212 (09)	VAR.(%)	2303 (12)	2203 (12)	Var.(%)
Sales	326.54	185.26	76	1062.76	516.53	106	829.50	999.17	-17
OPM (%)	17.3	12.6		14.6	15.4		10.4	15.8	
OP	56.33	23.35	141	155.01	79.54	95	86.67	158.02	-45
PBIDT	101.17	43.30	134	259.86	131.51	98	161.31	202.03	-20
Interest	3.95	1.63	142	12.16	4.36	179	10.66	6.38	67
PBDT	97.21	41.67	133	247.70	127.14	95	150.66	195.65	-23
Dep.	1.99	1.92	3	5.85	5.63	4	7.60	7.44	2
PBT	95.22	39.75	140	241.85	121.51	99	143.06	188.21	-24
EO Income	0.00	0.00		0.00	0.00		0.00	110.36	-100
Taxation	3.35	8.20	-59	48.36	31.07	56	46.45	59.17	-22
PAT	91.88	31.55	191	193.49	90.45	114	96.61	239.40	-60
EPS (Rs)*	#	#		#	#		9.0	13.7	

\* EPS is on current equity (post buyback) of Rs 21.5238 crore, Face value of Rs 2. Figures in Rs crore

# EPS is not annualised due to seasonality of business EPS excludes EO, adjusted for tax.

Source: Capitaline Databases