



## **Tecpro Systems Limited**

### **Q4 FY2012 Earnings Conference Call Transcript**

#### **May 25, 2012**

---

**Moderator** Ladies and gentlemen good day and welcome to the Tecpro Systems Limited Q4 and FY12 results 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 call, 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 now like to hand the conference over to Mr. Varun Diwadkar of CDR India. Thank you and over to you sir.

**Varun Diwadkar** Thank you for joining us on Tecpro Systems Limited Q4 FY12 earnings conference call. We have with us today Mr. A. K. Bishnoi, Chairman and Managing Director of Tecpro Systems Limited, 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 an interactive question and answer session. Before we begin I would like to point out that certain statements made in today's discussions 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 will now hand over 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 fourth quarter and year ended March 31<sup>st</sup>, 2012. I would like to begin the discussion with an overview on the company's operational performance for the quarter, following which my colleague Mr. Gabrani will provide the financial highlights of the company.

The year gone by has been an eventful one given the challenging macroeconomic environment heightened by the lack of reforms and rising interest cost which have hampered the capex plan across sectors. This has also affected the power sector which has been plagued by problems like coal linkages, losses of state utilities, land allocation and financing. Even though the sector faces some headwinds due to which growth will be delayed in the near term, the medium to long-term prospects are still promising.

During the quarter under review the company secured an order worth Rs. 155 crore from Abhijeet Projects in Bihar. The scope includes design, engineering, procurement, manufacturing, supply of the coal handling plant for phase 1 of their power plant. We also received a coal handling order worth Rs. 90 crore from Punj

Lloyd for the Haldia Thermal Power Plant and an order worth Rs. 120 crore from Andhra Pradesh Power Development Company Limited. Besides this we also received an order worth Rs. 35 crore from Engineering Projects Limited.

In terms of order booking for FY12 the major thrust has come from the material and ash handling sector. Also we continue with our efforts to expand our offering with the acquisition of Ambika Projects (India) Private Limited which is in the business of water treatment plants. This acquisition will now allow Tecpro to enhance its in-house manufacturing scope in BoP related area. Further, with solar energy gaining prominence we recently acquired Eversun Energy Private Limited, a renewable energy firm engaged in the areas of solar lighting and heating.

We remain confident that in the coming years we will see significant reforms in the power and infrastructure sector. The reason for hope is that the political leadership has prioritized solving this particular problem. Going forward, we believe that the capex cycle is only deferred, and is likely to get revived again in this coming financial year. With investments in the infrastructure projects which are vital for the strong economic growth envisaged by the government, we are definitely hopeful that more business will come in. As you are all aware, power constitutes 30% of the total infrastructure investment in the country and an increase in peak demand will need to be supported by the need for timely execution of power projects, thus providing a strong base for growth of BTG and BoP service providers in the country. The Power Ministry has pitched for capacity addition target of close to 70,000-75,000 MW in the 12<sup>th</sup> Plan. This presents huge opportunities for our Company since we are not only a BoP service provider but are very strong in both coal handling and ash handling.

The tendering of boiler, turbine generator and balance of plant orders in the forthcoming fiscal year will definitely set the pace for recovery. This coupled with moderating inflation and interest rates, which we are all hopeful of, will help revive the capital goods industry and fasten the pace of order inflows. Obviously with Tecpro Systems' strength of executing jobs in time and to the satisfaction of customers, we will be at the forefront to capitalize on this opportunity on the first signs of recovery.

Now I would like to hand over to Mr. Gabrani to take you through the financial highlights.

**Amul Gabrani**

Thank you Mr. Bishnoi. It is pleasure having all of you on Q4 and FY12 earnings conference call. As you are all aware it has been a tough year for the industry. Despite the delay in finalization of BoP orders, we have added orders to the tune of Rs. 2,200 crore in FY2012. Our order book position as of March 31<sup>st</sup>, 2012 stands at about Rs. 4,150 crore and post March 2012, in the last two months, we have added orders around Rs. 510 crore taking the total order book position till now to about Rs. 4,660 crore. We have witnessed good order inflows in material and ash handling space especially from the metals and mining sector. We are also making reasonable progress in the WHR space and are looking to extend our offerings to the steel sector having already demonstrated our capabilities in the cement sector.

Coming to the financials, the revenues for FY2012 stand at Rs. 2,529.7 crore representing a growth of 28.4% as compared to Rs. 1,970.9 crore during the corresponding period last year. EBITDA was at Rs. 393.4 crore, higher by 19.7% as against Rs. 328.7 crore for the same period last year. Our operating margins remained healthy at about 15.5% for the full year. We have been constantly integrating backwards to ensure that margins remain fairly consistent. Depreciation for FY2012 increased to Rs. 13.5 crore as compared to Rs. 10.3 crore in FY2011. Finance Charges for FY2012 amounted to Rs. 196.8 crore compared to Rs. 123.1

crore for the same period last year. Here I would like you to take note that this includes the interest that has already been incurred on certain work-in-progress where revenues are yet to be recognized, the benefit of which should be accrued in FY2013. Consequently, PAT for FY2012 stood at Rs. 124.9 crores, down 8.3% as compared to Rs. 136.2 crore recorded during FY2011. Our pre-interest earnings have remained robust throughout the year; however, exceptionally high interest rates have impacted our profitability this year.

In terms of numbers for Q4 FY2012, the revenue stood at Rs. 1,100.7 crore as compared to Rs. 960.6 crore during Q4 FY2011. EBITDA for the quarter stood at Rs. 216.5 crore as compared to Rs. 207.6 crore during the corresponding quarter last year. PAT for the three months ended March 31<sup>st</sup>, 2012 is Rs. 96.3 crores as compared to Rs. 109.7 crores during the corresponding period last year.

The Power Ministry is believed to have fixed a target of adding 18,000 MW capacity in the current financial year. According to the Planning Commission estimate, the country's energy supply needs should grow at 6.5% annually, if the nation wants to achieve an annual economic growth of 9% during the 12<sup>th</sup> Five Year Plan (2012-2017) that commenced from April. This gives me confidence that despite some hiccups in the near term, the long-term prospects are fairly robust. Going into the next financial year we expect order inflows to pick up given that NTPC is likely to order out the balance 660 MW series and also the fresh 800 MW series. As a leader in coal handling and ash handling sector, Tecpro expects to receive a decent share not only from NTPC but from other public sector companies also and also from private players. In addition to this the SEBs are looking at enhancing their capacity providing good business opportunities in the BoP segment.

Our unique business across the value chain backed by our proven execution capability makes me confident of our ability to navigate the slowdown. Once the tide turns favorable, Tecpro Systems will be the foremost beneficiary of enormous opportunities.

This brings me to the end of the management commentary. Now we would be happy to address the questions that you may have. Thank you very much.

**Moderator**

Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. Our first question is from Supriya Subramanian of Kotak Securities. Please go ahead.

**Supriya Subramanian** With respect to the outlook for FY13, how do you see the growth in terms of revenue inflows and as well as a margin outlook?

**Amul Gabrani**

See, during FY12 also our expectation was that by the time last quarter comes we will be able to improve our revenue growth further, but due to some reasons beyond our control and some clearances which were not received from the end client, certain revenues have not been booked which will be booked during this financial year. This has been one of the reasons for reduction in profit last year. This year definitely based on the present macroeconomic scenario, we obviously are going to focus both at growth and also liquidity management which is going to be an important factor for us this financial year. So we are targeting a revenue growth of around 18% to 20% and objective is that, based on the present interest rate and expected interest rate and the collections we have targeted for this year, we expect that our PAT margins should go back to around 6% at least. So that is the outlook for this year which we have planned.

- Supriya Subramanian** And also in terms of inflows where is the visibility likely to come - is there some order pipeline which the company has bid for, etc.?
- A. K. Bishnoi** In the last financial year there were three projects where we were lowest bidders with NTPC in the ash handling space, out of which two have come in already in this financial year and we are still expecting the third one from NTPC that is in ash handling where we are lowest and obviously the tenders are coming out now for the fresh series. So the outlook, as we just mentioned there are orders in the coal and ash segment and this year we also expect the BoP sector to pick up because as all of you are aware last year this was one segment which was very quiet and hardly any projects were finalized.
- Amul Gabrani** To add to what Mr. Bishnoi says Supriya, we have already booked about Rs. 510 crore in this financial year and we are L1 in about Rs. 162 crore.
- Supriya Subramanian** Just couple of more questions. One is in terms of the acquisition of Eversun Energy. Could you just give us some details regarding the consideration paid and may be some basic numbers for the company in terms of revenues and profitability?
- A. K. Bishnoi** We have paid approximately Rs. 7-8 crore for acquiring the company. With our strength in the marketing area, we have already bid for two major jobs, one for NTPC and one for Neyveli for which tenders were out. So as you know it's a very recent acquisition but we are hopeful of booking some jobs in this financial year.
- Supriya Subramanian** Sir, just one last question in terms of the finance cost. I think this time we have reclassified and included in the finance charges rather than other expenses. So if you could just quantify the bank charges amount for the full year as well as 4Q?
- K.B. Arora** About Rs. 28 crore is the bank charges for the full year. We will come back to you on the Q4 FY12 number.
- Moderator** Thank you very much. Our next question is from Amber Singhania of Quant Capital. Please go ahead.
- Amber Singhania** Hi sir, my question pertains more towards the balance sheet size. Basically we do report a good top-line growth and a healthy EBITDA margins but at the same time we are seeing that balance sheet deteriorating every quarter with increasing inventory, increasing debtors. So how do you see this going forward and what are the major reasons where working capital is getting stuck and how do you see that trending, what makes you confident that you will be reduce it substantially in FY13 and what are you targets on that?
- Amul Gabrani** This year because our jobs were mainly from public-sector we were expecting that we will be able to generate a lot more revenue this year and we had kept our inventory ready for that. Due to reasons beyond our control, in some of the projects the inventory was not liquidated into revenues in the last quarter otherwise the revenues would have been even higher. So the inventory which was not expected to be carried forward at the beginning of the Q4 FY12 is still being carried forward in this quarter. We are expecting that within the next couple of months this inventory would be liquidated to a large extent. So that is why the inventory levels are high. Further, the higher working capital is on account of the overall macro level economic scenario where the payment process and the payment collection period has gone up and led to an increase in the debtor days. But we have been continuously addressing the issue of executing the projects also parallelly; we have not slowed down on that because that further complicates the project performance even more. The third reason was that the interest rates also went up steeply last

year which we are hoping that this financial year will go down. So this year, we expect our inventory and collection cycle also will be a little better hopefully with a better economic scenario and lower interest rates, I think the performance this year should start going back on track as earlier given.

- Amber Singhania** Sir, what are your targets for FY13?
- Amul Gabrani** Like I responded to the earlier question, I think we are expecting about 18% to 20% revenue growth and PAT around 6%.
- Amber Singhania** I am asking about the inventory and debtor level?
- Amul Gabrani** Those figures will be difficult for me to give you at this stage but definitely during the course of this quarter we will be working on all those figures and then if you want you can get it from us.
- Amber Singhania** If you could just give a brief break-up about the debtor of Rs. 1,673 crores, where are the major pockets where and what kind of amount is stuck?
- Amul Gabrani** See, those details I suggest why don't you take it separately because that will involve getting out the details from the P&L account. Get in touch with Mr. Tandon and take it.
- Amber Singhania** There is one more question I have, out of the current order book - what kind of margin profile are we looking at from this order book?
- Amul Gabrani** We are looking at an EBITDA level margin of around 16%. If you will see even last year when the PAT level performance is not up to what we were expecting, the EBITDA level margins have been maintained. So once we take care of our debt position, the margins will automatically increase.
- Amber Singhania** Is there any project or any orders which are slow moving or halted or any pending approval on the client side? Or is it like all on a regular execution cycle at present?
- A. K. Bishnoi** There is no real order which is halted, but as Amul just explained, for some of the orders the clearances for dispatch and some of the procedural issues got a little delayed as a result of which whatever revenues we had planned at the start of Q4 got a little affected. But the right situation is that the contracts are all live and they are going on. As you are aware, our main contracts which are under execution today are the two Andhra BOP jobs and lots of jobs for NTPC and BHEL where there is no real problem at all. So to answer your question I cannot single out any contract where we are having a problem or it is halted.
- Moderator** Thank you very much. Our next question is from Prerna Jhavar of Emkay Global. Please go ahead.
- Prerna Jhavar** Could you identify these projects which are currently moving slow in your order books or which have not received the requisite clearances?
- A. K. Bishnoi** It is not exactly going slow as I explained. The clearances are in the shape of procedural issues more than anything else. In all projects where we are working for the public sector, there is obviously good amount of time is taken in drawing approval exercise and getting the items inspected. There are also some logistics issues. So it is basically more to do with the logistics and the whole process and there is no real loss of revenue as a result. See if you just see even now we have achieved revenue in excess of Rs. 2,500 crore. So, one cannot really pinpoint that

there is a project 'X' or project 'Y' there is problem with it. Just a procedural issue and we had anticipated at the start of Q4 that we will be doing 'x' amount of revenues which have fallen short of expectation and as a result of which, interest already being incurred, there is a slight hit also on the PAT and PBT levels.

**Prerna Jhavar** But if you could just identify those projects, the major projects which have still to receive the required clearances post which which we would know that we would begin execution of those projects?

**Amul Gabrani** Actually see, the required clearances are at different stages. Every project is at a different stage and at every stage there is a clearance required which are more procedural or due to some technical reason. So very difficult to identify that one or few single projects which are delayed. Some require drawing revisions, so they are on hold, somewhere there is a site requirement, somewhere the inspection requirement is there, so that is on hold. So that is individual items which subsequently get resolved as and when things happen. But what happens is supposed something gets stuck in the month of March so that impacts the P&L and balance sheet.

**Prerna Jhavar** Could you indicate your order bid pipeline?

**A. K. Bishnoi** See the bid pipeline, in terms of BoP we have one tender which is being bid in the next couple of days, which is a substantial tender and we have another Balance of Plant tender which is due for submission sometime in June. So these are the two immediate ones as regards the BoP is concerned. In the coal and ash handling segments, as you are aware we keep getting tenders on a regular basis. We have quoted for some ash handling tenders, two coal handling tenders have been announced from NTPC. So these are all under various stages, some are under an estimation stage, some are under submission stage.

**Pritesh C.** If you could tell us the projects which would come up in the next 6 to 8 months for tendering and award and if you could name some of those projects? And second, when do you think the 800 MW NTPC projects for the BoP would come up for tendering and those would be BoP or those would be sub-segmental projects being ordered?

**A. K. Bishnoi** To answer you second part of the question first, the 800 MW series as per our understanding and as per what NTPC has been saying, would be ordered on the similar lines, that is it would be on package basis.

**Pritesh C.** Which is CHP separate?

**A. K. Bishnoi** Yes, CHP separate, AHP separate, water separate and all cooling tower separate etc. which is the normal procedure which NTPC follows. Now immediately, if my memory serves me right, there are two tenders, one is Muzaffarpur and the other is Vindhyachal, both the tenders of which are out. Muzaffarpur I think is due for submission first and then possibly Vindhyachal is due for submission, I do not have the exact dates with me.

**Pritesh C.** Any other tenders do you think would open and be ordered this year? Could you tell us the names of them?

**A. K. Bishnoi** As per the internal targets and on the basis of what NTPC is deciding on the BTG packages, in addition to these two, we are definitely hopeful that there would be at least another 3 to 4 tenders in coal and you will have similarly 4 to 5 tenders in ash.

**Pritesh C.** This is other than NTPC?

**A. K. Bishnoi** This is only NTPC. In addition, as I just told you we have booked in the month of March a very large coal handling project from a private player which is Abhijeet Projects based out of Ranchi. We are also definitely expecting some private projects from various other private parties for which we have received inquiries, we are in various stages of discussion and we are in various stages of submission of offers.

**Pritesh** Did you get anything in the 660 MW?

**A. K. Bishnoi** Abhijeet Projects is 660 MW.

**Pritesh** Is the NTPC 660 MW?

**A. K. Bishnoi** NTPC 660 MW, all these ash handling projects, Sholapur and all, I think are 660 MW, we have just booked, we just told you which were supposed to be put last year but we got the letter of award only in this financial year.

**Pritesh C.** Lastly, in your opinion how much MW worth tenders could be opened and awarded this year in BoP and in CHP/AHP if you have a guess?

**A. K. Bishnoi** See, that is very difficult to say because if you remember last year also we have given some figures but that did not happen for various reasons. So it is very difficult to make a guess. I think it will depend on various factors - it will depend on what are the coal linkages which are granted, it will depend on what are the land acquisition issues. So to give a total MW today as to what will be decided is obviously a very difficult thing but yes, if you see the overall scenario and if you see what the Power Ministry and power sector is talking about, we have already mentioned in our opening remarks that there is a good amount of potential.

**Pritesh C.** If I put it differently your marketing team as on date is working on how much MW worth of CHP/AHP and BoP?

**A. K. Bishnoi** See BoP together we are working on two jobs, one of 2 x 600 MW and one is 2 x 660 MW which is immediate, which I mentioned to you will be submitted maybe in the next 30 to 45 days. Now in the coal handling Muzaffarpur and Vindhyachal, I do not remember the MW straight away, which NTPC has already tendered out. There are a couple of private players from whom we have received inquiries and some which inquiries are going to come. Most of these are 600 MW or 660 MW, because as you know today most of the private players also are putting up MW of close to 600 MW or 660 MW. The same thing goes for ash, so wherever we have received inquiries of coal, normally we do receive an inquiry for ash.

**Pritesh C.** Lastly, have you seen any pricing changes in terms of a lower pricing on these projects?

**A. K. Bishnoi** Not really because I think we had explained this earlier also, in all our products, be it coal handling, be it ash handling, especially this is more true for the government sector, the total vendors which are approved are quite limited and then since the total parties which are approved are limited, we have not really seen any appreciable change in the pricing.

**Pritesh C.** What is the recent price per megawatt that you are realizing on the tender orders in the CHP/AHP and BoP?

**A. K. Bishnoi** That is very difficult to say because it depends on the scope. See, whenever civil is in your scope the prices are different. So it would obviously boil down to what is the exact scope, what is the area where you are executing the job, the geographic conditions, the soil conditions etc.

**Pritesh C.** Still if you could help us with the range maybe excluding civil?

**A. K. Bishnoi** Very difficult to say. What we can do is I will ask our Company Secretary, Mr. Pankaj Tandon to give you the prices of some of the jobs which we have recently booked and I will also give you the scope there separately. That will give you an idea. We will tell you what prices we have booked and what the scope is.

**Prerna Jhavar** Hello sir, Prerna again. Sir, just one last thing, in your opening comments you had mentioned that the Ministry of Power is considering an additional 18,000 megawatts for the 12<sup>th</sup> Plan, could you clarify on that?

**Amul Gabrani** The capacity addition target in this financial year is 18,000 MW.

**Prerna Jhavar** In FY13?

**Amul Gabrani** Yes, FY13.

**Prerna Jhavar** So the total target for 12<sup>th</sup> Plan remains at 75 to 77 GW?

**Amul Gabrani** That is right.

**Moderator** Thank you. Our next question is from Madangopal of Sundaram Mutual Fund. Please go ahead.

**Madangopal** Can you elaborate on the opportunities in the mining front and what is happening because last time when we met you were highlighting many projects which are coming up in mining sector, not many converted into order revenue?

**A. K. Bishnoi** See, in the mining sector yes, things have been slow again because of various issues which includes issues of land acquisition. But we had booked a major job last year if you remember which is connected with mining which is basically the NTPC Pakri order which was approximately if I remember around Rs. 400 crore. Pakri, as you know, is a mine which is being developed by NTPC and we are supposed to carry the coal which was mined. That is our scope. Now we have inquiries from some private parties also who have been allotted mines by the government and as per NTPC's official statement sometime back they are also looking at increasing their presence in mining of coal for their own projects. So obviously if that happens then we will get some additional mining opportunities. Similarly in the recent past we booked a major job along with BHEL from NMDC which is strictly not mining but it is for their steel plant which is coming up. It is expected that some project for the mining region also will be coming up this financial year for the same steel plant project.

**Madangopal** Can you elaborate similarly on the metal sector whether the orders that you are immediately looking at or is there not much activity happening there?

**A. K. Bishnoi** In the metal sector, as I just mentioned to you, the major investment which recently the government is thinking is in the NMDC project which is coming up.

**Madangopal** Which project is this?

**A. K. Bishnoi** This is a project which is coming up in Chhattisgarh. It has been announced some time back, we have received a major order along with BHEL also. If my memory serves me right, it is a 3 million ton steel plant.

**Madangopal** Is there further scope of us getting it from there?

**A. K. Bishnoi** We have received the raw material handling along with BHEL as the main bidder. The main bidder, the main partner who got the order was M/s BHEL and from M/s BHEL we have an order of approximately Rs. 500 crore.

**Madangopal** But are there any other new projects that can come up?

**A. K. Bishnoi** In this project itself again as per the information which is available, they will be looking at further material handling systems in their mines, which again from memory I am saying, it is I think Kirandul mines. So they will be looking at some amount of an additional mining activity and we expect some inquiries from there. We already have some inquiry in hand from the Kirandul mine and we expect some more inquiries.

**Madangopal** And what is happening on Waste Heat Recovery captive power project that we have been doing. We got some orders last year.

**A. K. Bishnoi** In Waste Heat Recovery (WHR), if you remember last year we had three major orders, one from Shree Cement and two from UltraTech and then we booked ACC Rabriyawas. So it is our entry into ACC as far as WHR is concerned. We are already working with them for the conveyor system. We have also recently got an order from Nirma Cement which is again for WHR. So our total jobs have gone up from 3 to 5, out of which we have already commissioned the Shree Cement order. The UltraTech jobs are now under execution.

**Madangopal** In this what is the portion that you will do and what is the portion and whom you have tied up with?

**A. K. Bishnoi** It is a company called NTK from China and the major equipment which is the boiler and the turbine is imported by us. They are our collaborator for the Waste Heat Recovery segment and everything else including the erection is done by Tecpro.

**Madangopal** Generator also comes from that company?

**A.K. Bishnoi** Yes the BTG comes from them you are right.

**Madangopal** How is the outlook, are there many projects where WHR can be commissioned?

**A.K. Bishnoi** Yes.

**Madangopal** So are you getting any traction or is it possible that we will win additional projects this year?

**A.K. Bishnoi** We have already won two projects in the recent past and we are in discussions with various other cement manufacturers, including parties for whom we are already working. So we expect this sector to give us a reasonable business in this financial year.

**Madangopal** I believe Hindustan Dorr-Oliver is also doing similar tie-ups with a Chinese company and working with cement companies for a very similar package. So is the competition pulling your margins down in this?

**A.K. Bishnoi** Not really, wherever we have quoted so far there has obviously been competition; there is a competition in every segment.

**Madangopal** Whom will you see as competitors?

**A.K. Bishnoi** There is Thermax, there is Cethar Vessels, there is Transparent Energy Systems, and there are many parties so competition is there even in the jobs we have won so far which are the five jobs. So competition is a part of the game but then Tecpro's strength in execution is known to some of the private parties. So there are lots of factors which finally go into deciding of an order like this, it's just not only based on price.

**Madangopal** Lastly on debt, the debt portion last time when we discussed we were very hopeful of controlling it below Rs. 1,000 crore or at least Rs. 1,000 crore you were guiding us. But it has gone Rs. 1,300 crore now, so is it possible that it will go down or will you be able to maintain it at current levels this year?

**Amul Gabrani** This Rs. 1,300 crore one thing it includes is about Rs. 100 crore of term loan which is because that is a long-term borrowing which has been used for adding more capacities and the manpower positioning and some offices. Then apart from this there is separate cash and bank balance which is not lien with the banks, which is free cash reserves, so net borrowing which is coming this year is about Rs. 1,072 crore. Although we would have preferred it to be below Rs. 1,000 but yes it is over what we were targeting. But that is primarily due to macro level and some collection targets not being able to be met because of the slow process of the projects which we are doing that the process of collection has gone up. But this year yes it is going to be a focused approach on liquidity management and we are sure that we will be able to reduce it.

**Madangopal** How much is the cash and cash equivalents opening and closing this year?

**Amul Gabrani** The opening cash was about Rs. 218 crore and the closing is Rs. 228 crore.

**Madangopal** And you mentioned you are targeting 18-19% growth in top line. We are probably starting the year with a slightly lower order book what we had when we started last year so what gives us confidence?

**Amul Gabrani** But let me just share with you like I had said earlier we have already booked about Rs. 510 crore for the opening balance, the opening balance was about Rs. 4,150 crore, and Rs. 510 crore is already booked.

**A.K. Bishnoi** And another Rs. 162 crore we are L1 and the order should come in any time and basically this close to Rs. 700 crore is the spillover of last year. They should have been finalized last year but we are all aware that there were some delays and even though we are L1 we could not get the orders in hand in the last financial year. As we mentioned one has come in April and one has already come in May from NTPC.

**Amul Gabrani** The available order book right now for execution is about Rs. 4,660 crore and if we grow at about 20% the expected revenue is around Rs. 3,000+ crore.

**Madangopal** Is it Rs. 4,600 crore after adjusting for two months of execution or you're just adding the...

**Amul Gabrani** We're just adding the order book, that's why I said the available for the financial year is about Rs. 4,660 as of now and obviously if we look at the overall revenues required for the growth of 20% is only about Rs. 3,000 crore and obviously we'll book some more jobs also during the financial year. So we are fairly confident that at least this growth rate we will be able to maintain our top-line.

**Madangopal** You will be able to grow on Rs. 2,200 of our order flow like you did last year?

**A.K. Bishnoi** The expectation is there definitely because as you are aware last year there was no BoP which was finalized and as I just mentioned we are quoting for two BoP's, one in this month and one in the month of June. If you see what is there in the pipeline in terms of coal and ash and WHR and also this year we will definitely be adding water systems to our booking because we have acquired Ambika project last year and we will also be looking at booking some orders in the solar sector. So totally I'm sure it will be better than what it was last year.

**Moderator** Thank you very much. Our next question is from Chinmay Gandre of K.R. Choksey, please go ahead.

**Chinmay Gandre** Sir you just mentioned that apart from NTPC there are another 3 to 4 tenders in coal and cash handling plant, I just wanted to confirm on that.

**A.K. Bishnoi** Yes

**Chinmay Gandre** Are these from the private or public sector?

**A.K.Bishnoi** They are mainly from the private sector and some of them are also from public sector companies.

**Chinmay Gandre** But only coal handling or both coal and ash?

**Amul Gabrani** We have tenders in hand for both coal and ash.

**Chinmay Gandre** What has been the historical bid success ratio? What kind of order inflows are you targeting for the full year? What is the opportunity that you see for FY13?

**A.K. Bishnoi** If you want to convert it into numbers just for the sake of discussion, as you are aware normal balance of plant orders vary between Rs.1,000 crore to Rs.1,500 crore depending on the final scope. We are definitely expecting two orders to be finalized and if you look at our track record, if everything goes okay we should get one of them. In terms of coal and ash handling there are a good amount of enquiries. Last year we booked close to about Rs.2,200 crore which was primarily in the coal, ash and the waste heat recovery segment because there was no major booking in water and in Eversun and there was nothing from the BOP sector. This year we have already booked close to about 500 crore. We are sitting on L1 of Rs.160 crore which will get converted so we are definitely hopeful that we will be able to cross the booking target for coal, ash and the non-BOP segment. If we add the BOP segment from where we are expecting at least one order then I'm sure you will agree that we are sitting quite comfortably on the order book side.

**Chinmay Gandre** In Q4 how much is the bank charges of the interest cost

**A.K. Bishnoi** About Rs.8 crore is the bank charge for Q4, out of the total of Rs. 28 crore.

**Moderator** Thank you. Our next question is from Rinki Gureja of Enam Securities, please go ahead.

**Rinki Guraja** First on the debtor days, our debtor days have been increasing so first of all if you could bifurcate as to what is the retention money out of our debtors?

**Amul Gabrani** Retention money is around Rs.680 crore out of the total debtors.

**Rinki Guraja** What is the comfort level with our debtor days, where are we comfortable over the next two years?

**A.K. Bishnoi** if you see what is happening with Tecpro Systems is that started as a material handling company, then we added ash handling and then we added balance of plant to our total product profile. Normally in a balance of plant tender the total execution period varies between 30 to 36 months. So obviously your retention amount gets added every year because as per contract you can't realize the money, either below 30 or 36 months as the case may be. Given our wide product profile there maybe some variations. Also the other important issue is, earlier all your coal and ash handling plants used to be much smaller capacity. It was basically 250 MW then it became 500 MW now it is 660 MW, tomorrow we are looking at quoting for 800 MW projects. We are already doing an 800 MW plant for Andhra Pradesh in Krishnapatnam. Now obviously the total project cycle for these projects is also increasing. So if the total project cycle increases, the total execution time for coal and ash handling also increases thereby our retention also keeps getting added. So as the company increases its products and we go in to large value jobs where the delivery cycles are larger, the retention period obviously changes. So this will depend on a lot of factors, this will depend on whether we are again able to book one balance of plant which we are hopeful of and what is the delivery period thereon. It will also depend on how many of the 800 series and the 660 series of coal and ash handling get decided and their delivery period. I think we should look at it in the total perspective.

**Rinki Guraja** On Ambika and Eversun we are looking at projects now so what will be the typical size of a project in these companies and what will be the execution cycle like?

**A.K. Bishnoi** Ambika I can't give you the name obviously but I can just tell you we have quoted for projects currently which are ranging between Rs.30 to Rs.50 crore. In Eversun which we have acquired recently, we have quoted for a large project in the public sector and the figure is much higher, it is in excess of Rs. 90 crore..

**Rinki Guraja** And what would be the typical execution cycle?

**A.K. Bishnoi** Execution cycle for Ambika could be somewhere between 10 to 14 months and for Solar it could be anywhere between 7 to 9 months.

**Rinki Guraja** could you help me with the revenue booking in our BOP projects, Korba, Rayalaseema and Kakatiya?

**Kulbhushan Arora** The full-year it is close to Rs.1,000 crore.

**Rinki Guraja** If you could give me the breakup between the three?

**A.K. Bishnoi** About Rs.400 crore is in Chhattisgarh and about Rs.600 crore in Andhra.

**Rinki Guraja** Do we see pressure on the margins?

**A.K. Bishnoi** I mentioned earlier, I will just like to repeat you are aware that if we talk first of the coal handling segment and again we restrict ourselves to the large jobs in the government sector, the number of parties who are approved are very limited. In the private sector also obviously even though there is no such watertight pre-qualification but people are setting up power plants of 600 MW and 660 MW. Normally the general trend is that they tend to follow what BHEL and NTPC is doing. So as a result if you see in the coal handling segment, we are normally 6 or 7 companies and in the ash handling segment we are again 5 or 6 companies. Now most of these companies are large companies like Larsen & Toubro, Elecon and others. So all of us obviously have our own overheads, have our own way of doing business and till the time the pre-qualification remains, margins will vary a little bit here and there but I don't expect that there is going to be a great sort of drop in the margins because all the companies which are quoting are professionally run large companies. Same applies for us.

**Rinki Guraja** We have been maintaining that our debt would increase in tandem with the sales growth so going forward also you will stick to that.

**A.K. Bishnoi** In our last conference if you remember we had mentioned that we are trying to keep the debt below Rs.1,000 crore. We were about Rs.950 or Rs.975 crore again if my memory serves me right. If you remove the long-term debt and if you remove the cash and bank balances then the working capital debt works out to about Rs.1,070 or 1,072 crore which we were trying to keep below Rs.1,000 crore, ideally around Rs.950-975 crore.

**Moderator** Thank you. Our next question is from Suryakant Behera of Edelweiss, please go ahead.

**Suryakant Behera** Out of the Rs.680 crore retention money how much is six months old, how much is one-year-old, can you just give me that figure? In the BOP orders that we are bidding currently, the total scope belongs to us or we would be bidding in consortium with VA Tech and Gammon as we used to do earlier.

**A.K.Bishnoi** BOP we will continue to work in consortium. So some of the scope will vary and the scope would obviously depend on what is the consortium and how it is formed. Everything Tecpro cannot do on its own so we obviously will continue to have consortium path.

**Suryakant Behera** Our scope would-be around 30 to 35% maximum that I can say?

**A.K. Bishnoi** No in some cases where civil is on our scope, the percentage could vary. The percentage could vary but as you remember wherever we are the leaders, all BOP's like Korba and Andhra, the entire revenue would still come to us. So scope is something which depends on case to case basis and once all the consortium partners sit together will decide who is going to do what and then it will depend on what is the percentage finally.

**Suryakant Behera** You gave few names of projects you are bidding but can you quantify how much of bidding that is in the pipeline right now?

**A.K. Bishnoi** That is very difficult because whatever inquiries we have on hand they have either not been estimated fully or it is premature for us to declare their values.

**Suryakant Behera** Not enquiries, where we have actually quoted right now?

**A.K. Bishnoi** But wherever we have quoted I can't tell you the prices because these tenders are still not open. We have submitted the bids or as I mentioned we are submitting bids for two NTPC jobs. So the prices are something which at this stage is very premature to mention. What we can do is which I mentioned earlier whatever recent jobs which we have got from NTPC, one of the questions was what is the scope and what is the price, that is something which is no longer a confidential information. So those details we can definitely provide, if you can talk to Mr. Pankaj Tandon he will be able to provide.

**Suryakant Behera** Not related to NTPC, the total order that we have bided right now across BOP, HP and CHP.

**A.K. Bishnoi** The total order if you include the BOP which is going in this month then it will be a very large value so off-hand here it is very difficult to say.

**Suryakant Behera** Currently our gross debt stands around Rs.1,300 crore.

**A.K. Bishnoi** Yes.

**Suryakant Behera** So if I look at the debt-equity it is almost at 1.7x which if I remember correctly we are quite comfortable up to 1.5 earlier one of the con-calls we had actually mentioned. Now we are actually above that limit we can say but you already mentioned that your plans to reduce this debt-equity this year but can you just throw some light how exactly you're planning to do it because working capital is still not going to reduce drastically in this year. So how you are planning to repay some of the debts and to take this....?

**A.K. Bishnoi** There are three major things in, some of the jobs which we have recently booked; we have booked them with payment terms which are LC oriented. So whenever you have a job which is LC oriented obviously your realization is time bound. So instead of an open-ended credit which is normally practice in such jobs we have now booked with LC payment terms. Number two is that some of the retention amounts are due in this financial year which we have identified want to collect. Also as my colleague, Mr. Gabrani, mentioned we are definitely going to focus on the collection issue in a much more stronger way. We are going to look at how we can form teams and how we can follow the methods which go into this. So that we are able to focus on collections as a very priority item and then which will help us in realizing the money and then obviously which will lead to the reduced debt levels.

**Amul Gabrani** Plus once the growth takes off or stabilizes then automatically the additional working capital required for the growth area of the business is much lesser and collections obviously are based on the part debtor basis so collection would be much better vis-à-vis the working capital needed this year. We will try to control debt from there also.

**Suryakant Behera** How much retention money that you are expecting in FY13 out of this Rs.680 crore which are due?

**Amul Gabrani** I think we are working on that and that exact figure will be difficult to give you right now you can collect it from Mr. Tandon once it is ready.

**A. K. Bishnoi** Retention that you have asked is about Rs.490 crore is more than 6 months and Rs.190 crore is less than six months.

**Suryakant Behera** What would be your end of your debt target otherwise?

**A.K. Bishnoi** We want the balance sheet to be stronger so it will all depend on the other parameters on the balance sheet. It depends on the net worth so there will be some other parameters also which will be important. The balance sheet size gets larger so the debt has to be proportional.

**Suryakant Behera** Why I asked this question is because in one of our comments in the last con-call, we had mentioned that our debt increase will be in proportion of the revenue increase

**Amul Gabrani** It is very difficult to give the exact figures for a particular date. What happened in the last quarter is that the revenues dropped drastically. So that also is one of the reasons why the year-end debt went up but still I think we would like to look at the debt-equity as a parameter rather than pure-debt as a parameter. The comfort factor would have been there if the debt-equity ratio would have been much better that is what our objective is and we will like to increase our profit margins so that our net worth goes up and secondly once our collections start improving the debt levels go down and the debtor days also come down.

**Moderator** Thank you very much. Our next question is from Amit Shah of Almondz Global Securities, please go ahead.

**Amit Shah** Just wanted to know what is the revenue booking still pending in the three BOP projects that we're currently executing?

**A.K. Bishnoi** It is roughly about Rs.1,400 to 1,500 crores.

**Amit Shah** And Korba project is almost completed?

**A.K. Bishnoi** Yes Korba is in the final stage of completion.

**Amit Shah** So when do we expect that particular project to get complete?

**A.K. Bishnoi** We're expecting this to be completed sometime around August-September but it will depend on lot of other inputs which have to be given to us. So the expectation is that yes by September we should have that completed.

**Amit Shah** Earlier we were expecting this project to be completed by March, right?

**A.K. Bishnoi** No June. It was always June but there have been some delays in the inputs. In power projects of such sizes we ourselves are not only responsible for the completion but there are other agencies also. So there have been some input delays which we are discussing with the client and the client is well aware of. So as of today it looks like if there are no further delays we should be able to wind it up by August-September.

**Amit Shah** What would be the capex plan for this particular financial year?

**Amul Gabrani** There is no major capex plan. We will fund the capex from the internal accrual. We are building up an office space in Calcutta which is of very small value.

**Amit Shah** In particular FY12, how much have we incurred for the capex?

**A. K. Bishnoi** It was Rs.115 crore which was primarily went into the building.

**Amit Shah** In the building of Delhi office?

**A.K. Bishnoi** Delhi office and Calcutta office.

**Amit Shah** If you can just explain what is the scope of work that we are looking out in the solar power space?

**A.K.Bishnoi** In solar basically it's an EPC company so we are looking at setting up the solar plant on an EPC basis.

**Amit Shah** What kind of orders are we looking out for, ticket size basically?

**A.K. Bishnoi** There is no real ticket size because in solar you could have orders on 1 MW, you could have orders on 5 MW, you would also have modules totaling up to 10 MW.

**Amit Shah** So what would be the minimum ticket size in the solar power space?

**A.K. Bishnoi** We are obviously not looking at very small but we are looking at anything which is around 1 MW.

**Moderator** Thank you. Our next question is from Pranav Gokhale of Religare Asset Management. Please go ahead.

**Pranav Gokhale** What will be your total revenue breakup? How much is the contribution of BOP for 2012 and how much was it for 2011?

**Kulbushan Arora** In 2012 as we just mentioned about Rs.1,000 crore is from the BOP segment and in FY11 it was close to Rs.600 crore.

**Pranav Gokhale** Going ahead if you are looking for a higher contribution coming from BOP, I understand BOP is more working capital intensive than the other product business. So how do you expect your working capital as a percentage of sales or even as numbers of days are being reduced and if you are not able to reduce your working capital number of days, what is your action plan B?

**A.K. Bishnoi** First of all, BOP contract if you see the payment terms, they are more or less in line with the payment terms of coal handling and ash handling. You have advances which are normally around 10%, you have some money against drawing and then you have progressive payments against supplies and against services executed at site. So I would imagine that for us to conclude that the BOP project would normally require more working capital than the other projects may not be the situation at the ground level. And if you see we have just mentioned about debt, we were expecting it to be about Rs.950 – 975 crore and which has gone up to around Rs.1,072 crore and they are the main reasons also we had discussed in one of the other question.

**Kulbushan Arora** And BOP will remain a segment for the business not the prime driver of the revenue.

**Pranav Gokhale** Sometimes there are funding and financing issues at the customer's end which might preclude them from giving your debtors or payment timely, so there are certain things which are out of your control. In that case, what is the action plan B?

**Amul Gabrani** First of all, if you see, most of our customers are bluechip public sector companies. So there, the project financing is finalized or closed before the orders are placed.

So the issue that finance would not be available is not there. The primary issue here is the process of clearance of bills and the milestones at which the payment will be made which are a little lengthy. We are trying to see that the time gap between the completion of the milestone and collection can be reduced, Secondly the reason why the debtors went up in last quarter is that we billed a lot and growth rate was still at about 28% - 29% in terms of revenue. We were ready for even a higher growth rate which we could not bill primarily on account of certain inspections not been able to be completed within the financial year. So once those reasons are taken care of, I am sure that the money will flow in and debtor days will go down. We will make concerted efforts on that.

**Pranav Gokhale** So just in terms of understanding your statement that BOP may not be really as working capital intensive as you have envisaged, could you please help me that when your net current assets were about 20 to 40 days in 2008 – 09, what led to this number as a net current asset increasing towards 180 – 190 days in 2011 – 12?

**Amul Gabrani** I'll explain it to you. What happened till 2008 – 09, we were primarily doing small jobs from private sector Rs.40 -60 crore which were completed within 6 months and the retention was thereafter available against bank guarantee or after the 12 months. These were primary supply contracts, they were not EPC contracts. So subsequently, when we grew into larger size projects like NTPC where the delivery time is 18 -24 months, so whatever we bill on the first date, my retention of that bill will only come after about 36 months since the delivery is 24 months. So retention automatically has gone up plus in all these EPC contracts the payment is based on milestones rather than supplies. So milestone has its own timeline. That was the reason it has actually gone up.

**Pranav Gokhale** Sir, you earlier indicated on a con -call that if debt position goes out of your comfort levels you may look at dilution; do you think anything is in the offing in the next?

**Amul Gabrani** I think still the right time is not there, we will definitely consider this option in our board meetings in future. But as of now we are hopeful that this year we will be in a position where we can improve our situation.

**Moderator** Thank you very much. Our next question is from Jignesh Kamani of Nirmal Bang, please go ahead.

**Jignesh Kamani** Out of Rs.680 crore the retention money we are planning to receive in the next year. Can you throw some light whether it is from single project or multiple projects?

**Amul Gabrani** It will definitely be related to multiple projects.

**Jignesh Kamani** Any of the lumpy projects where we see the 100-200-300 crores kind of lumpy....

**Amul Gabrani** No not 100-200 because 100-200 crores means we should be looking at 1,000-2,000 crores. Korba as I mentioned will be commissioned only by August-September and once it is commissioned then there will be issues of performance guarantee and other contractual issues so I don't expect Korba retention to be collected in this financial year. It will spill into the next. But yes whatever jobs we have done earlier from Rs.50 -100 crore odd some of them are getting closed. Some of the performance guarantee tests are been conducted or have been planned. So we are definitely looking at those projects and we expect to collect that in this financial year.

**Jignesh Kamani** Second regarding our NTPC orders, what kind of advance are we receiving from the orders?

**A.K. Bishnoi** Normally the advance is either 10 or 15% against the supplies and it is again 10 or 15% against site mobilization for the service portion.

**Jignesh Kamani** And it will remain same in the BOP segment also?

**A.K. Bishnoi** Yes, normally whatever BOPs we have got, so far three of them, we had 10% advances in all the three.

**Jignesh Kamani** So as you mentioned we may receive significant order intake in the next six months?

**A.K. Bishnoi** Yes.

**Jignesh Kamani** So then it will ease some pressure on the working capital.. As we are expected to get LC or inflow in the first six months so advance from this order may give some comfort in the working capital?

**A.K. Bishnoi** Yes it will definitely give comfort.

**Moderator** Thank you. Our next question is from Arafat Sayed of Quant Capital, please go ahead.

**Arafat Sayyed** I just need some detail about your AP power projects. I guess you have two orders of Rs.1,000 crore so just wanted to know what amount is completed and what is still there in your order book What amounts you received from clients?

**A. K. Bishnoi** All those details I think are project details I suggest you can separately collect it because that individual project data we will have to collate from our project head and then give it to you..

**Arafat Sayyed** Fine.

**Moderator** Thank you. We have a follow-up question is from Suryakant Behera of Edelweiss, please go ahead.

**Suryakant Behera** How much is retention money, is it like 5%--15% of the orders.

**A.K. Bishnoi** It is normally 10%.

**Suryakant Behera** Sir currently retention money is around Rs.680 crore, if I add your FY11 and FY12 top line that comes to around Rs.4,500 crore so some of the retention money that means is due from FY10 revenue portion which is almost like two years over.

**A.K. Bishnoi** I mentioned to you it is normally 10% but in some cases like in one of the Rajasthan jobs, the retention money was 20% and in some cases it is 15%. Again I'm saying that from memory but we can check that and confirm to you. I think in Andhra it is 15% that's why you will find this variation.

**Moderator** Thank you. As there are no further questions from the participants, I would now like to hand the conference back to the management team for closing comments. Over to you sir.

**A.K. Bishnoi**

Thank you very much for participating in the conference call and I'm sure we have been able to answer all your questions and wherever you require some details as we just mentioned please contact Mr. Pankaj Tandon and he will be pleased to give you the necessary details.

**Amul Gabrani**

We're looking forward to our next conference call after the first quarter. Thank you.

**Moderator**

Thank you very much sir. On behalf of Tecpro Systems Limited that concludes this conference call.