

**Industrials**  
**Electrical Equipment**  
 Equity – India

## No Rating

<b>Share price (INR)</b>	<b>186.85</b>		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-16.9	-4.9	-54.2
Relative <sup>A</sup> (%)	-6.5	16.1	-14.3
Index <sup>A</sup>	National SE of India		
RIC	TEEC.BO		
Bloomberg	TEEC IN		
Market cap (INRm)	10,896		

# Techno Electric (TEEC)

## Key takeaways from management meeting

- ▶ **Focus on growing energy business to c50% of group sales; renewable portfolio to increase from c200MW to c1250MW**
- ▶ **Remain selective in EPC business; focus on high margin projects & captive assets to maintain margin of c16%**
- ▶ **Management expects c15-20% growth in EPC business; power portfolio to grow through a mix of greenfields and acquisitions (c60/40)**

*We recently visited Techno Electric as part of our ongoing investigation of the India Electrical Equipment market. We do not rate nor are we commenting on the investment merit of the company's securities.*

We recently met with the senior management and promoters of Techno Electric – Mr. P.K. Lohia (President, Finance) and Mr. Ankit Gupta (Management Executive). Below we highlight some of the key takeaways from the meeting.

### Business strategy

- ▶ Techno is keen to use cash flows from EPC business to build renewable power portfolio. In the long term, it aims to generate c50% revenues from power generation and c50% from EPC, of which roughly half of the work should be for captive assets.
- ▶ The company expects growth of c15-20% in the EPC business; scarcity of skilled labour remains a key constraint for growth. It plans to explore international markets for growth.
- ▶ Techno is selective about EPC projects and wants to maintain c15-16% EBIT margins. Management highlighted that competition for transmission EPC work is healthy, and it has won c20% of Power Grid orders YTD for 765kV substation projects.
- ▶ The company wants to increase the renewable power portfolio from the current c200MW to c1250MW by 2017. It focuses mainly on Wind and small Hydro projects; c40% of this growth is likely to be driven by the acquisition of power portfolios.

### Performance drivers

- ▶ Techno has working capital days of only c40-50, driven by its strong focus on retention money and debtor days.
- ▶ It has high margins driven by favourable project mix (Industrial EPC, 765kV substations, other complex projects), complete ownership of execution and focus on select customers.

**25 November 2011**

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### Business basics

- ▶ EPC contributes c70% to group revenues and the company is present across entire value chain – transmission (c45%), generation (c30%), distribution (c15%) & Industrials (c10%). The current EPC order book is c2.0x FY11 sales.
- ▶ Techno makes c16% margins in the EPC business and c70%+ margins in the Energy business.
- ▶ Currently, the company has a total renewable energy portfolio of c200MW operating at an average PLF of c35%. Techno also has one transmission BOT project (in JV with Kalpataru Power) with annual revenues of c540m, which will be commissioned in January 2012.

# Disclosure appendix

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# Disclaimer

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