

TECHNO ELECTRIC

COMPANY UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,409
12 month price target (INR)	1,629
52 Week High/Low	1,825/785
Market cap (INR bn/USD bn)	145/1.7
Free float (%)	43.0
Avg. daily value traded (INR mn)	351.2

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	56.93%	56.93%	56.93%
FII	9.33%	9.92%	9.8%
DII	24.5%	24.03%	24.12%
Pledge	0%	0%	0%

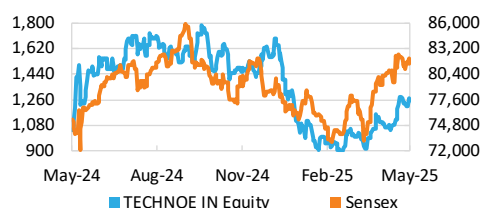
FINANCIALS

	(INR mn)			
Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	15,024	22,687	31,843	43,031
EBITDA	2,094	3,393	5,129	7,607
Adjusted profit	2,685	4,229	4,877	6,753
Diluted EPS (INR)	24.9	36.4	41.9	58.1
EPS growth (%)	43.7	45.8	15.3	38.5
RoAE (%)	13.1	14.3	12.4	15.4
P/E (x)	56.5	38.7	33.6	24.3
EV/EBITDA (x)	69.7	38.1	26.9	19.7
Dividend yield (%)	0.4	0.6	0.7	0.8

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	31,843	43,031	-14%	-21%
EBITDA	5,129	7,607	-6%	-9%
Adjusted profit	4,877	6,753	-2%	1%
Diluted EPS (INR)	41.9	58.1	-2%	1%

PRICE PERFORMANCE



T&D robust; data centres gaining traction

Techno Electric (TEEC), a market leader in power substation EPC work, is reporting a resurgence in Q4FY25 driven by: i) [NEP plan \(2023 – 2032\) outlay of INR9.2tn](#); ii) large opportunities in intra-state smart metering/FGD; and iii) data centres. TEEC's FY25 OB of ~INR109.5bn was 4.8x FY25 sales. Management has guided for 15–16% OPM, with upside potential (in our view) as execution gathers pace and inclusion of higher margin data centres (DC) business over FY26–27E. FY26/27 (standalone) revenue guidance was INR35bn/INR45bn with EPS of INR50/INR75-plus.

We are tweaking FY26E/27E (consolidated) factoring in the DC business and enhanced margin. Retain 'BUY' with TP of INR1,629 (from INR1,766) based on 25x Mar-27E core EPS + DCF value of DC business.

What has changed – 4.8x OB/sales; uptick in margin due to incentives

Consolidated revenue surged 51% YoY to ~INR22.7bn in FY25 (FY25 guidance: INR25bn/INR22.5bn standalone (SA)/consolidated) on the back of 51% YoY EPC growth (to INR22.5bn). EBITDA margin rose to 15% versus 13.9% in FY24 on the back of better sales mix and incentives from shortened execution timelines due to land procurement challenges for clients. Robust backlog of ~INR109bn provides strong revenue visibility of 4.8x FY25 sales. TEEC delivered industry-leading OPM of 15% and healthy RoE of 14.3.3% in FY24. We are estimating FY27 EBITDA/RoE of 17.7%/15.4%.

Multiple tailwinds; earnings visibility improves for data centres

TEEC has a deep footprint across power generation, transmission and distribution (GTD) and allied infra segments. It is riding on larger opportunity in four major verticals: i) [NEP plan \(2023 – 2032\) outlay of INR9.2tn](#); ii) large opportunities in intra-state smart metering driven by RDSS scheme iii) FGD awards for 80GW thermal capacities owned by SEBs/private players and iv) data centres. Currently, TEEC's under construction 24MW data centre at Chennai is on an ownership-basis (100% equity), but it may gradually move to a leveraged model under BOOT (RailTel order) or third-party EPC for constructing data centres. We find the data centre opportunity to be exciting given few players with proven EPC turnkey capabilities. TEEC is likely to commission phase 1 of the Chennai data centre in H1FY26 and ~10 locations of edge data centres (RailTel order) in FY26. The data centre TAM is likely to grow to 4–5GW by FY29 versus 2GW estimated in FY24 (19% CAGR) – source: [Polycab FY24 AR](#).

Outlook and valuation: Proxy for 'power'ful capex; maintain 'BUY'

In summary, we believe the triggers of T&D and data centre have only just begun to fire. Moreover, TEEC's strategy of selective bidding for complex jobs with bilateral/multilateral funding is evident in higher OPM versus peers (KEC, KPIL, L&T – Exhibit 13) along with potential for incentives (5% above contract value) for executing projects with truncated timelines due to land acquisition delays by clients. We are pegging TEEC's adjusted EPS CAGR at 26% over FY25–27E coupled with 15.4% RoE. Retain 'BUY' with a TP of INR1,629 (earlier INR1,766) based on 25x (from 26x) Mar-27E core EPS + DCF value of the data centre business.

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	15,024	22,687	31,843	43,031
Energy Cost	11,604	17,653	24,519	32,703
Employee costs	462	670	844	1,133
Other expenses	864	972	1,350	1,587
EBITDA	2,094	3,393	5,129	7,607
Depreciation	78	81	638	1,081
Less: Interest expense	164	105	159	172
Add: Other income	1,361	1,600	1,919	2,303
Profit before tax	3,213	4,806	6,252	8,658
Prov for tax	502	1,025	1,375	1,905
Less: Other adj	0	0	0	0
Reported profit	2,685	4,229	4,877	6,753
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,685	4,229	4,877	6,753
Diluted shares o/s	108	116	116	116
Adjusted diluted EPS	24.9	36.4	41.9	58.1
DPS (INR)	6.0	9.0	10.0	11.0
Tax rate (%)	15.6	21.3	22.0	22.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
COGS (% of rev)	77.2	77.8	77.0	76.0
Employee cost (% of rev)	3.1	3.0	2.7	2.6
Other expense (% of rev)	5.8	4.3	4.2	3.7
EBITDA margin (%)	13.9	15.0	16.1	17.7
Net profit margin (%)	17.9	18.6	15.3	15.7
Revenue growth (% YoY)	81.1	51.0	40.4	35.1
EBITDA growth (% YoY)	141.6	62.0	51.2	48.3
Adj. profit growth (%)	43.7	57.5	15.3	38.5

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	7.3	7.3	7.3	7.3
Repo rate (%)	5.8	5.8	5.8	5.8
USD/INR (average)	82.0	82.0	82.0	82.0
EPC rev growth (%)	81.5	51.3	41.0	35.1
EPC EBIT margin (%)	13.6	14.6	13.5	13.5
EBITDA margin (%)	13.9	15.0	16.1	17.7
Total OI (INR mn)	40,000.0	48,000.0	57,600.0	69,120.0
Tax rate (%)	15.6	21.3	22.0	22.0
Capex (INR mn)	(1,804.2)	(1,683.2)	(15,000.0)	(20,000.0)

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	56.5	38.7	33.6	24.3
Price/BV (x)	7.0	4.4	4.0	3.5
EV/EBITDA (x)	69.7	38.1	26.9	19.7
Dividend yield (%)	0.4	0.6	0.7	0.8

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	215	233	233	233
Reserves	21,417	37,164	40,877	46,351
Shareholders funds	21,632	37,396	41,110	46,584
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	5,498	9,034	14,107	19,712
Other liabs & prov	722	1,158	1,158	1,158
Total liabilities	28,210	50,438	59,225	70,303
Net block	429	377	4,157	18,076
Intangible assets	0	0	0	0
Capital WIP	2,757	4,417	15,000	20,000
Total fixed assets	3,516	5,119	19,482	38,401
Non current inv	5	347	347	347
Cash/cash equivalent	12,787	29,306	20,544	9,228
Sundry debtors	7,411	6,729	9,445	12,764
Loans & advances	300	40	40	40
Other assets	4,191	8,896	9,366	9,523
Total assets	28,210	50,438	59,225	70,303

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	2,685	4,229	4,877	6,753
Add: Depreciation	78	81	638	1,081
Interest (net of tax)	139	83	124	134
Others	(855)	(762)	(1,884)	(2,266)
Less: Changes in WC	(3,302)	1,716	1,887	2,129
Operating cash flow	(1,255)	5,347	5,641	7,832
Less: Capex	(1,804)	(1,683)	(15,000)	(20,000)
Free cash flow	(3,060)	3,664	(9,359)	(12,168)

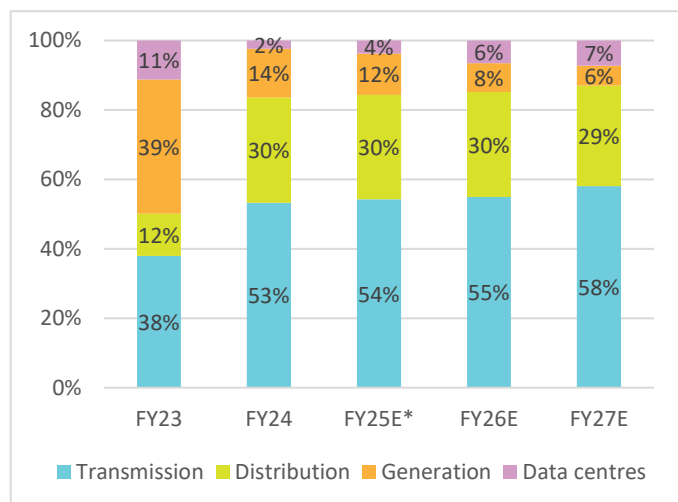
Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	13.1	14.3	12.4	15.4
RoCE (%)	16.5	16.6	16.3	20.1
Inventory days	20	3	4	6
Receivable days	168	114	93	94
Payable days	168	150	172	189
Working cap (% sales)	41.6	27.3	13.5	5.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.6)	(0.8)	(0.5)	(0.2)
Interest coverage (x)	12.3	31.4	28.2	37.9

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	43.7	45.8	15.3	38.5
RoE (%)	13.1	14.3	12.4	15.4
EBITDA growth (%)	141.6	62.0	51.2	48.3
Payout ratio (%)	24.1	24.7	23.8	18.9

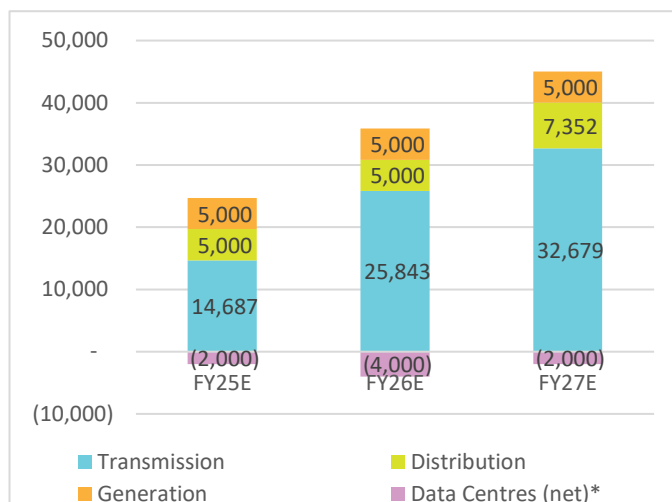
Exhibit 1: OI mix going forward (INR mn)



Source: Company, Nuvama Research

*FY25 est in absence of break up / FY25 investor PPT

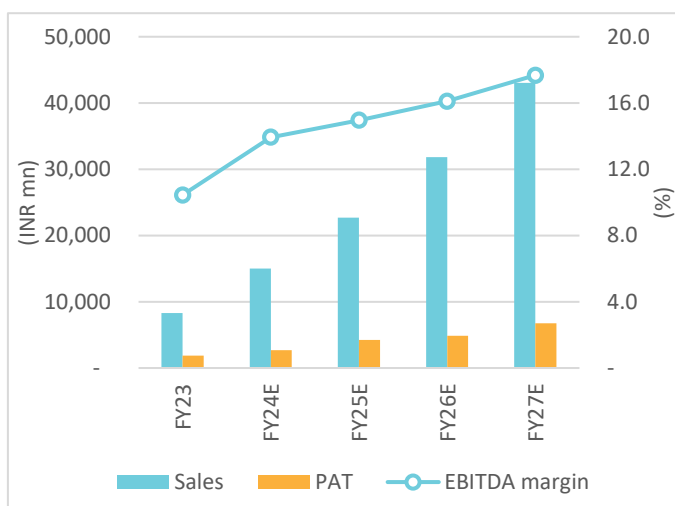
Exhibit 2: Revenue mix going forward (INR mn)



Source: Company, Nuvama Research

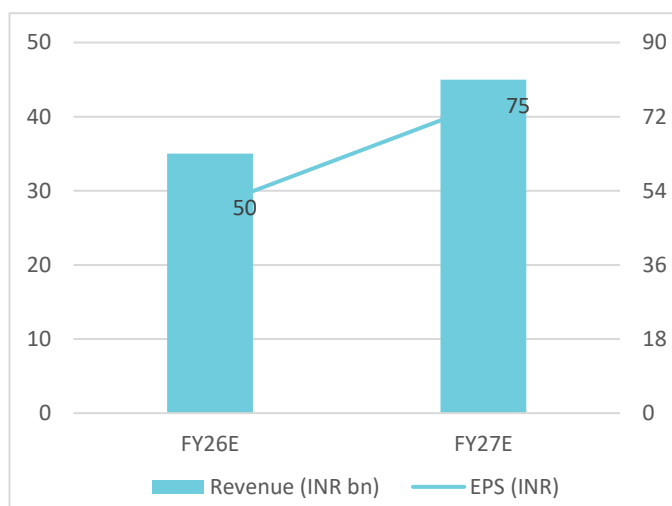
*EPC revenue from own data centres knocked off during consolidation. Revenue guidance (FY26/FY27 data centres: INR1/3bn)

Exhibit 3: Robust margin expansion and revenue growth



Source: Company, Nuvama Research

Exhibit 4: Revenue and EPS guidance



Source: Company, Nuvama Research

Decoding data centre optionality

Exhibit 5: Breakdown of TEEC's Chennai data centre

Particulars	
IT Load (MW)	24 MW
Total Capex (INR mn)	~INR14bn
Equity component planned (% as of now)	100%
Land	Yes
Regulatory approvals	Yes
Phase 1 (~5.6 MW)	~INR4500mn to INR5500 (INR3000mn completed)
Phase 2 (~5.6 MW)	~INR3000mn
Phase 3 (~5.6 MW)	~INR3000mn
Phase 4 (~5.6 MW)	~INR3000mn
JV/Partner	Not finalised yet

Source: Company, Nuvama Research

The first phase of the Chennai data centre (5.6MW) is likely to be completed and commissioned in H1FY26. Phases 2–4 are likely to have the same capacity (~5.6MW) and be executable at a lower cost of INR3bn/phase over the next 18–24 months. Revenue potential per phase is likely to be to the tune of INR400–600mn.

Management has guided for data centre revenue of INR1/3bn over FY26/FY27 with an 80% operating margin. Realisation is likely to be in the range of INR80–100mn/MW.

Exhibit 6: Hyperscalers versus Edge data centres

	Hyperscalers (Chennai)	Edge-data centres (RailTel)
Revenue (per MW)	USD 0.8–0.9mn	USD2–2.5mn
Op. Margin	80%	80%+
Deployment cost (per MW)	USD5mn	USD8mn

Source: Company, Nuvama Research

TEEC won a concession from RailTel where it would be setting up more than 100 edge data centres (over five years in 102 locations) near very prominent railway stations of the Indian Railways under the digitisation plan of the Indian Railways. The data centres cover 23 out of 28 states, giving TEEC the widest presence of data centre in the country and making it the largest DC operator in terms of number of data centres and capacity.

Edge data centres provide 2–2.5x the revenue potential of hyperscalers and come at a 1.5x higher deployment costs. Margins too are better in edge-data centres owing to lesser bargain power of the customer. Management anticipates to bring online ten data centres in FY26. Addition should step up to ~20/year FY27 onwards. The project is comparable with a DBFOT project wherein TEEC shall design, build, operate, finance and then after 20–25 years, transfer it back to RailTel. RailTel will have a revenue share split when leased to a third party.

We estimate the overall RailTel data centre potential at ~50MW. (~500kv for each edge location at 102 locations)

Core segments – GTD; an analysis

Transmission

TEEC's transmission solutions are limited to sub-station and related solutions. While line work for tower and stringing (not undertaken by TEEC) is 80% of capex in transmission, TEEC's part of the value chain is ~10–20% of total capex.

The transmission opportunity is likely to grow to INR30–50bn in FY26E from INR10–15bn in FY24 due to the requirement of an increase in pace of execution. Hence, we anticipate order book execution to be faster in line with management guidance and for TEEC to also benefit from incentive (5% above contract value) for executing projects with truncated timelines due to land acquisition delays by clients; *Statcoms, 765kv solutions provide optionality over and above station-related revenue.*

Overall revenue and EPS guidance – INR35–36bn in FY26E (INR25bn – Transmission; INR5bn Smart metering; INR5bn FGDs) and more than INR45bn target in FY27E, with EPS of INR50 and INR75-plus respectively.

Distribution – The current smart meter order book is around INR30–35bn and distribution (infra ex-smart meters) is at ~INR3.5–5bn. We are baking in annual execution in the segment of INR5bn in FY26E and FY27E, driven by a pickup in installations and order wins in smart meters.

Generation (FGD) – Generation order backlog stands at ~INR13bn, which largely pertains to FGD for power plants and have an execution period of about three years. We are baking in order wins of INR5bn/year with execution of INR5bn over FY25–27E driven by expected FGD awards for 80GW thermal capacities owned by SEBs/private players.

Valuation

Exhibit 7: Peer comparison across EPC coverage universe

		FY23	FY24	FY25A	FY26E	FY27E	Nuvama target multiple
L&T (core)	EBITDA margin (%)	8.5	8.1	8.3	8.3	8.3	25x
	ROE	9.4	9.6	12.7	12.9	13.1	
KPIL	EBITDA margin (%)	8.4	8.3	8.2	8.9	9	20x
	ROE	9.5	10.6	10.1	13.1	14.6	
KEC	EBITDA margin (%)	4.8	6.1	6.9	8.3	8.9	20x
	ROE	4.8	8.8	12.1	17	19.7	
Techno	EBITDA margin (%)	10.4	13.9	15	16.1	17.7	25x
	ROE	9.9	13.1	14.3	12.4	15.4	

Source: Company, Nuvama Research

TEEC boasts industry leading operating margin of 15% and strong RoE of 14.3% in FY25 (with a likely expansion in EBITDA margin/RoE to 17.7%/15.4% in FY27) versus our EPC coverage with robust order booking and exemplary execution providing comfort in a 25x valuation multiple on core PAT (excluding the optionality of data centre business).

Exhibit 8: DCF summary

Particulars	INR mn
Total PV of FCFE	17,006
Terminal Value	19,651
Value of firm	36,657
No of shares (mn)	116
Value per share (INR)	315

Source: Nuvama Research

Exhibit 9: DCF assumptions

Key assumptions	
Capex per MW (USD mn)	5
USD rate (in INR)	85
Discounting rate	12%
Terminal growth	0%
Funding (equity)	100%

Source: Nuvama Research

Exhibit 10: DCF – detailed summary

Particulars (INR mn)	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
Techno electric (Capacity) (MW)	6.60	18.20	36.40	49.40	62.40	81.40	88.40	88.40	88.40
Chennai	5.60*	11.20	22.40	22.40	22.40	22.40	22.40	22.40	22.40
Edge	1.00*	7.00	14.00	21.00	28.00	35.00	42.00	42.00	42.00
Kolkata		-	-	6.00	12.00	24.00	24.00	24.00	24.00
Avg. operating through year (MW)		9.10	27.30	42.90	55.90	71.90	84.90	88.40	88.40
Data centre revenue		728	2,184	3,432	4,472	5,752	6,792	7,072	7,072
Revenue per MW (assumed)		80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00
YoY growth		-	200%	57%	30%	29%	18%	4%	0%
EBITDA		619	1,856	2,917	3,801	4,889	5,773	6,011	6,011
EBITDA margin		85%	85%	85%	85%	85%	85%	85%	85%
Depreciation		-558	-1,001	-1,465	-1,852	-2,328	-2,714	-2,819	-2,819
Other income		-	-	-	-	-	-	-	-
EBIT		61	856	1,452	1,950	2,562	3,059	3,193	3,193
Net Finance cost (NA)									
Profit before tax		61	856	1,452	1,950	2,562	3,059	3,193	3,193
Less: taxes		15.31	213.89	363.07	487.38	640.38	764.69	798.16	798.16
		25%	25%	25%	25%	25%	25%	25%	25%
Profit after tax		46	642	1,089	1,462	1,921	2,294	2,394	2,394
Dep		558	1,001	1,465	1,852	2,328	2,714	2,819	2,819
FCFF		603	1,643	2,554	3,314	4,249	5,009	5,213	5,213
Discounting factor		1.00	0.89	0.80	0.71	0.64	0.57	0.51	0.45
Discounted free cash flow		603	1,467	2,036	2,359	2,700	2,842	2,641	2,358

Source: Company, Nuvama Research

*FY25 Capacity: Phase 1 construction completed and ~2 edge data centres near commissioning

Exhibit 11: SotP

SotP	Amount	Multiple	INR /Sh
FY27 EPS (Ex-Data Centre PAT)	INR 53/share	25x	1,314
DCF value - Data Centre*	~INR37bn		315
TP			1,629
CMP			1,409
Upside			16%

Source: Company, Nuvama Research

Implied P/B multiple for data centre business is 2x P/B

Company Description

TEEC was incorporated in 1963 by Mohankas to provide EPC services to core sector industries in India. At present, the company is one of India's most important power infrastructure companies. In three industry categories of generation, transmission, and distribution, TEEC is at the forefront of EPC, asset ownership and operations & maintenance (O&M) services. The company boasts a four-decade track record of operating in India's power infrastructure through its EPC and O&M services, and asset ownership model. TEEC operates across three broad power-related industries, including generation, transmission and distribution.

Investment Rationale

TEEC is a play on India's rising focus on strengthening RE landscape and distribution, apart from digitalisation initiatives; it is appositely positioned to tap into the INR3tn opportunity across traditional and emerging businesses

Of the INR3tn opportunity, INR1.5tn pertains to transmission capex: INR0.8tn from FGD packages, INR0.5tn from smart metering opportunity and remainder INR0.3tn from third-party data centre EPC opportunities.

A key differentiator is TEEC's bottom line-centric approach and its ability to identify new opportunities and successfully building up critical mass; furthermore, its robust balance sheet shall get a leg-up from sale of wind assets.

Key risks

- Delayed order awards, execution in power.
- Deferred uptick in industrial capex due to contagion.
- Heightened competitive intensity could erode profitability.
- Lower utilisation and evacuation issues in wind power assets.
- Suboptimal capital allocation.

Additional Data

Management

Managing Director	Padam Prakash Gupta
CFO	Pradeep Kumar Lohia
WTD	Ankit Saraiya
CS and Compliance Officer	Niranjan Brahma
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

	% Holding		% Holding
HDFC Asset Mana	6.22	Vanguard Group Inc	1.69
Kotak Mahindra	6.18	ICICI Prudential Asset	1.25
DSP Investment	4.41	Nomura Holdings Inc.	0.81
Goldman Sachs G	2.42	Dimensional Fund	0.75
L&T Mutual Fund	2.03	Blackrock Inc	0.52

*Latest public data

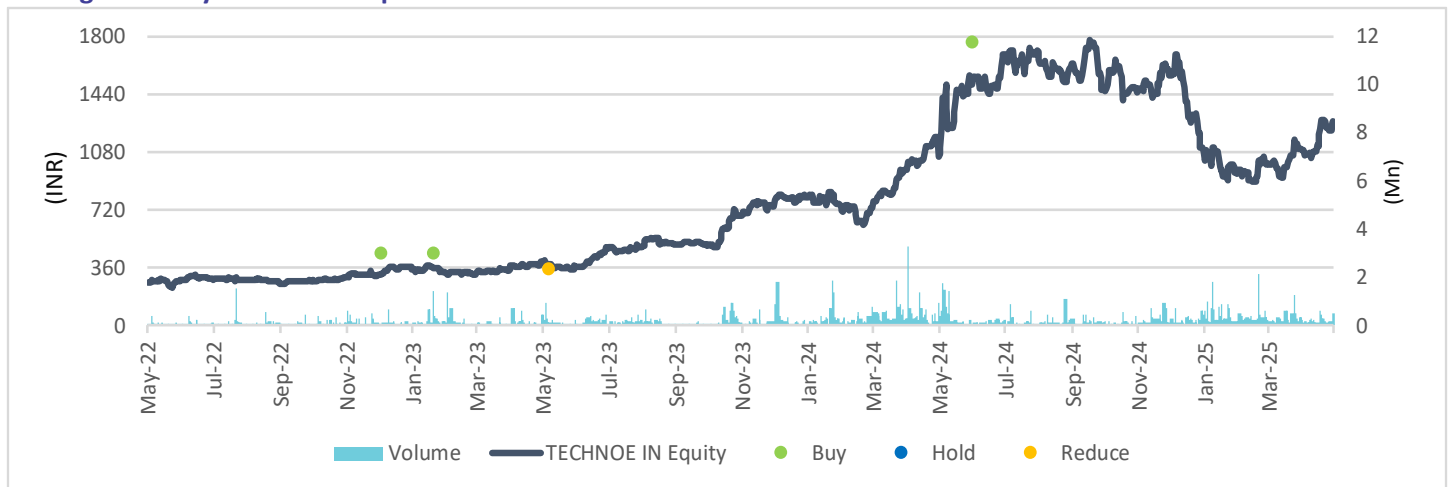
Recent Company Research

Date	Title	Price	Reco
26-Jun-24	Twin engines: T&D EPC and data centres; <i>Company Update</i>	1,550	Buy
13-Nov-23	Dual triggers: T&D and smart metering; <i>Company Update</i>	601	Buy
01-Jun-23	Fall from power; outlook dull ; <i>Result Update</i>	387	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
29-May-25	SUEL	Robust guidance; tax to play spoilsport; <i>Result Update</i>
25-May-25	NTPC	Strong consolidation growth; RE-adds key; <i>Result Update</i>
21-May-25	Power Corporation	Grid Capitalisation slips on RoW issues ; <i>Result Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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