FINANCIAL REVIEW

The financial results of the Company for the financial year 2021-22 compared with the previous year are summarised hereunder:

(₹ in Million)

Particulars	2021-22	2020-21	Change %
Revenue from operations	**8,113.7**	**6,969.3**	**16.4**
Other Income	264.9	196.9	34.5
EBITDA	**1,716.4**	**1,594.4**	**7.6**
EBITDA Margin	21.2%	22.9%	
Exceptional Items*	1,889.0	(185.2)	
Profit after Tax	**2,495.0**	**887.2**	**182.3**
Other Comprehensive Income (net of Tax)	4.0	50.1	(92.1)
Total Comprehensive Income	**2,498.9**	**937.4**	**167.6**

The aforesaid summarised financial results are based on the standalone financial statements which have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

*Exceptional Item represents settlement consideration received by the Company from D.I. Netherlands BV, net of associated expenses and provision of obsolete/non useable inventories, as explained in Note No. 42 of the audited standalone financial statement of March 31, 2022.

Financial Performance

The Revenue from Operations at ₹ 8,113.7 million has grown by 16.4% as compared to FY 21.

The EBITDA of ₹ 1,716.4 million is higher as against previous years EBITDA of ₹ 1,594.4 million, an increase by 7.6%. However, the EBITDA margin was lower at 21.2% as against previous year's margin of 22.9%. The decline in EBITDA margin over the last year is largely attributable to higher raw material costs and sales mix which was more skewed towards domestic which has lower margins relative to exports.

During the year, the Company has earned an Exceptional Income of ₹ 1,889.0 million (net of expenses) as against an exceptional loss of ₹ 185.2 million in previous year, which significantly increased the Profit and cash reserves of the Company. The Profit After Tax (PAT) of ₹ 2,495.0 million is 182.3% higher than previous year's PAT of ₹ 887.2 million. However, the exceptional item is a one-time gain, as explained below, and is not a recurring feature.

A healthy cash generation from operations, including significant improvement of working capital and the exceptional item has vastly improved the liquidity of the Company and the free cash reserves.

The Company has nevertheless, experienced pressure on escalating input cost. The adverse impact of supply chain constraints as a result of aftermath of COVID-19 pandemic and multiple geopolitical factors has put a strain on the input cost and manufacturing expenses. However, the Company could insulate the cost pressure to a large extent by advance procurement planning and other long-term strategic supply chain initiatives.

As a result of higher revenues and exceptional item, the retained earnings of the Company has significantly improved to ₹ 7,351.2 million, an increase of ₹ 1,790.43 million over previous year.

In the Order Booking front, the Company has achieved a major milestone by booking orders to the extent of ₹ 11.8 billion, which is also highest ever achieved by the Company so far. As a result of higher order booking, the advance from Customers has also gone up to highest ever. The record year-end outstanding carry-forward order book of ₹ 9.7 billion is testimony of sustainable financial growth for year ahead. The enquiry pipeline is also robust.

The financial performance of International and domestic subsidiaries of the Company is also in the growth trajectory with positive outlook.

Revenue from Operations

Revenue from Product sales has increased by 16.7% and Aftermarket sales by 15.7% over previous year. The revenue from Product as well as in Aftermarket Sales segment is shown below:

(₹ in Million)

Description	FY 22	FY 21	Change %
Product Sales	5,956.0	5,104.2	16.7
% to Total Sales	73.4%	73.2%	
Aftermarket Sales	2,157.7	1,865.1	15.7
% to Total Sales	26.6%	26.8%	
Total Sales	8,113.7	6,969.3	16.4

Since the growth percentage of Product sales and Aftermarket over previous year is very close, the % to total sales also remains almost same as in the previous year.

The break-up of Domestic and Export sales and the % change in sales mix is shown in table below:

(₹ in Million)

Description	FY 22	FY 21	Change %
Export	1,905.8	3,207.4	(40.6)
% to Total Sales	23.5%	46.0%	
Domestic	6,207.9	3,761.9	65.0
% to Total Sales	76.5%	54.0%	
Total Sales	8,113.7	6,969.3	16.4

During the year, though revenue from operations grew by 16.4% as compared to previous year, the sales mix was unevenly skewed. Domestic sales has increased by 65.0% while the export turnover declined 40.6% reflecting the lower order book of the previous year due to impact of pandemic. Thus, the growth is primarily driven by robust Domestic sales. With gradual opening up of International market, the export order booking and orders in hand has improved significantly.

Other Income:

Other Income has increased by 34.5% over previous year, primarily due to higher treasury income. The surplus fund generated by the Company is invested in mutual funds and deposits as per Company's investment policy.

Expenses

Raw Material consumption

(₹ in Million)

Description	FY 22	FY 21	Change %
Raw material consumption and change in inventories	4,499.3	3,547.5	26.8%
Percentage of sales	55.5%	50.9%	

Increase in Raw Material cost by 26.8% over previous year is corresponding to increase in sales by 16.4%. Further, the impact of price increase of raw material and component and general pressure on cost on supply chain system across the economy has also pushed up the cost. Additionally, unfavourable sales mix with higher content of domestic sales and lower exports has also impacted material cost as percentage over sales which is 55.5% in current year as against 50.9% in previous year as shown in the above table.

Employee Cost

There is an increase of 14.3% in employee cost over previous year due to annual increment as well as various HR strategies to strengthen the organisation structure for the next level of business growth.

Other Expenses

Other expenses include manufacturing expenses, administrative expenses and selling expenses. Manufacturing expenses such as store, spares and tools consumed and power & fuel etc., are semi-variable in nature. The manufacturing was higher in proportion to higher production. The administrative cost has also gone up due to gradual opening up of international market and resumption of foreign travel. However, lower Exports during the year have resulted in lower Selling expenses. In net effect, the Other Expenses has gone up by 5.1% over previous year.

Depreciation and Amortisation

There are no material changes in Depreciation and Amortisation expenses as compared to previous year.

Balance Sheet

Major items, including where significant changes have taken place during the year are being explained hereunder:

Non-Current Assets

a) Property, Plant and Equipment (PPE), Capital work in progress and Intangible assets

Total additions to PPE and Intangible assets made during the year is ₹ 131.7 million which mainly comprises plant & machinery of ₹ 77.8 million on account of replacement of old machineries and procurement of tool and pattern for manufacturing facility. Capital work in progress represents extension of manufacturing facilities at Sompura unit which is expected to be capitalised in FY 23. There is no material change in Intangible assets during the year.

b) Investment in subsidiaries and joint venture

The increase in investment by ₹ 80 million is on account of purchase of entire equity shares of Triveni Energy Solutions & Limited (formerly a joint venture known as GE Triveni Limited) from existing shareholders namely, DI Netherland BV on September 6, 2021 as detailed in note 42 of standalone financial statements. Consequent to above purchase of shares, the joint venture company has become a wholly-owned domestic subsidiary of the Company w.e.f. that date.

Other financial assets

Other non-current financial assets has increased to ₹ 88.6 million as against ₹ 8.9 million in previous year which is mainly on account deposits made during the year maturing beyond 12 months from balance sheet date.

Other assets

Other non-current assets is higher at ₹ 40.3 million mainly on account of capital advances towards civil work and plant & machinery for the expansion of manufacturing facility at Sompura.

Current Assets

Inventories

Total inventories at the year-end stood at ₹ 1,533.0 million, as against ₹ 1,591.9 million in the previous year, a decrease of ₹ 58.9 million. The Company implemented robust inventory management system for ensuring optimum working capital.

The decrease of inventory despite increased turnover has resulted in improvement of inventory turnover ratio.

Trade Receivables

Trade receivables have increased to ₹ 921.1 million, as against ₹ 763.6 million in the previous year due to higher sales during the year. These trade receivables are as per contractual terms of payments with customers and are good in nature.

Other Financial Assets

There is no significant variation in other financial assets on overall basis. Increase in interest accrued on bank deposits by ₹ 41.3 million has been compensated by reduction in Contract assets by ₹ 42.1 million.

Other Current Assets

Other current assets have increased by ₹ 36.3 million over the previous year which is mainly due to increase in advances to suppliers for catering higher production in pipeline as a result of higher orders in hand. Corresponding advances from customers are also received, as reported under current liabilities, protecting the cash reserves of the Company.

Non-Current Liabilities

These mainly comprise deferred tax liabilities (net) and certain long term provisions towards employee benefits as mandated by relevant provisions of Ind AS, warranty etc. which are made in normal course of business.

Current Liabilities

Current liabilities mainly consist of trade payable which has increased by ₹315.8 million to ₹ 1,048.8 million, in view of higher purchase of raw material and components to cater to production for increased orders in hand. The payments to these vendors are not contractually due and will be discharged by due date.

The other major components of current liability is advance from customers which has increased by ₹ 1,064.0 million i.e. an increase of 64% as compared to FY 21 due to increase in order booking.

Further, the Group has acquired 70% equity stake in TSE Engineering Pty. Ltd (TSE), a company in South Africa with effect from March 1, 2022 at a price consideration of ₹ 57.65 million. With the said acquisition, TSE has become a step-down subsidiary of the Company from that date. Accordingly, TSE has been consolidated on a line-by-line basis in the consolidated financial statements from March 1, 2022

Consolidated Financial Statements

Consolidated financial statements have been prepared consolidating the results of a wholly-owned foreign subsidiary, Triveni Turbines Europe Pvt. Ltd. (TTEPL), UK, its step-down subsidiary, Triveni Turbines DMCC (TTDMCC), Dubai and Triveni Turbines Africa (Pty) Ltd (TTAPL) for entire year.

During the year ended March 31, 2022, a settlement agreement as referred in note 44 of the consolidated financial statements, the Joint Venture Agreement dated April 15, 2010, and other Ancillary Agreements entered into by the Company with GE / Affiliate of GE has been terminated and entire equity stake of DI Netherlands BV, in Triveni Energy Solutions Limited (formerly known as GE Triveni Limited) ("TESL") has been purchased by the Company at ₹ 80 million and resultantly, TESL has become a wholly-owned subsidiary of the Company with effect from September 6, 2021. Accordingly, in compliance with applicable Ind AS, the profit/loss of TESL up to September 6, 2021 was considered on equity method basis, that is the share of profit/loss of TESL of the Company was only considered in consolidated financial statement. On becoming wholly-owned subsidiary post September 6, 2021, the Accounts of TESL has been consolidated on a line-by-line basis in the consolidated financial statements.

Further, the Group has acquired 70% equity stake in TSE Engineering Pty. Ltd (TSE), a company in South Africa with effect from March 1, 2022 at a price consideration of ₹ 57.65 million. With the said acquisition, TSE has become a step-down subsidiary of the Company from that date. Accordingly, TSE has been consolidated on a line-by-line basis in the consolidated financial statements from March 1, 2022.

Headline figures for consolidated financial statements duly compared with standalone are provided hereunder:

(₹ in Million)

	Financial Statements	
	Consolidated	Standalone
1. Revenue from operations	8,522.4	8,113.7
2. Profit before tax	3,647.9	3,397.3
3. Share of income of joint venture	(42.4)	-
4. Profit after tax	2,702.0	2,495.0

RISK MANAGEMENT POLICY AND INTERNAL FINANCIAL CONTROLS

Pursuant to 2nd amendment to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2021 w.e.f. May 5, 2021, the Company revised and implemented its new Enterprise Risk Management (ERM) Framework & Policy. The ERM Framework & Policy was discussed with the Board of Directors and adapted in July 2021. The updated policy not just fulfilled the requirements of the amended SEBI Regulations, but also aligned with ISO 31000:2018 and COSO ERM framework. The policy framework aims at integrating with activities and processes of the Company, to align with strategy and governance practices. While doing so, most impactful risks are kept in focus. Risk-based thinking is encouraged at all levels of management and decision-making, in order to respond to dynamic nature of events around the business. The pandemic years of 2020 and 2021 demonstrated clearly a need to build resilient business processes, in order to achieve targeted business results despite uncertainties. While the management of the Company works on the best possible information available at the given time, it also endeavours to improve continually through learning and experience. At the operational level, the head of each business function owns the risks, reviews on regular intervals to plan and execute the risk mitigation aspects in a structured manner. This structured and comprehensive approach to enterprise risk management also accounts for human behaviours and cultural factors to ensure that the risk management policy and framework are regularly reviewed to assess and maintain its effectiveness and relevance.

As required under Section 134 (5) (e) of Companies Act, 2013 and integrated with the risk management framework, Internal Financial Controls System has been laid out which comprehensively deals with and elaborates financial controls, financial reporting and timely preparation of reliable financial statements. Additionally, clearly defined delegation of authority, policies and procedures for efficient conduct of the business, operating and financial controls have been put in place to safeguard the assets, identify and minimise leakages and wastages, and to detect and prevent frauds and errors. There is an inbuilt mechanism through self-certification, periodic testing and internal audit to ensure that all controls are working effectively.

KEY FINANCIAL RATIOS

Ratios	FY22	FY21	Change %	Remarks
Debtors Turnover	9.63 ↑	7.06	36.4	Debtors turnover is higher due to increased turnover and lower average trade receivables.
Inventory Turnover	3.04 ↑	2.25	35.4	Inventory turnover is higher due to increased turnover and better supply chain management.
Current Ratio	2.15 ↓	2.17	(1.0)	Current ratio is lower due to higher advances from customers for orders.
Return on Equity	36.59% ↑	16.26%	125.0	Return on equity is higher due to exceptional income earned by the Company during the year.
Operating Margin (EBIDTA/Sales)	21.15% ↓	22.88%	(7.53)	Operating margin is lower due to change in sales mix.
Net Profit Margin (PAT/Sales)	30.75% ↑	12.73%	141.5	Net profit ratio is higher due to exceptional income earned by the Company during the year.

↑ Indicates favourable ratio movement from previous year ↓ Indicates adverse ratio movement from previous year

1) The calculation of above ratio is accordance with formula prescribed by Guidance note on Schedule III issued by The Institute of Chartered Accountants of India.
2) Debt-Equity ratio and Interest Coverage ratio has not been disclosed above since the Company is debt-free as on March 31, 2022.