Triveni Turbine Limited

Q4 & FY 15 Results Conference Call Transcript
May 7, 2015

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Triveni Turbine Limited Q4 & FY 15 Results Conference Call. As a reminder, all participant' lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you sir.

Gavin Desa: Thank you and welcome all to the Q4 & FY 15 Triveni Turbines Earnings Call. We have with us on the call Mr. Dhruv M. Sawhney, Chairman and Managing Director, and Mr. Nikhil Sawhney, Vice Chairman and Managing Director along with members of senior management team. We would like to mention before we begin that some statements made in today's discussion may be forward-looking in nature and a statement to this effect has been included in the 'Conference Call Invite' which has been e-mailed to you earlier. Again, we would also like to emphasize that while this call is open to all invitees, it may not be broadcast or reproduced in any form or manner. We would like to start the conference call with opening remarks from the management followed by an interactive Q&A session wherein you can discuss your viewpoints on key issues.

I would now like to hand over to Mr. Dhruv Sawhney to share some perspective with you with regard to the Company's operations and its outlook. Over to you, sir.

Dhruv Sawhney: Thank you, Gavin. Welcome everybody to the Q4 & FY 15 Conference Call. We have had an exceptionally good set of numbers for the year with a total income growth of 26% at ₹ 6.5 billion; we have an EBITDA growth of 37% and growth in PAT and EPS of 33%, this is after the exceptional item. The total dividend declared is 85%, including the final dividend of 60%, with good numbers for return on capital employed at 66% and the return on equity of 44%. The Q4 standalone income has grown by 49% and the EPS in Q4 non-annualized is over 50% growth. This rapid growth in the turnover for the Company is through export turnover, which has grown on a consolidated basis by 87%. The outstanding order book is ₹ 6 billion for standalone and ₹ 7.5 billion on consolidated basis, and this augurs well for the next year, and this is where the Company stood at the beginning of FY 15 after having growth of 23% in turnover on a standalone basis.

The Aftermarket business has shown an improvement during the year and achieved a growth of 32% compared to FY 14, and the mix has increased from 21% to 23%. The increased export turnover and Aftermarket business has helped the Company achieve an increase in both gross and net margins; along with the growth of 33% in profit after tax for both on the standalone and consolidated accounts.

During the year, the Company started two offices -- one in London, UK, and other in the Middle East – being less expensive, it symbolizes the shift and focus put in by the company in its international operations, which we find bearing fruit and are doing very well.

In the Joint Venture, GE Triveni Limited, a turnaround for the first time achieved a net profit and that is a great achievement. We expect strong billings in FY 16 from the JV in its own account based on its orders on hand and these orders are for key customers in the Philippines and in Indonesia and once they get dispatched in FY 16, these will be the key references for operations not just in Southeast Asia, but globally. This will take the JV to a whole different platform, they are going very well on target, a lot of customer visits have taken place, for FY 16, the JV is looking forward as a launch pad for the future into fairly rapid growth.

The Domestic market unfortunately has remained subdued for the third successive year, as the overall market has remained at around 700 MW. The major segments were same as the previous year -- sugar, some other process co-generation, paper and chemicals segment. Even though economic activity is gathering speed and people are having projects cleared, the actual situation on ground is that we are not seeing great order conversions and we believe that it will take some time, possibly in H2 FY 16 before we are able to see these translate into orders with advances. Enquiries on the other hand have increased. Whether it happens in H2 FY 16, but certainly in FY 17, we are going to see a fairly substantial jump in the Domestic market as well. We are seeing a good growth in two years, FY 16 from our Exports and even better growth in FY 17 through Domestic and continued Export growth. The reason behind Domestic market is that they are evaluating their Capex plans; this consumes more time, which is evident when the previous Government went into limbo. The Company's focus on Exports is gathering focus as the Company plans on expanding into focused new geographies. The Company has turbine installations in over 50 countries and enquiries from about 90; we are hiring service personnel at these international centers. We are also tying up with local partners. This is going to be a much more wholesome service to the customer, very similar to the ongoing operations in India and this is the reason for our high market share in India, despite a depressed market scenario. The Company still has a 63% market share, because, we are able to give the customer a much better deal in terms of product and service. The Company aims to replicate this in the Overseas markets and we find this is a distinguishing factor between us and our major international competitors.

The strong order book on a consolidated basis would give a robust growth in turnover and profits in FY16. The markets of Captive Power Generation in the Renewable sector internationally, biomass and waste-to-energy are sectors, where expenditures are taking place even though those economies may not be growing. The Company has the right focus internationally from South America to the Far East. The IPPs brought through the biomass projects are bringing ample support with them through the Governments. We expect this trend to continue in the next couple of years. We expect a good order booking from international markets in FY 16 in comparison with FY 15. The overall enquiry base is very high and we have had a lot of active enquiries and expect substantial international bookings in Q2 and Q3 of FY 16. We have had a good start to FY 16 with good orders just over ₹100 crore in the first month itself.

The overall situation in the country as mentioned earlier is nearly out of our control. Hence, we are fortunate to have taken the initiative to internationalize our operations, and if this had not happened, Triveni would not be able to give these results that we have achieved so far.

A few points I would like to clarify on the results: The first is the question of other income. The other income is a part of our fundamental business operations. Out of ₹ 28 crore of the other income, ₹ 24.25 crore are Forex gains, which are taken and costed at the time of taking orders. We hedged over almost 90% of our export business. These are not speculative transactions at all, that is the policy of the Company. And when we bid, we take into account everything that we are expecting from the forward premium. These are known at the time of taking orders and they are calculated depending on the currency and longevity of the deliveries. Thus not exactly being a financial transaction, these are no derivatives or treasury operations; it is part of the business. Hence, growth of 37% in EBITDA is considered as a very good achievement. This Annual growth of 20% in operational EBITDA is also a good achievement.

Our competitiveness in the international market is still the same with the € and the Japanese ¥ coming down, we have managed to preserve our competitiveness through strong value engineering. This is evident, while we are still producing 10 to 12 different models every year. The Company is going to spend more money in value engineering, because of the higher turnover and to continue competitiveness versus the € or the Japanese ¥. When competing with the US$, the Company is extremely competitive. The Company is also competitive in Latin America, Central America and South America versus the Brazilian manufacturers. The depreciation of the Brazilian Real has also not affected our position. Thus, has helped the company to preserve its competitiveness. The ₹ value has helped but some of the other currency values have gone down further. Finally, our value engineering and more exports enabled us to preserve margins and we expect this to continue in the next year as well. We have an export order book of over ₹ 150 crore and that we expect a number of orders to come in during the first couple of quarters which will be executed in FY 16, similar to what happened in FY 15. Few orders that we got last year in the first couple of quarters were executed in the year itself and we expect this trend to continue in the next year as well.

I would just like to end by saying that all indications are for robust and very good growth in both turnover and profits in FY 16 and FY 17.

Moderator: The first question from the line of Ravi Swaminathan from Spark Capital.

Ravi Swaminathan: The gross margins for FY 14 and FY 15 on a Y-o-Y basis have actually come down in spite of exports and after-sales service growing at a faster pace than the overall net revenue, I suppose they carry higher margins. Thus, due to the fall in gross margins, have you seen pricing pressure in the domestic market?

Dhruv Sawhney: You are taking the margins after taking the other income out of it. Other income is part of our margins, these are not financial transactions, the margins are to be taken the way it is. The overall figures of margins have gone up. Let me give an example. If I am quoting in Europe with €, and I have an order where the delivery is going to be 11 to 12 months down the line. I know my forward premium on the € is going to be 7% and I take 6% in my costing, as soon as I receive the order I am going to take the forward cover and hedge the exposure. Thus, it is not a financial transaction with the exposure being two weeks. Thus, hedging is a part of the business operations rather than a financial transaction or derivative. We take that into consideration in our establishment of margins and achievement of margins and we will continue to do this next year as well.

Ravi Swaminathan: I did not include other income while calculating this, even after excluding other income what is the gross margin?

Nikhil Sawhney: Gross margins, as you know, this is engineered to order industry and the component and percentage of BoP varies from order to order. Some orders did have a higher percentage of BoP, which ultimately reflects as raw material within your cost. EBITDA is a better metric to actually judge because we are a manufacturing Company with a lot of value add and with a very intricate supply chain and sub-contracting base. Thus, the raw material percentage of turnover is not as accurate as the EBITDA margin.

Dhruv Sawhney: The raw material percentage in our flange-to-flange is not showcased because it is competitive information and is actually the key of our market share. This is the whole thing of value engineering but in a capital goods Company like ours, one customer may have a lot of piping, so the raw material may go up, and another one may have less piping. This is not something that we can forecast and calculate.

Ravi Swaminathan: In aftermarket segment, which are the addressable markets in India and Internationally? And on the existing base of already set up turbines, how much have we covered and how much more potential is left?

Dhruv Sawhney: This is a big growth area for us, we have not really covered much and we have just started our international aftermarket sales and that is the reason for putting up these offices and we are going to be putting up further sales organizations in other countries to service not only our turbines but also other turbines. Firstly, it helps in getting spare parts the same way we do in preventive maintenance in India; secondly, through servicing we come to know about remanufacturing and refurbishment activities, we have got one breakthrough order from Europe for a competitor's turbine. It is a large turbine which we were able to do quickly and we were very competitive as well with very good margins including air freighting the rotor to India and back. We were able to do it at a cheaper rate and quicker than the OEM itself. It will take time for volume to be substantial compared to the product. But you are right, we are targeting it and we are setting up a separate sales organization for Export services.

Ravi Swaminathan: Is there any particular geography that the Company is targeting or is it all across the globe?

Dhruv Sawhney: Parts of Europe, Southern Africa, Indonesia and Southeast Asia.

Ravi Swaminathan: Have the local players been doing the after sales service all this while?

Dhruv Sawhney: Yes.

Ravi Swaminathan: Are you providing a differentiated service compared to local players?

Dhruv Sawhney: No, we are an OEM, we have got a little step ahead of the local people.

Moderator: The next question is from the line of Pavan Kumar from Unify Wealth Management.

Pavan Kumar: Regarding the other income and EBITDA margin calculation, the overall realizations would have come down, but we gained because of hedging on account of Forex in other income. Is it the reason why the whole part relates to the business?

Nikhil Sawhney: No, none of the products are similar, every Turbine is unique and at the time of costing we cost in margins. Therefore you cannot say that prices have come down or gone up in that regard. It is a fundamental part of calculating margins when we quote for an order.

Dhruv Sawhney: If the targeted margin is 25% with a forward cover of 7%; we want to take 5% in that. Thus, we quote 20% + 5% for 25%, 5% is taken from the hedge is actually part of the marketing strategy and part of the realization as it is a surety, when you hedge, you are definitely getting this rate, whether the rate on that day would have been higher or lower is a different matter, but we would have been getting this rate.

Pavan Kumar: When do we realize this money?

Nikhil Sawhney: We only account for what is realized, other income includes realized Forex gains. We have a continuous order execution of export orders and Forex income, so as and when it comes, they will get reflected in the same way.

Pavan Kumar: How is our competitiveness being maintained despite € and other currencies movement being adverse?

Dhruv Sawhney: There are two parts to competitiveness; one is more efficient supply chain, because our product, what we offer is not just Turbine, flange-to-flange, it is bought out equipment and we source globally at very competitive prices and secondly, we have a good volume buying in our sector. The second is value engineering, we are able to standardize and still meet our customer requirements. By standardization, you are able to cheapen the manufacturing cost. Some of our competitors are now following this method of standardization and not doing each one as a specialized turbine and this is a continuing process. We have been bringing out these 8 to 10 models and variants every year, if we had not done that, then you would not have had this increase in productivity and increase in bought out purchases plus lower conversion cost. All these elements have added to keeping our competitiveness.

Nikhil Sawhney: The ¥ depreciation started significantly before the € depreciation. The basis to look at it is through order booking when the ¥ depreciation was very robust and therefore the same competitiveness continues even with the € depreciation.

Dhruv Sawhney: The bottom-line is that 42% of our sales have come from Exports and we achieved these PAT margins.

Pavan Kumar: How much demand comes from Sugar, Chemicals, Pulp and Paper in India?

Dhruv Sawhney: It varies; about 80% comes from these three segments.

Moderator: The next question is from the line of Charanjit Singh from Axis Capital.

Charanjit Singh: What are the processes involved in bringing up 10-12 variants and which variants are these, and are these targeted to specific industries?

Dhruv Sawhney: Yes, they are targeted to various industries and to various segments. The processes involved are - what the customer wants, what the competition offers to the customer and finding a gap by doing it at the cheapest possible price. Our R&D programs have to sustain that. The next big thing is that we probably have one of the quickest turnarounds in value engineering and R&D of turbine manufacturer globally. We have top world-class software and good training facilities for our engineers, we have a very strong learning center and the whole basis of using top class software and well trained people allows the quick turnaround. The R&D

department is tied with marketing. Our R&D is really led by marketing rather than just some classic thing of what we feel may be happening. This has provided cost competitiveness. The R&D in the Company is all about coming up with new things like new models or variants are part of value engineering.

Charanjit Singh: Are they in MW ranges or efficiencies?

Dhruv Sawhney: We do it in all MW ranges.

Nikhil Sawhney: Involving different features and different variants

Dhruv Sawhney: This exercise has to be across the board if you want to remain competitive.

Charanjit Singh: Will the supply to Philippines and other regions open up a very large opportunity for GE Triveni?

Dhruv Sawhney: Yes.

Charanjit Singh: When does this actual order pick up for GE Triveni - start or post the execution of these orders?

Dhruv Sawhney: FY 16.

Charanjit Singh: Is the Company expecting significant orders post FY 16?

Dhruv Sawhney: Absolutely, one of them will get commissioned in FY 16 and the other maybe early in FY 17, but they will all be delivered by FY 16. So having delivered it and then you see you are able to take other customers to show them a joint venture product overseas, a lot of overseas customers say that it is fine, you have this technology, but how many have you done overseas from the joint venture, and this will close that issue.

Charanjit Singh: Will the benefit start coming from H2 FY 17?

Dhruv Sawhney: Early FY 17.

Charanjit Singh: Will both these plants be operational and act as references for us?

Nikhil Sawhney: Yes, but we are still looking at good order booking in this current year as well.

Dhruv Sawhney: That is a huge jump, you could get three to four orders, the base is not very large and so the percentage growths are quite high.

Charanjit Singh: What are the opportunities which we are looking at in global markets as well as domestic markets for Triveni Turbines and what is the pipeline?

Dhruv Sawhney: We have got 5,000 MW of export enquires and 2,081 MW of domestic enquiries. These are enquires based on specifications and a lot of these are budgetary.

Charanjit Singh: Domestically, which segments are these enquiries from?

Dhruv Sawhney: They are from IPP, PCG, Sugar and Steel.

Moderator: The next question is from the line of Kamlesh Kotak from Asian Markets Securities.

Kamlesh Kotak: The Exports order booking is ₹ 12.93 billion and Aftermarket is ₹ 1.44 billion, what is the Domestic and Exports split?

Nikhil Sawhney: ₹ 100 crore is Domestic.

Dhruv Sawhney: ₹ 45 crore is Export.

Kamlesh Kotak: Which is part of the ₹ 2.93 billion export order?

Dhruv Sawhney: It is included.

Kamlesh Kotak: Of the ₹100 crore orders that have come in this month, how are the margins? Are they at comparable margins as we had in the last quarter and is it mainly achieved through Exports?

Dhruv Sawhney: Both.

Kamlesh Kotak: Is the enquiry book of 5,000 MW and 2,081 MW only pertaining to the sub-30 MW or is overall with GE?

Dhruv Sawhney: Only sub-30 MW.

Kamlesh Kotak: Can you quantify the same on the higher ratings as well?

Dhruv Sawhney: That market is about the same as the global market, for 0 to 30 MW and 30 to 100 MW.

Kamlesh Kotak: What is the planned Capex for FY 16 with all the overseas subsidiaries as well as the new facility?

Dhruv Sawhney: Not more than ₹ 50 crore.

Kamlesh Kotak: Can you split up the revenue in terms of Aftermarket Exports and Domestic for FY 15?

Nikhil Sawhney: Domestic is about ₹100 crore and ₹45 crore for Exports and revenue is almost the same.

Moderator: The next question is from the line of Manish Goyal from Enam Holdings

Manish Goyal: On the International market, after the deprecation of € in recent past, have you seen competition intensity increasing in both sub-30 MW range and 30 to 100 MW range?

Dhruv Sawhney: We have seen competition, but we are forecasting growth in orders from Europe in FY 16 Vs FY 15. That would not happen if we were not competitive.

Manish Goyal: Will the margins be higher?

Dhruv Sawhney: Same margins.

Manish Goyal: Wouldn't this be more applicable to African or Southeast Asian markets?

Dhruv Sawhney: I am only talking about Europe. We expect more orders from Europe.

Manish Goyal: I mean, when you compete in other countries, where you have competition from European and Japanese players?

Dhruv Sawhney: It comes down to competitiveness and competitiveness is the same.

Manish Goyal: Despite 20% depreciation in €, are there any issues regarding pricing competitiveness?

Dhruv Sawhney: We are expecting a higher order booking because we now have offices in London. We are doing more marketing in these areas and we have got more staff and more references.

Nikhil Sawhney: The installed base has increased over the period of time. There are many other factors which lead to a customer purchasing a turbine than just the price, the comfort level, robustness and familiarity. As we have grown, customers have become more familiar with the Company. Thus this current depreciation is not currently impacting.

Manish Goyal: In the order book outstanding, what is the share of the Aftermarket order book?

Nikhil Sawhney: ₹ 52 crore.

Manish Goyal: Can you provide the breakup of product from Exports and Domestic?

Nikhil Sawhney: Export market is ₹150 crore, out of which the bulk of it is products.

Dhruv Sawhney: In the aftermarket, over 50% of the orders are booked and billed in the same year.

Manish Goyal: The number for order book outstanding excluding Aftermarket is ₹ 551 crore, the break-up number is Domestic ₹ 400 crore and International ₹ 150 crore, is it right?

Dhruv Sawhney: It is approximately that.

Manish Goyal: What were the exports in Aftermarket last year?

Nikhil Sawhney: That is a very small amount.

Manish Goyal: Because in nine months you had given a number of ₹ 15 crore, why was it little?

Dhruv Sawhney: ₹ 30 crore.

Manish Goyal: In Domestic market, Captive Power being the thrust area of the three segments, you mentioned that the outlook for waste-to-energy and biomass is also improving. Can you explain it further?

Dhruv Sawhney: Biomass and waste-to-energy is more in the international market, in India municipal waste is not happening.

Manish Goyal: Is the Capex of ₹ 50 crore for the new facility?

Dhruv Sawhney: Yes, we expect to roll out our first turbine before the end of FY 16 from the new facility.

Moderator: The next question is from the line of Kirti Dalvi from Enam Asset Management.

Kirti Dalvi: What was the Domestic, Exports and Aftermarket order book and order inflows for Q4 & FY 15?

CN Narayanan: The outstanding order book was ₹ 603 crore, out of which ₹ 52 crore is Aftermarket, the balance ₹ 551 crore is the product, close to over ₹ 140 crore is Exports and the balance is Domestic.

Kirti Dalvi: If you can give for your order inflow and sales?

CN Narayanan: You have the opening order book and the closing order book. As far as sales are concerned, we have ₹ 481 crore of product sales, out of which ₹ 220 crore is Exports and ₹ 144 crore is Aftermarket sales, out of which ₹ 45 crore is Exports.

Dhruv Sawhney: The Exports standalone has gone up in product and Aftermarket by 75% in FY 15.

Kirti Dalvi: The quarterly other income had gone up. What was Forex gain in this particular quarter?

Dhruv Sawhney: ₹ 9 crore out of ₹ 11 crore.

Moderator: The next question is from the line of Harshit Kapadia from Elara Capital.

Harshit Kapadia: Why has the other expense increased for the fourth quarter by 56%?

Dhruv Sawhney: The other expenses are basically towards freight, selling, commission and traveling. The increase has taken place because of Exports.

Harshit Kapadia: In FY 16, will the expenses be in line with how the Exports will be growing?

Suresh Taneja: Preserving margins is part of it, because of the expenses maybe growing, but we are expecting higher growth in Exports as well. In FY 15, there has been a reasonable increase in other expenses and Q4 has been distorted because of higher quantum of Exports.

Harshit Kapadia: The consolidated order book stands at around ₹ 7.5 billion, that includes the order of GE which would be around ₹ 2 billion, is this the correct?

CN Narayanan: On a standalone basis for the JV, the order book is ₹ 2 billion, but when we consolidate, we will have to knock off the share of the parent order booking. This is the reason why it is netted out and outstanding order book is ₹ 7.5 billion.

Harshit Kapadia: When would the order be realized and what is the expected time for this order book?

Dhruv Sawhney: Some in Q1 and some in Q3 and Q4.

Harshit Kapadia: What about the standalone order book?

Dhruv Sawhney: Across the four quarters, but maybe little less in Q1.

Harshit Kapadia: The gross margin has come down on a Y-o-Y basis because there is a percentage of higher BoP project. Is the order book containing more BoP projects this year which will lower gross margins?

Dhruv Sawhney: We do not concentrate on the gross margin, we look at the net margin and we depend on EBITDA. You have to cost whatever is in it and have a target EBITDA margin. Some orders in hand maybe the same, some maybe more and some maybe less. The gross margin figure is not a figure of management control; the control is really on the net level, because that is where the bottom line comes from.

Moderator: The next question is from the line of Swarnim Maheshwari from Edelweiss Securities.

Swarnim Maheshwari: What is the expected sales from the new plant in FY 17?

Dhruv Sawhney: The capacities are good, we are expecting good order intake in FY 16. There will be some good production through the plant in FY 17, but to start saying how much we are going to give into one plant and the other plant is not really something that we look right now.

Swarnim Maheshwari : What could be the capacity utilization over there in FY 17?

Dhruv Sawhney: The capacity is huge, we can even go to 50% and double our turnover.

Swarnim Maheshwari: Provided the demand comes back?

Dhruv Sawhney: Exactly, the demand as in Domestic market and our International growth. This is not a very capital-intensive issue. That is why we are going ahead with it because it takes time to set up and we have done it in a modular fashion. We are putting up a few base and we have provision for five base. We can keep adding capacity at a very reasonable cost and quickly as the year goes by. The Capex compared to the turnover is small.

Swarnim Maheshwari: We have attained close to around ₹140-150 crore of turnover in FY 15 in Aftermarket sales service. What is the addressable market opportunity from the Exports market?

Dhruv Sawhney: It is extremely large because till you establish on the ground the Aftermarket comes from our own Turbine and from other people's Turbines. We can project what business we can get from our own quite easily and which is substantial. But the real big growth is from doing remanufacturing and servicing of other people's turbines which we have already been doing successfully. We find that opportunity to be even bigger than doing our own turbine.

Amit Mahawar: What is the current installed base of Triveni Turbines in overseas markets in up to 30 MW?

Dhruv Sawhney: 250 turbines.

Amit Mahawar: What kind of growth do you see in the up to 30 MW over the next 2-3 years on an average basis going by the demand that you have in 5-6 select geographies?

Dhruv Sawhney: 50 to 60 turbines a year.

Amit Mahawar: On the larger ones with JV, with your commissioning record going on-stream, should we expect the quantum of orders to substantially go up? What kind of levels are we looking?

Dhruv Sawhney: The market is the same as the enquiry figures for the 0 to 30 MW, so the potential is really quite large.

Amit Mahawar: From the price point level versus Siemens turbine world over in north of 30 MW, what kind of competence would you like to assign to yourself in terms of price?

Dhruv Sawhney: We are both technical and price competent in the 30 MW to 100 MW in the main industry segments that we are approaching. We have indigenized everything. The engineering and the trial of making the turbines has also gone through. We are actually looking at cost reduction in the next few turbines.

Amit Mahawar: In the near to medium term, which specific geographies are expecting volumes to ramp up in the JV?

Dhruv Sawhney: The fact is that you have to go by the demand. The segments in which we wanted to cater to and industrial Capex globally is muted. We will focus on high growth large economies to start off with where the presence of ourselves and our partners and local staff can also support. We have a plan with certain jurisdictions in mind.

Amit Mahawar: Is it more of a medium-to-long-term strategy?

Nikhil Sawhney: If you look at our planning for order booking which is of course global, we plan on ramping up our order booking in a linear fashion. That should be our expectations and that will still give very robust growth for the business itself.

Dhruv Sawhney: One important point here is that the new facility has the craneage and the testing facilities to handle the range going all the way up to 100 MW. The capacity we have now, we will have by the end of FY 16. The capacity to take on very large growth rates in that line from the point of view of production and testing and assembly capabilities is the key. Virtually no more Capex.

Moderator: The next question is from the line of Chirag Muchhala from Nirmal Bang Securities.

Chirag Muchhala: If we look at the working capital position for FY 15, the debtor days have gone up significantly while the creditor days have declined. Can you explain the reasons for the same?

Nikhil Sawhney: We had a lot of dispatches in Q4 and this was unusual.

Dhruv Sawhney: Exports were higher in the month of March, it is all backed by LC and the maximum money was collected in April and May.

Chirag Muchhala: Can we expect normalized around 60-70 days of debtors?

Dhruv Sawhney: Yes.

Chirag Muchhala: Is there any change in the payment terms?

Dhruv Sawhney: No, these are all LC-backed.

Chirag Muchhala: What explains the decline in the creditors, which has actually gone down significantly from around 170 days to 112 days?

Nikhil Sawhney: We have paid on time within due dates. We have got cash & we have paid and cleared our creditors on time.

Dhruv Sawhney: This is one of the reasons we are able to manage our reduction in supply chain cost that we pay on time so that we ask for quality and good pricing because we have the capacity to do that. Internationally, by the time you get LC established, sometime FOB, it takes a little time and this happens towards the end of the financial year.

Chirag Muchhala: The Domestic market has been more or less flat at around 700 MW for the last two years. What is the pricing and margin wise levels currently considering that it is more or less a one-on-one competition with Siemens? And, what is the outlook for the same for domestic market in the next two years?

Dhruv Sawhney: The margins are less than exports, there is no question about that, but they are not too bad. I expect that with the limited competition in the domestic market, if you go back to FY 12 & FY 13, the market was about 1,300-1,400 MW and it has almost doubled. The fact that we moved on, when it will come, I could easily say that it should double in the next 2 years, I definitely do not expect us not to reach the levels of FY 12 & FY 13, any macro analyst does not say that will happen, Brownfield expansions in cement and steel and all will take place once this infrastructure spending of the Government starts, and the Government spending on infrastructure has to start. It has been delayed by the last year. But we all know that it will start. The moment it does, the factors are there and we have substantial increases there. We are not calculating that in our projections of next year, because we are being a little conservative on the domestic side, I have not started projecting large increases in the domestic market. Our enquiries have started, but they are not hot active. Till they are hot active, I do not want to start projecting. But I do feel that if you look at a 2-years span, we will have very good growth.

Moderator: The next question is from the line of Afshan Sayyad from Dolat Capital Market.

Afshan Sayyed: I just wanted to know, how much CAPEX we would be adding in FY16?

Dhruv Sawhney: About ₹ 50 crore.

Afshan Sayyad: What are the margins in the Aftermarket business in International markets?

Dhruv Sawhney: They are better than Domestic.

Moderator: Thank you. I now hand the floor back to the management for any closing comments. Thank you and over to you.

Dhruv Sawhney: This has been a very useful call, it allowed us to explain some of the points in the results that some of you might not have understood on the other income, on the gross margin, net margin, I hope all of you have got a clearer picture now, but from our side, we are very proud and the team has done extremely well in the results that they have achieved in FY 15 and really we are quite as bullish in fact, not more than that, on what we are going to give you in FY 16 and FY 17 which is even better with the Domestic market coming back maybe. The Company is well positioned to have the capacity, it has marketing teams, it is setting up operations internationally, it will take a few months to settle down, but we expect the robust growth in both turnover and profitability. Thank you.

Moderator: Thank you, sir. Ladies and Gentlemen, with that we conclude this conference call. Thank you for joining us. You may now disconnect your lines.