



Triveni Turbine Limited

Q1 FY 22 Conference Call Transcript

August 16, 2021

Moderator: Ladies and gentlemen, good day, and welcome to Triveni Turbine Limited Q1 FY 22 Earnings 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, Mr. Desa.

Gavin Desa: Thank you, Neerav. Good day, everyone. And a warm welcome to all of you participating in the Q1 FY 22 Earnings Conference Call for Triveni Turbine Limited.

We have with us today on the call Mr. Nikhil Sawhney – Vice Chairman and Managing Director, Mr. Arun Mote – Executive Director, Ms. Surabhi Chandna – Investor Relations and Value Creation, along with other members of the Senior Management Team.

Before we begin, I would like to mention that some statements made in today's discussion maybe forward-looking in nature. And a statement to this effect has been included in the invite which was emailed to everybody earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner.

We will start this call with opening remarks from the management, following which we will have an interactive Q&A answer session. I now request Mr. Nikhil Sawhney to share some perspectives with you with regard to the operations and outlook for the business. Over to you, Nikhil.

Nikhil Sawhney: Thank you very much, Gavin. A very good morning, ladies and gentlemen. And welcome to the Q1 FY 22 investor call for Triveni Turbine Limited. It's been about six weeks since we spoke last and I trust everyone is well.

For the quarter under review, the Company has continued to face some restrictions in terms of travel and disruptions at the customers' end, especially in international markets. However, a more vaccinated work force has increased domestic travel in Q1 FY 22 which was relatively better than Q1 FY 21. In the last 15 to 18 months, the COVID-19 pandemic has affected public health, livelihoods and has decimated economies across the world. While the situation in India and many parts of the world seems to have improved from the peak breakout periods, the threat of newer and more perilous variants causing further disruptions still prevail. Meanwhile, the vaccination drives are continuing and Triveni Turbines from its stakeholders' perspective aims to lead and be at the forefront of this so that we could return to as normal working environment as possible.

The revenue for the Company grew 11.4% in the quarter under review to ₹ 1.84 billion, driven by higher domestic sales, which grew 38% year-on-year to ₹ 1.23 billion. EBITDA was lower by 4.6% year-on-year at ₹ 413 million. The lower share of exports as a percentage of turnover is one factor which is responsible for lower EBITDA margins, as is an increase in administrative cost. We believe as we do go on during the course of this year, EBITDA margins will normalize at our previous levels, which we have talked about for the entire year.

Profit after tax grew at 1.8% year-over-year to ₹ 278 million and profit margin declined by 140 basis points to 15.1% in Q1 FY 22. We had a record order booking of ₹ 2.73 billion, which is the highest in the last four years. And the outstanding carry-forward order book as of 30th of June 2021, stands at ₹ 7.28 billion, which is higher by 14% when compared to the beginning of the year.

The Company achieved a record total order booking in Q1 FY 22 as against a ₹ 1.44 billion order booking in Q1 FY 21, an increase of 89%. Both the domestic and export order booking contributed to this growth. The mix of domestic and export sales was at 67%, was two-thirds: one third in Q1 FY 22 as compared to 54% and 46% in Q1 FY 21. This was a result of the situation of the previous quarter in terms of the lockdown as well as certain logistical impediments that the Company has faced in terms of export, as well as revenue recognition for export, which will get normalized in this current quarter as well as, we believe, not impact us for the full year operations. I would be happy to speak about that more in the question-and-answer.

The Company has maintained its leadership position in both, Indian and international markets. And we are very optimistic about the way that the Company is positioned for the quarters and years to come. As I have said, the domestic market performed exceedingly well in this quarter under review, and the domestic market increased by 117% year-over-year in terms of megawatts ordered. The domestic order booking during the same quarter was ₹ 2 billion, which is higher by 91% compared to last year. All sectors of the Indian economy have performed exceedingly well in terms of our representation and our order book, which includes segments of distilleries, chemicals, waste heat recovery in cement, steel and other allied co-generation and process co-generation sectors.

The export market is estimated to have declined 5% year-over-year for the quarter under review in terms of megawatt ordered. And the export order booking for the quarter was ₹ 734 million, higher by 83% as compared to last year. However, COVID-19 continued to impact export sales, which declined by 20% as compared to last year to ₹ 608 million during the quarter. We have again performed exceedingly well in securing orders on a remote basis, where our marketing team has been able to work with customers on a remote basis and to close orders. But we believe, as travel becomes a little easier, and we have already seen that happen in this current quarter of Q2, we believe that we would have an increased export order booking in the quarter and quarters to come.

The aftermarket segment has registered an order booking of ₹ 561 million, which is higher by 40% when compared to the corresponding period of the previous year. While international travel is limited in this segment as well, the Company has been able to garner positive results domestically, with more in-person interactions as and when travel was feasible. The aftermarket turnover was at ₹ 507 million for the quarter, a growth of 19% over the previous year, and which has been driven by the refurbishment sector, as well as spares. Aftermarket accounted for 28% of the total turnover in Q1 FY 2022, which is up from 26% of the previous year. We are very optimistic about this trend and we think that aftermarket, which is a high margin segment for the Company, which also allows us to have a deeper and more meaningful relationship with our customers, portrays a more favorable trend for the business, where we can have an increased order booking on the product side, but

still ensure that our percentage of aftermarket as a percentage of sales increases. And I think that portrays very well for the margin level for the Company in the longer term.

Design and development are a very core part of Triveni Turbines' business operations. And on the technology side, the Company continues to develop cost competitive and increasingly efficient models with enhanced profiles and a steam path to meet and exceed all global requirements. We have again introduced a new series of blades which will allow us to maintain and hopefully exceed our already stated leadership position in this segment. Our R&D continues to be focused on alternate energy technologies as well as certain sectors such as the API market. Our progress on all these development fronts is proceeding exceedingly well, and we believe that we will be able to make significant progress during the course of this year. And we believe that we will be spending more money on these fronts so as to secure a more stable revenue stream in the quarters and years to come for the Company.

With aggressive value engineering and cost-effective product development and efficiency improvement, the Company is also ensuring that it is mitigating any large increases in commodity prices, which have already been visible in certain sectors of our supply chain. But we believe those will not impact the Company in the short run but will only do so for orders which may get executed in Q4 of this year. But to mitigate all of these circumstances, we have already locked in higher and longer-term supply chain contracts and rates with our vendors and suppliers, but also have equally passed this on to our customers, both in the domestic and international market.

The enquiry generation during Q1 FY 22 was strong, in both the domestic and international markets. But we believe that in the quarters to come, that we would see a further growth in the enquiry levels, both at the domestic and especially at the international level. During Q1 FY 22, the enquiry generation in international segment grew by 21% as compared to the corresponding period of last year, and these are dominated by the biomass and other renewable IPP sectors, including process cogeneration. Overall, while we await travel restrictions to be lifted to pre-COVID levels, the Company continues to focus extensively on virtual meetings to conduct business, as well as through our extensive agent network to help facilitate closure of these orders.

We also remain positive on the contribution from new segments such as API which have witnessed an exponential increase in terms of enquiry generations as well as order booking. These have already translated into a variety of performances for the Company which have been reported in the quarter under review, and which I have alluded to for the year to come. Overall, the outlook for the year is much more constructive than the previous year. We believe that we have an effective mitigation strategy for any further lockdowns that may happen due to a third wave or fourth wave of COVID. We believe that we have an effective strategy to enable international travel to happen on a continuous basis, despite any lockdowns that may happen in India or in other countries. We believe that our enquiry book and order booking position foretells a very optimistic situation for the year to come, as well as for future years. As you know, Q1 contributes significantly towards the book in bill for the current year. And we are optimistic to be able to reflect that within the growth of both profitability as well as turnover in this current FY 22.

I would like to open the floor now for question-and-answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

- Ravi Swaminathan:** My first question is with respect to the size of the domestic market. You used to mention that it used to be around 700 megawatt etc., how is it this year and how is it likely to grow, if you can give an overview?
- Nikhil Sawhney:** Like I alluded to, we have seen an increase in not only the order finalization in the quarter, but also increase in our enquiry levels. If you look at the quarter, I wouldn't like to give quarterly levels. And we talked about this in the previous quarter as well that Triveni Turbine was optimistic in terms of being able to achieve an order booking on the product side for the half year, which would be higher than the full year the previous year and we are optimistic to maintain that position. From a megawatt perspective, in the first quarter, I don't have the data but I would ask my colleague, Mr. Prasad, who is the President of Products to just allude to it. Prasad, can you give some idea as to where we sit in terms of total megawatts ordered and how that looks like for the full year to come?
- S.N. Prasad:** Yes, you are correct. See, enquiry generation wise, the domestic market enquiry pipeline is quite good. And in terms of order booking of first quarter, compared to last year it is much higher in terms of the megawatt. Overall, megawatt size wise we are expecting around 15% to 20% growth, what we are anticipating, based on the current enquiry pipeline, which is around 21% higher domestic enquiry compared to corresponding last quarter.
- Ravi Swaminathan:** Got it, sir. And in terms of pricing, are we seeing an improvement in pricing with our customers? So, basically, given the fact that demand is likely to be robust, are we able to pass on the input cost prices to end customers, are we able to do that?
- Nikhil Sawhney:** Yes. This is an engineered-to-order product, so no one customer's pricing is exactly the same as another's. But to a large extent, customers do understand that there has been a commodity price increase and those have been passed on. These will depend obviously from customer-to-customer, competitive intensity of those orders, as well as the longer-term relationships that we may have with them. But in general, we do pass on price increases.
- Moderator:** Thank you very much. Next question is from the line of Nilesh Jethani from Envision Capital. Please go ahead.
- Nilesh Jethani:** My first question is on the opportunity size and the market share that we have. On the opportunity size, say, 700 megawatt plus a 15-20% growth, are we confident of maintaining our 20% market share in the domestic market?
- Nikhil Sawhney:** I think our market share in the below 30-megawatt segment is higher than 60%. We have maintained that for the last many, many years now. And we are optimistic to maintain that market share level, if not exceed it.
- Nilesh Jethani:** The second question is on the asset turnover. So, I believe we don't give our capacity in terms of megawatts, but we give our capacity in terms of number of turbines. So, just wanted to understand the current capacity, what kind of sales level we can expect, or what is the optimal asset turnover that we can achieve?
- Nikhil Sawhney:** Typically, it's not the correct way to look at the business, because we are exceedingly focusing the structure of our balance sheet to be asset-light. And so not only do we have flexibility in terms of hours of operation and shifts of operation, and both from a manufacturing and assembly perspective. Typically, we say that we are operating at a level of upwards of 200 to 220 turbines a year. And on average, you can look at the fact that we are producing half of that right now and so that is about 50% capacity utilization on a steady-state basis. But we have the potential to take it up with increased shifts.

Moderator: Thank you. The next question is from the line of Ahmed from Unifi Capital. Please go ahead.

Ahmed: My first question is on the order booking, congrats on the very strong order booking in the quarter, we are now on track to achieve the last year's full year order booking in the first half. So, the question really is, what is the guidance beyond the first half?

Nikhil Sawhney: It is very optimistic to continue the momentum till the end of the year. Of course, product may be a little bit more lumpy, but aftermarket has given us very good visibility, and we are optimistic on significant growth in the aftermarket order booking for the year. So, the product order booking also will be significantly better, as you have already alluded to the fact that we aim to have a higher product order booking in the half year than we did for the entire full year. So, there will be extremely good growth in both sectors, of course, the product growth because of the lower product intake last year would be significantly higher in terms of percentage.

Ahmed: So, in the product order booking, the current rate is about 200 plus, do you see that sustaining in the second half of the year also? Or is it just spiked because of the pent-up demand?

Nikhil Sawhney: We are aiming to maintain that our ambition is to maintain that, marginally here and there may be around it, but not significantly different.

Ahmed: Sir, in the past, you have alluded that the larger sizes of order book usually come from the core sectors like the steel and the cement sectors. Are you starting to now see a big ramp up in these core sectors? Or is it coming from the usual sugar, distillery and other areas?

Nikhil Sawhney: Actually, the sugar sector itself, as sugar manufacturing and cogeneration has been very muted for the past year, we have seen an exponential increase in investments in the distillery segment. We have always spoken about cement waste heat recovery as well as some fresh Greenfield CAPEX in the cement side. Steel was a sector which really didn't feature in as a large sector of our order book in the previous year. But I think in this quarter and in the coming quarters we believe that there is going to be an increased investment in this area, in small rolling mills and other types of investments in the metal space. So, those are the larger sectors and we think that those represent good growth opportunities. Of course, general process cogeneration, including chemicals and other food and pharma applications continue to perform very well. But from a megawatt perspective, these are smaller in size. I will have Prasad again just give a little bit of insight into what he's seeing in the market from the domestic perspective. Prasad?

S.N. Prasad: So, from the domestic perspective, we are seeing process cogeneration is one of the interesting areas that we are basically covering all like pulp, paper, textile, food processing industry. And steel is one of the key areas where we are seeing a good traction and even the enquiry pipeline is quite substantially higher. Following with API, API is another segment where we are seeing good enquiry pipeline, even finalizations are happening. So, that way we can say, distillery, process cogeneration, steel; waste to energy, that is cement industry, these are the key industries which will be driving the growth in FY 22.

Moderator: Thank you. The next question is on line of Ashutosh Garud from Ocean Dial Asset Management. Please go ahead.

Ashutosh Garud: Congrats on a good set of order inflows. Just wanted to understand, you mentioned about the traction in the exports, however, the domestic market from order inflow has done fairly well. If you can highlight some aspects how you expect the exports to pan

out in FY 22? And if you can share some aspects on how are the margins in export market as compared to the domestic market?

Nikhil Sawhney:

Okay. So, the two aspects that I would like to talk about in the export market, one is from an execution and turnover perspective, and the other is internal order booking and inquiries. The execution from Triveni Turbine in the export market is dependent on the order book and the carry-forward order book that we bring into this current year. And as exports as a percentage of our order book was lower than then in the historic past, that would reflect into the execution for this current year in that respect. But we are optimistic that that it would not significantly impact margins to such a large extent due to a higher percentage of aftermarket as a percentage of sales as being part of the entire execution strategy. We also have got impacted in this current quarter in terms of revenue recognition and billing to quite a significant extent due to logistical challenges at ports as well as being able to fulfill our Incoterms for revenue recognition on export orders. From the order booking side, there's a limit to how many orders you can finalize on a remote basis. So, we have already seen higher mobility of our sales force as well as our agent network. And so, we are more optimistic in order booking on the export front going forward. So, our company is quite optimistic and are putting both money and resources of people and time into ensuring that the export market gets back to our traditional percentage of order booking at about 50:50. It will take some time and a little bit of effort.

Ashutosh Garud:

And also, for the order inflows from a domestic perspective, these order inflows would have accounted for a lot of commodity price increase pass-on as you mentioned. So, from a volume and price angle, can you give us some sense of the growth in volume terms and growth in realizations or maybe pricing terms as far as this growth in domestic order inflow is concerned?

Nikhil Sawhney:

I am not fully understanding the question, but we aim to maintain or increase our market share as what historically is existing in the domestic market because of our strong portfolio of products. From a realization perspective in price increases, it's not that easy to talk about in a uniform perspective. Of course, all the projects that we will be executing pretty much until Q3 on the product side will be based on our existing order book and existing pricing which have locked in margins. Arun, can you talk a little bit about this question on realization without being very specific on the price per megawatt?

Arun Mote:

Yes. As everybody has experienced, we also experienced a sudden increase in the commodity prices. We have fixed price contracts, so it is difficult to get a price increase from the customer. But at the same time, we have long term rate contracts with most of our suppliers. Our relationships with suppliers are long-term, they are not for a year or so. Therefore, there is always a give and take on the prices whenever such a sudden increase happens. So, by and large, it is our effort to see that our margins are not affected, and that's what really has happened even in the current year. At the same time, we have got value engineering exercises going on. So, every year, between 1-2% of the cost comes down, depending on the project. And that helps us in maintaining the margin.

Now, since the prices have gone up, we have already taken into account these costs and prices have already been factored into our new quotes. So, all the quotes which have been, some of them in the previous ones and some of them now; they are all moving ahead with our new costs. So, we don't expect that there will be any effect on our margins as such. Realizations depend on the market, so we can't really say specifically a sector or a customer, it's a combination of factors. And we find that realizations are all right, there will be some pressure of course, which we expect, but due to volumes this will be dealt with properly. So, overall, it's the average plus outlook, I would say.

Moderator: Thank you. The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: I had just one question, sir on the API segment that you have mentioned, so what has been the order booking for us in the particular segment in the last maybe three or four quarters? And where do you see this number going up for the full year FY 22, as well as full year FY 23? So, if you could give us some outlook on that front, it would be very helpful.

Nikhil Sawhney: I don't want to be specific in terms of number of orders, but the number of orders that we were able to secure in Q1 was higher than we got in Q4 of FY 21. And we are optimistic that Q2 and Q3 will be better than Q1. And so, we are capturing more market share as we go on and we are very optimistic on this sector. We think that our product has an extremely appealing value proposition to our customers, but not only having exceedingly high efficiency levels, but a cost point which is very appropriate to the market. And so, we're optimistic about it and is a market sector that we think will drive growth for the business. As of now, it is not significant in terms of our turnover. Once it becomes a much more significant part of our turnover, we may provide more visibility. But right now, it is a growth sector for us. We are optimistic in getting more market share. And we will report as we go on. As you know, all this data that we give out are extremely sensitive from a commercial perspective, so it is more from that reason that I try to be a little bit more cautious.

Harshit Patel: Sure, sir. No problem. Sir, just to get a ballpark idea, could the API segment be 5% to 10% of our overall order intake probably next year, would that be a possibility?

Arun Mote: I am not very clear about the question. Could you please repeat it?

Nikhil Sawhney: He said, can API form up to 5% to 10% of your order book next year? I would say, no reason why not.

Arun Mote: Yes, it would be.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Congrats on a great order booking. I had two questions, one is on the international front, which are the segments or the end industries where you are seeing good order intake or order inflow? And if you can also share some perspective on which geographies you are seeing the order inflow coming from? That is one. And secondly, on the domestic business, you mentioned in the initiating call and during the discussion also that steel and general engineering and waste to heat, all these segments, along with distillery we are seeing good demand, but can you give an approximate breakup for the industry between these four or five different segments, what would be the approximate breakup?

Nikhil Sawhney: Let me take your second question first. Unfortunately, I think giving that level of detail and granular detail is not really meaningful to the Company from the perspective of giving that information to you, very frankly, it changes quarter-to-quarter, and it's not reflective of the overall enquiry book and the enquiry finalization process that we are running. Suffice to say that all segments have contributed towards an increased enquiry book as well as order booking, that was the trend that I wanted to talk about. In terms of breaking that up between different sectors, of course, certain sectors like steel and cement, because of the nature of the capacity and they would form a larger part of order finalization for the entire market, because they have these larger turbines for application than typical process cogeneration that may happen in areas such as food and pharmaceuticals, etc. Paper is also a large megawatt segment. Sir, what was your first question?

Nikhil: Question was on the international side, which are the segments or the end industries we are finding good demand and which markets?

Nikhil Sawhney: Yes. So, Triveni Turbines has, and again for the calendar year 20, we had a market dominance in the global renewable energy space. So, that is a sector that not only do we have a very appealing value proposition to, which we are very happy about because that is the only growing segment in the market. But that also constitutes the largest sector or segment of our enquiry book and therefore our order booking. So, applications such as solid municipal waste incineration, biomass based IPP either from sugar cogeneration or palm oil or a variety of different agricultural residue-based IPPs, to other waste heat recovery and renewable applications always forms a larger sector of our segment of our order booking, and this is in every geography. Now, if you add process cogeneration applications into this as well, where you have heat as part of one of the requirements of the customer, the Company builds these types of applications. In the quarter run by, we have seen good order booking from South Asia, South Africa, Europe, Middle East, these are the regions in which we have seen good orders.

Nikhil: And just one last question, if I can squeeze in. On the cost side, you mentioned that most of the order book which would be executed is the old order book, which was booked last year and the pricing was figured. And considering the RM increase, I am not able to understand how we can maintain our margins, it should hit us in some way, right? Just if you can help me understand that.

Nikhil Sawhney: So, let me break this down for you. Typically, as Arun already told you, we are not buyers of raw metals, we only buy value added work which is either done through a significant amount of processing or as a product itself through our vendors. And so therefore the element of price increase and the component that is ultimately supplied to us, the material composition is not as reflective of the entire price increase that may have happened. Secondly, as Arun pointed out, we have long term contracts, so very frankly, even if there's been a price increase, our execution based on the execution pipeline has already captured the cost. For new orders where there is a material price increase, those to the effective will be passed on to customers. Again, as we have already said, it's better not to look at it from a quarter-to-quarter basis. Like for example, if you look at this current quarter, we have seen our raw material as a percentage of sales has gone up to 54.3% from 52.3%, that 2% increase in raw material is based on significantly higher domestic product or domestic turnover than international, which has a higher margin. And so therefore, you see certain percentage of margin squeeze because of that sales mix. The sales mix will get reversed or will get significantly changed in the quarters to come. And so therefore, we believe that that would be margin accretive, to the extent that you have price pressures and given the fact that we have value engineering exercises also continuing, we are optimistic that our general margin profile of the Company is not changing. So, that is the only impression that we want to leave with you, and we are fully cognizant of whether monetary price increases.

Moderator: Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal: Just would like to clarify and get better perspective on the order inflow front. So, just trying to connect a couple of comments what you made. One was that you mentioned that enquiry pipeline was very strong, and we expect that enquiry levels to grow further in the coming quarters, and first half order inflow in products would be good and compared to last year's entire year. So, basically, does it also imply that the strong absolute order inflow, what we see in the first half, can get replicated in the second half as well in terms of what we see in the half one? And this in turn would mean a very, very strong order inflow for the entire year of FY 22? So, just wanted clarification on it.

Nikhil Sawhney: You are absolutely right, and that's exactly our plan for the year, which is to maintain the momentum that we have in Q1. But you have to recognize that part of Q1 order booking was a carry forward from Q4 of last year. But despite that, there is overall positive sentiment in both the domestic as well as the international markets, there's ample liquidity, there's very good commodity prices, which validate good investments in the sectors in which Triveni Turbine participates. So, we are optimistic on a growth in our enquiry book, as well as order booking in absolute terms for the entire year.

Manish Goyal: So, just further to clarify, because there was a comment made that in FY 22, we expect 15% to 16% growth in volume terms. So, maybe if you can clarify because it does not connect. Because see, ₹ 441 crore of order inflow last full year and the entire thing getting achieved in the first half, so a bit confusion over there.

Nikhil Sawhney: No, I think that comment was to the extent that we see the domestic market increase, the domestic market increase in terms of total megawatt ordered, we go from about 700, as we are seeing right now, to about 1100, 1200 megawatts. And very frankly, as we sit right now, for Triveni Turbine itself, we are looking at a very good increase in order booking, not only in the first half year, but for the second half as well. This would be contributed both by domestic and international, as I said, so the international market will play a larger role.

Manish Goyal: Okay. So, ideally what we are saying is that the domestic market is roughly at 1100 to 1200 megawatt right now, on the enquiry side?

Nikhil Sawhney: No, the enquiry book is actually larger than that, it's upwards of 2 gigawatts.

Manish Goyal: So, ideally, it means that we probably are back to the peak what we saw in 2012, in terms of the market size potential?

Nikhil Sawhney: No, that was the order booking in that year was about 2 gigawatts. I think that we are a little way off from those peaks, we are optimistic that by 2023 we may be hitting those levels.

Manish Goyal: Sure. And one more question on the margins front if you can. So, basically as we progress going forward with better revenue mix and other efforts what we are carrying on, we should be able to maintain the margins what we have seen last year for the entire year?

Nikhil Sawhney: Yes, that is what we aim for.

Moderator: Thank you. Next question is from the line of Kunal Sheth from B&P Securities. Please go ahead.

Kunal Sheth: So, my first question is pertaining to the export market. Sir, I just wanted to understand the buoyancy that we are seeing in the export market, would you attribute it to the uptick in demand in those global markets or it is also a factor on the fact that we have been working on increasing our reach in various global markets and that is what is paying off now?

Nikhil Sawhney: It's both, you are very right. It is also a question of pent-up demand, the demand that could not happen in certain countries because of lockdowns, etc., especially in areas like Southeast Asia. So, it's a combination of all increase pent-up demand, fresh demand based on liquidity, and also a higher and greater market coverage, which includes sectors both in our traditional applications, but also in new areas such as API. It's a combination of all three, four points.

Kunal Sheth: Great. And sir, my second question is pertaining to your execution in the export market. So, you mentioned that there are some issues relating to execution in overseas market largely related to logistics related issues, supply chain. So, is it right to assume that it is only supply chain related issues, and if those were not their clients were more than ready to execute whatever is due? Or there are some delays even there?

Nikhil Sawhney: Yes. I mean, you see, the supply and execution of a steam turbine project happens over multiple years. So, the fact is that customers want to get their supplies as quickly as possible so that they can get ready. So, one or two weeks here and there may be delays that people may have based on certain problems that they may have at site in terms of readiness. But in general, we don't see any problems from a customer's end in terms of acceptance. In fact, they try to get it so that they can achieve different milestones of the financial closure which is necessary from their bank's side. From our perspective, logistically, we export a skid mounted, not containerized. So, our issues are of a different nature in terms of logistical supply chain matters, and which is in terms of the lockdown and not being able to have the ports functioning with the degree of efficiency that they should operate at, were the constraints that we all faced. We believe these will get normalized out, we already have significant orders which were not able to achieve that the revenue recognition milestone of Incoterms. And we don't think that this significantly impacts us for the year, these will be quarter-to-quarter changes, but it's okay, it's not the biggest problem. The bigger problem is yes, we have very poor port infrastructure in India, we have very long transportation times for sea cargo, we have not direct routes to a lot of our customers. So, those infrastructure issues are massive but they are not significantly impacted by COVID, apart from the short-term movement.

Kunal Sheth: Sir, is it right to assume that on a low base of last year, last year we degrew by almost 14% in sales, 25% growth this year is doable?

Nikhil Sawhney: We would not like to give numbers, because then that becomes a little difficult. But we have shown that that we have a very strong order book to execute our first nine months of sales, which you know we work on. And our Q1 is indicative of our book and bill for the Q4. And so, we are in a very strong position right now to exhibit strong growth for both top line and bottom line in this current FY 22.

Moderator: Thank you. The next question is from the line of Ahmed from Unifi Capital. Please go ahead.

Ahmed: Sir, I wanted to understand a bit more on the R&D efforts. The API turbines already started contributing, but few more points which you have mentioned in the press release, like the CO2 cooling solutions and a supercritical CO2 power blocks, and one for the shipping space. Can you please highlight what's the status of these initiatives?

Nikhil Sawhney: These are R&D projects, and so they will take a little bit of time before they get commercialized. We are very optimistic on the scheme. The only reason to give those variety of applications was to say that the technology that we are investing into, which is supercritical carbon dioxide as a means for energy transfer, has a very wide application. And very frankly, we are quite confident that this technology will disrupt ourselves, it will move a variety of applications apart from straight back pressure, certainly extraction, condensing applications into a mode of supercritical carbon dioxide for the medium term. So, we would see commercialization in a year or so. But by the time it starts contributing significantly to our turnover, it will probably be several years away, like three or four years away.

Moderator: Thank you. Next question is from the line of Bimal Sampat, an individual investor. Please go ahead.

Bimal Sampat: Now that you have said that we are working at 50% capacity. So, we don't foresee much CAPEX over the next few years. And in the two, three quarters back concall you had said that we are going to decide on how to use our cash, either we are planning to get into a new product category or give dividends. Any decision on how we are going to use our cash?

Nikhil Sawhney: No, you brought up a very important point. Unfortunately, the Board hasn't considered any of that at this point in time, so I have nothing to report to you. But suffice to say that we recognize this as a very pertinent problem for not only the Company, but for our investors. And so, we have to work on it in a short period of time and get back with an appropriate capital allocation policy as well as how we foresee the growth of the business in its different product lines.

Bimal Sampat: So, by the end of this year, something concrete may be?

Nikhil Sawhney: I would be happy to give it to you right now but when the board considers it prudent to discuss it and disclose it.

Bimal Sampat: And second question on our API, and this supercritical what we are working on, I understand that is R&D work in progress, but when do you think we will be at a commercial stage on this supercritical?

Nikhil Sawhney: We would have certain products which would be ready to be commercialized next year. And then following on from that, we will have a progressive step of commercialization of different modes and models for different applications.

Bimal Sampat: And I am not a technical person, but what is the market size of this?

Nikhil Sawhney: Arun if you are there, if you could just give a little bit of idea about what is the value proposition of a carbon dioxide carbon turbine, CO2 turbine, both from a costing as well as well as efficiency level?

Arun Mote: Yes. These supercritical CO2 turbines, these are the turbines which can be used in the straight condensing mode. That means only one application, that is a power plant application. Now, the other applications like extraction and back pressure application, that is not suitable. So, this would address one type of market. Secondly, if we consider the size, the size of this turbine would be about one-fifth of the present turbines. So, space occupied will be much, much lower. Apart from that, there will be some special materials used. So, the cost is something which we won't be able to tell right now. But the payback period is expected to be quite shorter, it could be about three to five years depending on the project. So, the value proposition for the customer would be very good. That is one part.

The second application is a cooling application. In Europe this has already started and are successful. This is an environment friendly application, and therefore, the supercritical CO2 will replace the present coolants like Freon, F22 and other ones. So, that's what the application is. Now, as Mr. Nikhil Sawhney has said, these are about a couple of years away from us. So, it will not be correct on my part to give you some specifics on the pricing and other details.

Bimal Sampat: No, just a ballpark thing, it would be as big as our less than 30 or how do you?

Nikhil Sawhney: The point is that, as Arun alluded to, because of the configuration of this turbine, the material weight, the size of the turbine is about 20% to 25% of normal steam turbine, so you have significant material cost reduction in terms of weight. The metallurgy aspects are different. But given that what you then have is application of sizes which are significantly higher, so there's no reason to constrain yourselves to a lower megawattage size. And so therefore, the end applicable market is much larger.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I will now hand the conference over to the management for closing comments.

Nikhil Sawhney: Thank you very much. Thank you for joining ladies and gentlemen. We didn't have time to discuss the aftermarket sector of Triveni Turbine but suffice to say that it is performing exceedingly well. We had a much higher order book in the domestic sector than we did in international. But we are optimistic in the quarters to come that that will also be bridged. The Company has had a good order booking for the first quarter and we aim to maintain that in all subsequent quarters of this current financial year, which will place us in a very good position for achieving our targeted turnover and profitability for this current year, but also leads into FY 2023 with a very good order booking. So, as we can achieve an even higher growth in both profitability as well as turnover.

So, we are quite optimistic the way we sit today at Triveni Turbine, and we look forward to your joining us for our next quarter's investor call. Thank you very much.

Moderator: Thank you very much. On behalf of Triveni Turbine Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.