Triveni Turbine Limited

Q3 & 9M FY 22 Earnings Conference Call Transcript
February 2, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and Nine Months FY 22 Earnings Conference Call of Triveni Turbine Limited. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishab Barar of CDR India. Thank you and over to you, sir.

Rishab Barar: Thank you. Good day everyone and a warm welcome to all of you participating in the Q3 and nine months FY 22 earnings conference call of Triveni Turbine Limited. We have with us today on the call Mr. Nikhil Sawhney, Vice Chairman and Managing Director; Mr. Arun Mote, Executive Director; Mr. S.N. Prasad, President, Global Sales - Product; Mr. Sachin Parab, President, Global Sales - Aftermarket; 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 may be forward-looking in nature and a statement to this effect has been included in the invite which was mailed 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 question and 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, sir.

Nikhil Sawhney: Thank you very much. A very good afternoon to all of you and welcome to the Q3 and nine months results of Triveni Turbine Limited. I trust that all of you are well and safe and that this current state of Omicron in this COVID pandemic has not impacted you and your loved ones.

To bring you to the performance of the company, during the quarter, revenue for the company grew by 29.8% on a year-on-year basis to ₹ 2.25 billion. EBITDA increased by 33.2%, year-on-year to ₹ 534 million and the EBITDA margins improved by 63 basis points to 23.7%. And profit after tax grew 29.8% which is same growth as the sales turnover to ₹ 357 million.

The higher turnover has led to a better operating leverage, despite nearly 72% of turnover coming from the domestic sales, as well as the aftermarket contributing only 28%. This has been a true achievement by management to not only control costs both from an administrative as well as selling expenses, but also containing all other aspects of costs, including employee costs.

Raw material prices have been high as you can see, which is reflected in our raw material percentage of sales at 55%. Typically, this is much lower in previous quarters and hovers between 50% to 51% and attempts are that we would get it back to this level during the coming quarters. It is also a reflection of the sales mix, where we had a higher percentage of domestic sales, which carry a lower margin.

The balance sheet of the company continues to be extremely strong and the cash balance is higher than it was in Q2. The net working capital of the company continues to remain negative and this is backed by significant customer advances, which is in excess of ₹ 244 crore and this is as of nine months.

The biggest achievement of this quarter and something that I'd like to focus a lot of time on is our order booking. Ladies and gentlemen as you would understand the order booking for a company like Triveni Turbines is what gives us visibility into sales in the coming quarters and coming years. The current increase in gross fixed capital formation globally is something that has contributed to increase in sales, but more so has been our growth in our product profiles both from the API market as well as other markets, which we have grown. But more significantly is the growth in directly attacking the 30 to 100 MW segment.

On the order booking side, I'm very pleased to share with you that the company has again reported its highest order booking in a quarter of ₹ 3.21 billion. A key highlight of this order booking is winning three international orders in the over 30 MW segment from a very prestigious customer from South Korea actually and this is for the steel segment.

As you may recall, the company announced last quarter that we will be approaching the above 30 MW to 100 MW segment independently, following an amicable resolution of our joint venture with General Electric and Baker Hughes. It is extremely commendable that we've been able to make such big strides in this segment in such a short period of time. We hope that these orders will be the first of many as the company has a renewed global focus and ambition in this segment. And these orders will further strengthen our credibility in this lucrative segment of 30 to 100 MWs.

It is important to highlight that at a nine-month basis, the company has achieved an order booking of over ₹ 9 billion, which is a 40% increase over the entire FY 21 order booking of ₹ 6.4 billion. This sets the tone and provides very good visibility for a robust top line and bottom line and overall financial growth for the financial year ‘23 and beyond.

And with our healthy enquiry pipelines the anticipated demand, we remain confident that the order booking momentum will continue in the coming quarters and will aid a sustained growth for the company beyond FY23. As on the 31st of December 2021, the total consolidated outstanding order book stood at ₹ 9.24 billion, 42% higher than the previous year. And the company achieved a total order booking, as I already told you, of ₹ 3.21 billion in the current quarter, which is the highest that we have seen and this compares against ₹ 1.56 billion in Q3 of FY21, an increase of over 105%.

As you could tell from the investor brief, which has been mailed to all of you, the export product order booking mainly contributed to this growth. The order booking on nine months stands at approximately ₹ 9 billion and this is a growth of over 89% on a year-on-year basis.

The domestic order booking for the quarter was at ₹ 820 million, which is lower by 25% as compared to last year. However, in the nine months period this order booking stands at ₹ 5.07 billion, which is a 50% increase on a year-on-year basis. Domestic outstanding order book stands at ₹ 5.05 billion, which is 7% higher than the previous year.

The export order booking during the quarter was at ₹ 2.39 billion, which is 415% higher on a year-on-year basis and for the nine-month period it stands at ₹ 3.94 billion, which is an increase of a 184% compared to the nine-month period of the previous year.

The aftermarket segment has shown a growth in order booking of ₹ 500 million for the quarter, which is largely flat when compared with the corresponding period of the previous year. And aftermarket turnover was ₹ 577 million at a growth of 2% over the previous year. The aftermarket as I told you contributed to 26% of the total turnover in Q3 FY 22, which is down from 33% in the previous year. And so therefore, it is even more commendable for us.

Product order booking has improved significantly to ₹ 2.71 billion which was higher by 155% when compared with the corresponding period of the previous year. And the product segment turnover was ₹ 1.67 billion during the quarter, an increase of 43% over the previous year. Ladies and gentlemen this growth has been possible due to very active and very concerted efforts in marketing. We had not been constrained in the previous quarter to the extent that we may have been in this quarter with Omicron, but the enquiry generation that we have seen in this market has been quite commendable.

In terms of the overall market update, we’ve seen a growth in a nine-month period in the domestic market a growth of approximately 96% in the market below 30 MW and a fall of about 7% in the market above 30 MW. Overall, we’ve seen a growth in this market of about 25% in the nine-month period on a blended basis. The international market is also somewhat flat for the nine-month period and therefore our results for the nine-month period are extremely commendable given this backdrop.

Enquiry generation though for this current quarter for the domestic market has grown by 23% and in the international segment has grown by 68%. It's all augurs very well for our order booking in Q4 of this current financial year as well as for the periods of the next financial year.

In this current quarter we were able to secure 27 orders in the export markets. Four from Indonesia, four from South Korea, three from Central America, two from South America, one in Bangladesh, one in Nigeria, one in Austria, one in United Kingdom, one in the Philippines, one in Thailand, one in Hong Kong and one in the CIS countries. This breadth gives you an idea of our reach where we have an installed base in over 75 countries and active enquiries in over 110 countries.

Other aspects of the company from design and development continue to perform exceedingly well and it's only due to developments on our engineering side that we've been able to offer the products into the market that our customers require. Be it in terms of higher efficiency blade path-based solutions on steam turbines or API turbines or variety of different engineering solutions that we are providing to our rotating equipment customers, both from the product side as well as the aftermarket.

Our R&D in alternate energy solutions and technologies such as supercritical carbon dioxide continues to make progress and we are on track with our commercialization and prototype timelines. The outlook for the company, given the growth that we've seen in the order booking is very robust. We have an outlook for Q4 which would be similar to an extent in performance of Q3. But we believe this places us in a position to really target FY23 with a very steady and sure footing of having a very robust order booking, very robust visibility in sales and future order book-and-bill in Q1 and Q2 of the next financial year.

The Board in this current Board Meeting has approved the CapEx plan of ₹ 35 crore for us to expand one bay at our Sompura facility, which will expand capacity to cater to this growth which would be largely based on testing and assembling capacity that we need for the higher throughput which we anticipate in the coming two years. This is backed by a significant growth in orders in terms of number of turbines that would be dispatching as well as the MW capacities.

The Board will also look proactively at partnerships with local service companies who already associate with us so as we can improve our sales on a local basis and improve our presence, and our visibility in front of our customers on a very proactive basis.

With that, ladies and gentlemen, I would like to open the floor for questions. So back to you moderator.

Questions and Answers

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone phone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Anyone who would like to ask a question, please press '*' and '1' at this time. Ladies and gentlemen, we will wait for a moment, while the question queue assembles. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Congrats on the robust numbers and growth continued over the third quarter also. Can you talk more about the international markets? How quickly are those markets expanding? Which geographies are seeing good growth? What is driving growth, what has changed the share vis-a-vis the last year? And then on the domestic market also, if you can give some commentary, this quarter, it has been slightly soft in terms of order booking in the domestic market, but I recognize that the nine-month numbers are still up. So, if you can give commentary on the domestic market in terms of segment wise also it will be great, both international and domestic?

Nikhil Sawhney: Yes, I am going to get Mr. S. N. Prasad who can comment a little bit more in terms of where he sees visibility on the orders. But before I get him in, I would like to say that the export market like I told you earlier in the nine-month period has declined by about 7% on a year-on-year basis. This is based on what we are seeing as coverage, we do not have full visibility in the export market. But despite that, we believe that we are increasing our market share as we move ahead.

On the domestic side, we maintain our market share at historical levels in excess of 50%. And so therefore that is something that we aim to maintain, we'll continue to work towards. Where we see demand from a segment basis is typically in the area that we've spoken about in previous quarters. One is of course the renewable energy demand from biomass based IPPs, or solid municipal waste incineration plants. And these largely we see in countries of Europe, or city-states like Hong Kong and certain more developed countries where there's a focus on renewable energy. But we've also seen an uptick in gross fixed capital formation in industries such as cement waste heat recovery seen especially and this is similar not only for India, but international as well. And when you have international pricing of hard commodities which are easily tradable, the capacity constraints are known globally. But I'll let Prasad to come in to give you a little bit more visibility because what's important is that we are seeing this continue. This is built up already within having seen one month of Q4, but the visibility that we have coming into order booking for FY 23 also, is equally robust. And we believe that we should be able to sustain this level of performance of order booking on average in the next coming year as well.

Ravi Swaminathan: Got it.

Nikhil Sawhney: Prasad, if you could come in and get some visibility please. While I think that they come online, the market is very broad-based, Ravi, from international perspective, like I told you, we received 27 orders this current quarter. And they do stem from steel, like I told you, this is a very prestigious order for us because steel is a large capacity market and something that's seeing growth not only in India, but in all markets where they do have capacity.

So, we see that as a positive for us, not only in terms of being able to provide high technology solutions, but as soon as we have a higher export as percentage of sales, our margins on those products are significantly higher and in excess of double of domestic margins. So, we're happy that we're able to see good export offtake.

This is also backed by good customer service (aftermarket) order intake. And see that not only do our spares and servicing of a good growth opportunity, but our refurbishment where we are providing solutions for rotating equipment on a broad basis as well as third party aftermarket solutions continues to grow as we expand our presence into local markets.

Ravi Swaminathan: Got it sir, got it.

Nikhil Sawhney: Prasad are you there now?

S.N. Prasad: Yes sir. We are there now.

Nikhil Sawhney: Yes, please can you answer that, give Ravi some visibility?

S.N. Prasad: Yes, sir I missed the question.

Nikhil Sawhney: The question is about how you think visibility of orders, both domestically as well as export?

S.N. Prasad: Yes, sir. So, the visibility from the enquiry pipeline on the domestic, we have a good traction. So, especially from the industries like cement, pharma, steel and distillery segments are dominating the enquiry pipeline. Even our order booking also the spread is from similar segments that domestic like steel, pulp and paper, palm oil waste to energy, especially international enquiries, we have a good order booking as well as the enquiry pipeline from steel. Then waste to energy and waste heat recovery-based cement applications and distilleries and food processing. So, based on the enquiry pipeline, as we mentioned in the investor brief about the increase in enquiry pipelines, so we are quite bullish on that thing for the next year and next quarter also.

And over and above, offering product basket is increased means with up to 30 to 100 MW increase apart from the API enquiry pipeline. So, with that, we are quite confident for Q4 as well as FY 23**.**

Ravi Swaminathan: Got it, thanks. My second question is with respect to the margins, you had already touched upon, Mr. Nikhil that, yes, so we have received orders, both in terms of exports and also in the higher ratings 30 to 100 MW and historically, as you had mentioned, the margins in this are much, much higher than the regular margins. So, at a blended basis at company level, so what might be today as 20% EBITDA margins, can we see 300, 400 bps expansion over the next couple of years because of this high margin orders?

Nikhil Sawhney: So, see Ravi, you track us so it's difficult from a quarter-on-quarter basis, but if we look at on a year-on-year basis and give you a little bit of a greater insight into that, domestic margins are much lower than our export margins. And so therefore, the percentage of sales that we have from export will, of course, contribute more significantly towards margins. And equally is the contribution of aftermarket in general, be that domestic or international, that doesn't make a difference. That contributes more significantly towards margins.

Also, there is a question about operating leverage and the fact that the higher our turnover is, as you've seen this quarter, this is a very good quarter to analyse that where we have seen impact of increased raw material pricing. For example, we've seen our high Chrome Ingrid pricing increased by over 50%, 55% in the last six, eight months. And so, these are impacts that we have to work with our suppliers on long-term contracts and we have to live with them. So, we have to live with them when the price increases, but when prices fall, we have to take the benefit of that.

But in this current quarter, we did see price increases, that is limited to an extent of only 55% of turnover despite the fact that we had a product mix which is heavily skewed towards domestic sales. Arun Mote can provide a little bit more insight into our initiatives to ensure that we at least maintain the margins that we have right now. Arun?

Arun Mote: Yes, good morning to you. As you know, the margins at the sales level depend on the raw material and other expenses. Our supply chain is a very well-oiled machinery and we have suppliers who have been dedicated for years together. We have been working with them for the last 30-35 years. Many of them are our employees. So, we are continuing efforts with them and also independently to lower this material costs. We are sitting with them, helping them negotiate their raw material costs to ensure that the overall subcontract products, which come to us are at a competitive rate. We are value engineering and we are sharing some of their sub-assemblies, such that the cost benefits that they get, we also get. So, all these exercises are going on and our intention is to ensure that the input cost not only the raw material, but the input cost for the final assembly comes down.

And we have been pretty successful, as you know from the past records. We expect that in FY23 and 24, we will continue to do the same thing, because we don't expect the raw material prices as such would come down now so quickly. If at all they come there will be some kind of levelling off.

Ravi Swaminathan: Yes. Thanks. And my last question, sir. So, I mean in order book has grown year-on-year almost like 40%, next year, at least 20% kind of growth is something that is there on the cards?

Nikhil Sawhney: Actually, our ambition is for higher than that because we are seeing good visibility in all our segments. What we've historically seen with Triveni Turbines has been the below 30 MW segment. And while that has seen some growth based on higher fixed capital formation, it is really the contribution of two other market segments, which is the API market segment which we made a very small entry into and it's a competitive market, it's a higher margin market. But we believe that that is a big growth market for Triveni Turbine as well as the 30 to 100 MW segment. So, all of this leads us to have confidence that we should be able to maintain a good order booking runway, which will ultimately contribute to turnover.

Ravi Swaminathan: Got it, sir. Yes, thanks a lot.

Nikhil Sawhney: Thank you.

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

Harshit Patel: Hi, good afternoon, everyone. And thank you very much for this opportunity. Sir, my first question - what would have been the market size in India for less than 30 MW steam turbines for the first nine months of FY22? And why do you see that going for this full year FY22? That would be my first question.

Nikhil Sawhney: The market in nine months has been approximately 800 odd MW. We anticipate that we will end the year with the proportionate growth as you've seen in first nine months. This is approximately like I said earlier about a 90-96% growth year-on-year, but the larger market size of 30 to 100 has seen a decline in India. So, on a blended basis because now as a company since we market overall up to 100 MW, we've seen a growth in the market of about 25% only. And we believe that this will continue, this is something that the enquiry pipeline estimates have been quite robust. And so, we think that this will continue, we see no reason for it to fall. There's ample liquidity, there's good momentum in terms of people willing to place orders. There seems to be some hiccups will happen with COVID here and there, but largely, I think that we're quite bullish.

Harshit Patel: Right. Sir secondly, on our very strong order intake in the first nine months, so how has the pricing moved both for domestic and the overseas market. So has the entire growth come from higher volumes only or pricing too would have played a part over here?

Nikhil Sawhney: No, it's been mainly volume growth. Pricing plays a role, but you see it's very difficult to say, since we make an engineered to order product, which not only changes in terms of configuration of the steam turbine itself, but auxiliaries and the balance of plant, which go along with the steam turbine also change in terms of scope.

So, in general, pricing would depend on how the contract is framed and what the customer wants to place the order for, in terms of scope of supply. So, margins is a better question to stick on because that is something that is predefined at the time of us closing the purchase order. And what we've seen there is that there has been some pressure from a raw material price perspective, in terms of order booking margins, but that is mitigated with a lot of the efforts that Arun had talked about in terms of being able to value engineer, work with suppliers to reduce costs, once orders are placed to ensure that we at least maintain our margins going forward. This is despite the fact that having a better product mix in terms of execution, which may happen in the coming year because of a higher percentage of exports as a percentage of sales will contribute also favourably towards the margins.

Harshit Patel: Right. And sir lastly, out of the ₹ 9 billion order intake for the first nine months, how much would have come from API and the 30 to 100 MW segment? And where do you see that going...

Nikhil Sawhney: No, I don't think that we're going to be giving those data points because it's competitive to a large extent. But suffice to say that we're seeing that the API segment is not large enough for it to be reported independently. 30 to 100 MW just because the size and capacity of these turbines are larger as they would of course, be of higher value. And so therefore they would they will contribute more.

In this current quarter, the 30 to 100 MW orders that we did talk about at the beginning of my introductory remarks did play a disproportionate role in terms of the value. But we believe that this is a market segment that we're going to be approaching and trying to get orders on every quarter basis. And so, we need to start distinguishing between different market segments would be very difficult for us to do.

Harshit Patel: Understood, sir. And those were my questions, I'll come back in the queue for any follow up.

Nikhil Sawhney: Thank you.

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

Ahmed: Thank you for the opportunity. So, I'll breakdown my question into exports and domestic business. So, sir on the export side there is pickup in the more than 30 MW segment and considering GE has exited, can you please give some light on what kind of challenges we are facing maybe on the technical side? And definitely on the other side, there is lot of help in terms of doing business with more independence. So, in that context, can you help us gain understanding on how are we gaining traction so quickly in the 30 to 100 MW segment?

Nikhil Sawhney: Okay, let me answer that question in a different way, because I really don't want to answer it based on GE because very frankly I have no comments on that aspect. But suffice to say that and you've been following the company so you will know that the joint venture ran a certain way and it has certain performance. Our expectations are that we could have done better.

From a technology perspective, Triveni's technology is world leading. Our efficiency levels, our cost levels, our supply chain, are second to none. So, very frankly we have all confidence and the JV in its execution executed 50% of its orders on Triveni technology. So, very frankly, we've had confidence in our technology for a very long time, we have an installed base already in our technology. So, it's not as if these orders can come based on anything, which is not founded in practical installations.

So from a perspective technology, we're extremely confident, but on a general market basis, we need to continue with our developments to ensure that we continue offering our customers the most efficient steam blade paths and whatever other configurations they may need in terms of injection, or extraction for their applications.

As you know, Triveni Turbine is a provider of both heat and power solutions, and so when it comes to those requirements, we are very aptly placed to be able to provide solutions to both industrial as well as renewable energy plants in all market segments below 30 MW, above 30 MW. I forgot your second question, could you just repeat that?

Ahmed: This was the main question. The second part is, how will be the margin profile of the 30 to 100 MW business differ from our current business?

Nikhil Sawhney: Margin side it's not different, it's a question of domestic versus international. International tend to give us over double margins than domestic margins.

Ahmed: Okay. And what has been the key reason why we have been able to gain traction in this market so quickly? Like I think in last three, six months only we caught this suddgen traction. So, what are the specific reason?

Nikhil Sawhney: So, the reason is that the team is raring to go. So, we have great confidence in our ability. Our sales network is very prime to take these opportunities on. Our performance in the below 30 MW space in the last calendar year, we were number one in the space in terms of number of installations. And so, therefore, this easily translates into confidence above 30 MW also, we got appropriate product and appropriate pricing. So, there's no reason for us not to go and be aggressive in getting these orders.

Ahmed: Okay, thank you sir. And just one question on the domestic side, when we say we cater to the steel segment. So, is it sponge iron or which part of the steel sector do we cater to?

Nikhil Sawhney: Prasad, can give you answer to that question please?

S.N. Prasad: Yes. So, we cater to both sponge iron, pig iron as well as the integrated steel plants. So, in that also again, kiln gases, blast furnace gases as a waste heat recovery. So, across we cover the complete integrated steel plant segment.

Nikhil Sawhney: A majority of these applications are for waste heat recovery from the steel segment much like it is happening in the cement segment as well, where we're seeing more growth on brownfield expansion than greenfield expansion to lower cost of production.

Ahmed: Sure, sir. Thank you.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Yes, good afternoon, Sir. Sir, you did mention about the fact that the current momentum mainly from the order inflow side can continue in the coming quarters and even in FY23. Could you just give us some more idea about, suppose if you end the current year at around ₹ 1,200 crore of order inflows, if Q4 is similar to Q3, so, if you end up somewhere around ₹ 1,200 crore order inflow, so, on that base also, can you grow at 20-30% in terms of inflows in the coming year is what you're trying to say?

Nikhil Sawhney: Our attempt is that. We have to wait and see; the fact is we are setting up capabilities and capacities. I think Arun maybe you could talk a little bit more in terms of what the plans are for the company in terms of recruitment and international expansion, etc., to get more visibility into how it can cater into these market segments?

Arun Mote: Yes. One is about plant capacity which Mr. Nikhil Sawhney has already explained, we are going for additional bay that would substantially augment our capacity. And we should be able to meet much higher levels of numbers as well as MW production. That's already on the way and you will see it soon completing. As far as HR is concerned, due to COVID we missed one batch of graduate trainees and the initial hires, which we have already done now and those people will be available. This year again we will be running the batch of graduate trainee engineers and diploma trainees so that they would be added. That would be at the initial starting level. Then we are looking at some senior persons joining us from within as well as from other engineering industries.

And we are looking at sales people who are across engineering industry, some of them have joined and some would be joining, including different nationalities as and when the time comes.

Nikhil Sawhney: So, the point is that we have a very aggressive HR plan to be able to add capacity so that we can cater to this growth. This is something that we have to invest into, the sales don't come just by themselves.

Ankit Babel: So, just a ballpark idea again, , are you looking at somewhere around ₹ 1,400 crore to ₹ 1,500 crore of revenue by FY24, given the current momentum in inflows and execution?

Nikhil Sawhney: We don't really give visibility like that, but I think the numbers are something that we believe are achievable.

Ankit Babel: Okay. Sir, my second question is what is preventing you to get good orders from the API segments since you already have all the building blocks ready from the product approval to the infra and everything. So, what is preventing the scalability in order inflows in the API segment?

Nikhil Sawhney: Nothing is preventing us, it's a question of those orders coming up for execution. There is a degree of fear from customers about Make In India and so that is a hindrance that we have to overcome which we've tried to do in the power generating side, PG side, for quite a period of time.

But we are confident that we will overcome this slowly. We have a small market share right now in a very large market and we continue to grow on that. Prasad, would you like to add little visibility as to how we're attacking API?

S.N. Prasad: Yes. So, API wise we are a strong enquiry pipeline and our acceptability is there by all international consultants, EPCs and OEs and are seeing the enquiry pipeline build up and our acceptance across the globe. So, we are quite bullish on API segment. But API segment order finalization time cycles are quite large, because even though the end customer like a refinery finalizes, so we get the order from EPCs or OEs. So, there is a little time lag there that is the only issue. But next quarter or coming years, we will see API give a good contribution in the overall order booking share.

Ankit bagel: And the margins in that segment is again in line with your export margins.

S.N. Prasad: Yes.

Nikhil Sawhney: Yes. So, it's a lucrative segment for us, but what could contribute to our growth as we move forward is also our aftermarket. And Sachin, you can maybe you can add a little bit about how you're seeing the growth in the coming years in terms of order booking and across market segments.

Sachin Parab: Good afternoon. We are seeing very good traction on enquiry generation in both domestic and export markets for customer care. The aftermarket business, we are hopeful of substantially increasing our order booking in the coming quarters, including next year. There are many efforts we are making in this regard. We are adding our resources on the ground, we are increasing our presence overseas and we believe that closer collaboration with our execution partners overseas will create more value for this.

Ankit Bagel: Okay. And sir my last question is that the cash balance has been increasing continuously in your balance sheet and in the last quarter you had mentioned that you look into either utilizing that cash internally and if you don't find any such utilization, you will pay it off so that the return ratios and all those are not impacted.

Nikhil Sawhney: I don't think we said that because what we did say is that the Board hasn't taken any decision and unfortunately, it's still at that position that the Board hasn't taken any decision on capital allocation.

Ankit Bagel: Okay. So is there any inorganic opportunity, I mean, possible in your segment?

Nikhil Sawhney: Well to answer that, of course, there are opportunities, but is it something that we would consider is a different matter. We believe that we are at a technological level where no inorganic opportunities going to help supplement our technical capability. So really, we don't think that that is a direct route for us to grow on a big way. Smaller opportunities that may add capabilities, which may not be very expensive is something that we may look at. But the Board hasn't considered anything concrete right now.

Ankit Bagel: Okay. Okay, sir, thank you so much. I'll get back in the queue if I have more questions.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI mutual funds. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity, and congratulations to the management for a very good performance. My question, Nikhil, is that last two years have been very difficult for most companies and for a company like us, which has a larger share of exports business, do you believe that there is a requirement of additional feet on ground both in terms of sales and in terms of installation? I think, Sachin did speak about hiring additional resources, but whether that was international or domestic.

Nikhil Sawhney: Sorry what is the question, what is the need for adding resources and capacity, is that the question?

Bhavin Vithlani: In terms of more feet on ground for sales and installations in the international geographies, because travel restrictions have made it very difficult?

Nikhil Sawhney: Most definitely, the fact is that we need to hire people who not only have a greater local connect, who have a relationship that they come within existing geographies and industries. And so therefore, that is very much part of our very immediate plan, it's not a way to de-risk, it's more of a way to actually expand growth opportunities. And we have had some success with this and we think that that is a good way for us to grow both from a product sale perspective, as well as from an aftermarket capability to be closer to customers. So, both will be required. But to that extent, we have budgeted all of these as costs. And we still assume that our margin expectations will be consistent.

Bhavin Vithlani: So, on a year-on-year comparison, we see that your raw material sales have risen to 55.3% from shade lower than 50%. So, what percentage of this in your view has contributed due to mix change more domestic less of an aftermarket? And what percentage is actually impact of the input cost inflation? And are you actually seeing that in the orders that you are getting, you're able to mitigate this and go back to the raw material to sales level of 50% that we were seeing in the previous years?

Nikhil Sawhney: That's a very difficult question that you've asked, because our sales is dependent on order intake, because of the vagaries of the market, you don't know if it's going to be international or domestic or in which quarter things are going to be dispatched.

But in general, when we are accepting orders, we have a good idea as to the costs that will be incurred on executing that job because of either long-term contracts that we have for certain supplies, long-lead items such as casings and castings and the forgings, or certain balance of plant equipment that we routinely buy. And so, we have a good idea when we get to the negotiating table, where prices lie. As you'd imagine the number of components that go into steam turbines both in terms of the flange-to-flange steam turbine itself, as well as the larger balance of plants, which include the generators, the gearboxes, panels, electrical systems, valve systems, etc., will all get impacted by higher commodity prices, especially steel and copper. And so, to that extent, there is most definitely going to be an impact in terms of the cost that we have incurred.

I think what Arun have alluded to earlier also is that while these prices may soften a little bit, it's difficult to imagine that they will or we're not budgeting as such any steep increase for going forward, but neither are we budgeting any steep fall from here going forward. So, as it currently stands when we are negotiating for orders, depending on the competitive intensity of that order itself, but we try to maintain the margin levels and the strategy that we have in terms of market share and market dominance within different segments.

But as we currently stand, the order book that we have is consistent with our historical margin profile, which gives us visibility in terms of once we execute these orders, we would be in a good space in the coming quarters and years.

Bhavin Vithlani: Just last question from my side. We have seen about 90% increase in the order flows in the nine months and with a lag, we will see that translate into revenues. Could you speak about your supply chain because globally all across industrial companies have been talking about supply chain bottlenecks and especially on the electronics and the semiconductor side? And are we seeing that our supply chain is geared to ramp up so quickly?

Nikhil Sawhney: Okay, I'll just ask, Arun, to comment on that, but our supply chain base is broken up into two, three components. One is subcontractors, which would do part work and machining etc., which allows us to have less capital employed on our balance sheet and get them to do dedicated work. The rest are vendors who may actually do some more value-added work and the others will be suppliers who end up supplying their product directly to customer sites.

Arun, could you give idea in terms of how much are local and how much do you dependent on supply chain for this and how we are catering to?

Arun Mote: Yes, our foreign supplies are always less than 5% and the semiconductors and printed circuit boards and other circuitry that electronic circuitry that you're talking of doesn't affect us much, because that percentage is lower and that is taken care by the equipment supplier like governors, like other control instruments. So, they are the people who have to manage it. In the last one and half years, we haven't faced much difficulty from any of them and as far as the domestic supply is concerned, it's perfect, more or less perfect. We haven't had any issues. Whenever we had lockdowns of course, there have been logistic issues and supply chain issues. But we all overcame them and production is absolutely normal.

Bhavin Vithlani: Actually, the question was the 90% growth we have seen in the orders, we might see 30-40% growth in the revenues or execution in the coming quarters. So, is the supply chain okay to ramp up at such a fast pace?

Arun Mote: It's already done because we have been seeing this trend for last six to eight months. So, adequate steps have been taken. We are already on the expansion mode as far as various capacities are concerned. And it will be an ongoing exercise for next three to six months. So, it hasn't happened suddenly. We have been foreseeing it.

Bhavin Vithlani: Sure. Okay, thank you so much for taking my question and best wishes for my side.

Nikhil Sawhney: Thank you.

Moderator: Thank you. The next question is from the line of Nilesh Jethani BOI AXA Mutual Fund. Please go ahead.

Nilesh Jethani: Hi, good afternoon. Thanks for the opportunity and congratulations on a great set of numbers. So, my first question was on this 30 to 100 MW category, so few questions on this side. So, which are the industries we cater to in this segment? And what gives you confidence that going ahead, the growth in this segment will be way higher versus what we had seen earlier during the GE era? And third on this part itself, how aggressive is the Siemens or any other large player in this segment? And what would be their market share and what we envisage to capture in coming years?

Nikhil Sawhney: I'll start from the reverse, it will give you a better idea I think the market is -- because it's dominated by large multinational manufacturer like Siemens in this segment. The market segment both domestically and internationally is a little bit higher in the 30 to 100 MW segment, in India it's slightly lower in the 30 to 100 MW segment than below 30 MW. And this is really the profile of the customers and the industry that we cater to, the larger the industries are the higher the capacity and the requirement for both steam and the power will be. The largest requirements of course comes from metal and steel, which is for their main power consumption, but when we look it from a perspective of all the gases that emanate from a waste heat recovery perspective, that is a market segment that definitely is above 30 MW. We've seen very consistent demand in chemicals both in India where we have orders also for the chemical segment for higher than that capacity.

You have paper and pulp, which require high extraction and large paper companies also place orders on us in this market segment. You would not see large food processing, distilleries, etc. in this space, you would see waste to energy as well as biomass based IPPs is this market segment. And so, this is similar to the market segment that we cater to below 30 MW. And we believe that our sales network etc., is something that is capable to go out and leverage this in an aggressive manner. So, we will be aggressive here to gain some market share. But our cost levels also are quite robust so that we think that we'd be able to maintain margins, despite the fact that we would be aggressive.

And I don't want to go back into the performance of the joint venture, it's something that's over now. Our ambition is to outperform whatever we did perform under the joint venture.

Nilesh Jethani: Okay.

Nikhil Sawhney: So, does this answer your question or would you like more clarity on certain things?

Nilesh Jethani: So, I would like to have more clarity on, so one is the addition of sales force, etc., to drive that 30 to 100 MW, but the piece was there with us earlier. We had confidence of international business being coming to us via tie up with GE. So, everything was always there on the platter, and I guess the sales are flat for quite some time over there. It could be the market not growing or whatever the reasons could be. So now going ahead, apart from sales force, what is the one or two thing which you would like to highlight where, okay, now I can see a 20% or a 30% growth from here or whatever number it is, but what gives you that confidence you would grow at a higher pace versus say last three years or five years?

Nikhil Sawhney: Well, the main thing that we start from a low base but besides that, is the fact that, now you're forcing me to go back to history now and how the joint venture worked was that international sales were handled by our partner and we handled domestic sales as well some sugar orders internationally. What we find is that the focus that we have in the market and given our structure of sales which is aided by an agent network, which has deep rooted connects and relationships with customers aids quite considerably and being able to not only firstly get visibility into the market in terms of where the orders are, but then to be able to go and aggressively close those orders. The structure is different also, not only the number of people and also, the focus. The focus is the most important thing, because it wasn't like as of earlier, we were losing. It was as if we had visibility to orders but we were not quoting to those orders.

Nilesh Jethani: Okay, got it sir. That's helpful. And second question was, say today we do capacity of say around 700, 800 MW and say FY23-24 considering the growth in the market and we have demand for 1.3-1.4 GW, the current capacity, are we in a position to cater to that demand? Or we'll have to do incremental CapEx?

Nikhil Sawhney: Arun, can you answer this question?

Arun Mote: See, we have built in a flexibility to expand our works quickly and augment the supply chain. So, we will always be making effort to see that we have at least 10% to 20% of the excess capacity, because this capacity doesn't cost extra. So, we will have some breathing time in case there is a sudden spurt of order and we should be able to take on more orders in future. We are pretty flexible on it. I don't expect much of capacity issues, if the market suddenly goes up.

Nikhil Sawhney: I think, another thing that you should keep in mind is there's two capacities that we have to talk about one is the capacity that we have in-house and as you can see from our balance sheet that clearly what Triveni Turbine does is it manufactures the high value, IP sensitive components in-house and then it does a lot of assembly and testing and quality control. And so, the capacity that we have internally is for quality control, testing assembly etc., is what we would be adding on at this point in time through our CapEx proposal. But equally to the manufacturing side, we need to ensure that our vendors, subcontractors etc., has capacity as well and that we monitor to ensure that they have at least 50% extra capacity from what our requirement is.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: Yes, thanks for the opportunity, sir. Sir, my question is again on the capacity addition, which you highlighted earlier. So, just wanted to understand, can you throw some more color like what is our current utilization and by how much we are looking to expand our capacity?

Nikhil Sawhney: See, again, like I said, we would be expanding the capacity in terms of volume, monthly volume output by about 33%. But this is more from a assembly and testing perspective. What we believe is that this affords us ample growth in capacity to deal with the degree that we may require in terms of the customer expectations of dispatch in any particular month. So, we will very frankly, our capacity utilization, if you take the number of machines the number of machines very, very drastically in terms of value. So, it's difficult to put value to capacity as a metric here, but number of machines, while we have the capacity now to do I would say, Arun, can you give an idea as to how many machines could we do and how are we taking it up to?

Arun Mote: Machines per year or you can say per month, we have a capacity to make 15 machines a month and it is flexible about five, six machines can be added easily. But with this expansion, we will be closer to about 20 to 25 machines that's where we are looking at.

Hiten Boricha: Okay, okay. So what kind of CapEx we need to spend on this?

Nikhil Sawhney: ₹ 35 crore is what the Board has approved.

Hiten Boricha: Okay. And sir one last question, what CapEx we have occurred in nine months, FY 22?

Lalit Agarwal: The CapEx for nine months is ₹ 12 crore.

Hiten Boricha: ₹ 12 crore for nine months. Okay. Thank you.

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

Bimal Sampat: Yes, good afternoon. Most of the questions have been answered. Just one or two small things. One is on the cash side. So, now when do we expect in the next year FY23 some action do we expect something in '23? And second is on this 30 to 100 MW capacity turbines, I mean, how is total market size compared to our 0 to 30? Is it double? What is the size of that market opportunity?

Nikhil Sawhney: Opportunity from macro data sets that we see is approximately 1.2 times internationally than the below 30 MW segment. In India it's about 80% of the below 30 MW segment. This is a general trend. Of course, our visibility into the international market is not fully there. And so we don't participate in that full market. But our attempt is to get there consistently. On the cash question, like I'd mentioned to another one of your colleagues is that the Board hasn't taken any decisions. We're cognizant of the fact that this dampens our return metrics, but the Board hasn't taken any decision as soon as they take a decision, we will inform you.

Bimal Sampat: Yes. And just one last, what we see with the ₹ 35 crore CapEx, we will be able to expand our capacity by 33%. So, the way we are growing, I think in next 4-5 years, we will be at least three, four times in size. What is your perception, sir?

Nikhil Sawhney: No, I think let's keep away from those type of conjectures. Our attempt is to grow consistently.

Bimal Sampat: No, because we'll have 30 to 100, earlier, we had only 0 to 30. Now we'll have 30 to 100, then API and then this supercritical, etc. So, the addressable market will, yes, but I'm talking of 4-5 years down the line, our addressable market will shoot up.

Nikhil Sawhney: I think the fact is regardless our order book visibility that we have coming into FY23 & FY24 and for FY23 itself, also, it's quite robust. And I think we've given an indication as to how we look at that. Looking more forward from there is dependent on so many other factors. That it may form maybe a little bit of conjecture. Our efforts are on strategically with the aim to grow this market and have greater participation. But I think I wouldn't like to answer the question.

Bimal Sampat: Right, thank you very much. This is more than this gives a good clarity. Thank you very much.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir, just a follow-up, given the large opportunities which are now present in the overseas market, where do you see the share of exports revenues in your total revenue in the next two, three years timeframe?

Nikhil Sawhney: Firstly, looking in terms of order book, we aim in FY23 to take this back up to 50%. So, that will then reflect on to sales.

Ankit Babel: Okay. But do you feel that structurally, the share of export will only increase given the opportunity size is available in the overseas market and once the order inflow traction also comes in the API segment?

Nikhil Sawhney: Yes, India is a large economy for this for internal fixed capital formation right now so you don't simply can't disregard that fact from a global perspective, but the global market is larger than just India. And so, we have always been very optimistic in terms of growing our presence internationally. We did have some hiccups a couple of years ago in terms of hitting a ceiling but we fixed that by adding human resources and other means by which we can get closer to customers, as well as expanding the addressable market, that this percentage should go up.

Ankit Babel: Okay, and sir lastly, ceteris paribus assuming the raw materials prices, I mean, move in range bound manner in the coming years and assuming that your share of exports is at around 50%, which you are targeting. So, in that scenario considering the operating leverage, which you would be having with the kind of growth which you are envisaging. So, in that scenario, where do you feel your operating margins to settle at? I mean, would it be like in the 23-24 range or 25 or 22, where do you see that in that scenario?

Nikhil Sawhney: You see that our aftermarket is also growing quite consistently. And so that has a good contribution to us. We will incur more overhead to have an increased order book, but that will then be compensated by higher turnover. And so, this operating leverage will also get utilized to an extent. We think that that from a product side getting an order and then having the lifecycle value of that customer is extremely beneficial to us. We get spares orders from customers over a period of the life of the turbine which can be as long as up to 35 to 40 years.

So, this is something that very frankly, our competitors who have lower cost of capital end up using quite strategically to be able to just acquire customers. We, of course, look at them in a distinct P&L, we have higher cost of capital in India and so we need to make margins on these sales. And we've been quite consistent in showing these margins. What the end result is in terms of the EBITDA margin, we try to maximize that to the extent possible, but the competitive intensity changes quarter to quarter. But having said that, our cost structure is very good.

So overall, if I have to give you a general outlook, we think that we're comfortable at these margin levels that we're at right now. We think that given the sales mix that we may have next year with higher export as a percentage of sales than this current year, some of the pressures that we may have had in terms of raw material increases or higher overhead won't be there also. And with higher turnover, we are quite optimistic. I think that I am giving you a very roundabout answer, but I think that's all I can give at this point.

Ankit Babel: Okay, that's helpful. Sir, just one more small question. So, the growth in in order inflows in the aftermarket segment will be in line with your overall order inflow growth? I mean, the share will be maintained.

Nikhil Sawhney: I think we're quite -- we're more optimistic on order flow increasing in the coming year from the aftermarket in FY 23.

Ankit Babel: Okay, that's helpful. Thank you so much, sir.

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

Nikhil Sawhney: Thank you very much, ladies and gentlemen, for joining this call. Sorry for running over a little bit. I'd like to just leave you with the fact that we at Triveni Turbine have weathered this Omicron pandemic quite well, omicron lockdown. Everyone on this call was actually I think, already had it. And we're quite confident in terms of being able to show the results for this current year and the coming years. Thank you.

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