Triveni Turbine Limited

Q1 FY 19 Earnings Conference Call Transcript
August 1, 2018

Moderator: Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited's Q1 FY 19 Earnings Conference Call. As a reminder, all participants' 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishabh Barar: Thank you. Good day everyone and a warm welcome to all of you participating in the Q1 FY 19 Earnings Call for Triveni Turbine Limited. We have with us today on the call Mr. Dhruv Sawhney – Chairman & Managing Director and Mr. Nikhil Sawhney – Vice Chairman & Managing Director 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 has been mailed to everybody earlier. I would also like to emphasize that while this call is open to all the 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 invite Mr. Dhruv Sawhney to share some perspectives with you with regard to the operations and outlook for the business. Over to you, sir.

Dhruv Sawhney: Thank you, Rishab. Welcome everyone to the Q1 Conference Call. I would like to take you through our results of the first three months. I think the main thing is that we have had an all-time high turnover in the first quarter. Besides which we have a net income from operations growth at ₹ 1.72 billion of 41% and a PAT of ₹ 190 million which also has shown a growth of 48%. Importantly for the future, we have had a strong order intake of about 11% growth over Q1 of last year. In that the domestic order booking has grown by 43% and I will come to this a little later. But all in all, we have a strong outstanding order book at ₹ 7.8 billion. EPS is 0.58 per share.

Our Domestic market under 30 MW has shown signs of revival as some bulk orders have got finalized and this is what has spurred our growth by 43%. Enquires have also improved, active enquiries from segments such as sugar, cement, steel, and even a little bit in waste to energy. Now in the international market things are a little lumpy. So, while we have seen an increase in enquiries of 12% in the international market from the Q1 versus last year, the order bookings many of which have got postponed to the Q2.

We are at the end of July, starting with August we are confident that in H1 our international order bookings for the first half of the current year will be as per our budget and very good versus last year. The mix of order bookings in Q1 has gone up towards the domestic side but this will again get corrected in H1 with our improved order booking in exports, some of which has already happened in the month of July. The aftermarket segment has performed very well with a growth of 44% over Q1 last year in terms of order booking and the sales growth of 32% versus last year.

The encouraging fact is that the export market in after sales has now started showing a fair amount of traction and exports as a percentage of outstanding aftermarket order book is 65%. This is the efforts that we put into our offices overseas having sales people and service people travelling a lot. The second major thing in the international market besides being lumpy from one quarter to another is that we have succeeded in diversifying our geographical spread and also are spread in the product categories. So, what happens in one market gets compensated in another market in a half yearly basis. And also gets compensated from one sector to another sector in a particular market.

The dedicated team that we have in Research and Development has started bearing fruit, because the number of new models that we have introduced have allowed us to cater to new segments and new geographical areas which we have not done for the past 2 years. This has also helped us in remaining more cost competitive. As you know, in the international market the power sector has not been doing very well. But Triveni Turbines is fortunate that our sector in the export market is mainly concerned with waste-to-energy, biomass which is the growing renewable sector and some process industries.

So, when you look at the broad brush of what is happening in the power market specially the very large power market it does not apply to our spread. I will be commenting on our joint venture GE-Triveni in a minute but I want to concentrate on the under 30 MW segment. Our new generation blades profile which had been under development and now have been put into operation and our IPR is building up in a very consistent manner. In the domestic market, the spread that we have in Sugar Co-generation, metals and the process co-generation is good, and we are able to cater to what the customer requirement in these areas. Coming to our Joint Venture, GE-Triveni Limited, the overall performance has been better than the year before and the JV was able to book orders for ₹ 305 million during this period.

The orders on hand and the enquiry pipeline from the international market is encouraging. We are looking at good bookings in Q2 and Q3. We are not waiting till the last quarter of the current year. There are very active enquiries some of which are getting postponed because of economic conditions overseas but our spread here again in geographical territories is good, we are looking at South East Asia and we are looking at some parts of Europe.

The increased order book from the exports and aftermarket business and having a strong forward-looking order book and a very good enquiry pipeline makes one believe that we will have a much stronger year in terms of both revenue and margin and bottom-line. This will be clear, much better in our H1 but we are seeing visibility of this because of large strong orders on hand. So, this is a situation different from where we were 3 months ago. The evenly spreading of order booking in various markets is the main takeaway that I would like to tell you which gives the confidence of going forward in the years to come.

We have also looked at our R&D efforts on looking at new products which we hope to introduce in the years to come and further feedback that we have got from customers on how they are changing onto value engineering and cost improvements for the current short term. There is no reason why they will not be as successful as we have been in the developments we did in the last 12 months which has started bearing fruit in the margin improvement which we will have in the current year versus last year. Our margins which we feel are better, have come from a spread of our orders in different geographical territories, a better overhead absorption and a better mix of products in terms of various geographical sectors that we cater for.

That is where we have in our order on hand and that is why we are able to give the confidence in the projections of the current year. More importantly the order enquiry pipeline which brings us to FY 19- 20 is also following the same mix and the same format. So, I think where we had concentrated on various geographies and concentrating export wise on biomass, waste-to-energy, and targeted sources co-gen is paying off because these are not seeing the same downturn in terms of market that has happened in other sectors.

I would now like to open the questions to the floor but just to end by saying that today I am standing here in a much better optimistic position having had this order book and the spread of geographies that possibly would there 3 or 4 months ago. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

We take the first question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: My question is with respect to domestic market. You had mentioned in your press release that you started seeing some kind of enquiry uptick. So, just wanted to get a sense from you as to what was the market size last year in this 0 megawatt to 30 megawatts? What it is currently and what it could possibly end at by the end of this year and do you see this kind of enquiry generation sustaining over the next few quarters also because there is a general election also which is coming up, so could that hamper the inflow in the second half?

Dhruv Sawhney: If we look at Q1 last year versus Q1 this year, it has increased from 125 MW to 300 MW but let us not go on that huge percentage increase. The domestic market has picked up. My thoughts on the following quarter is definite improvement over last year, last year was very bad, the first quarter was very bad, there was the GST and all that coming in, so we should not take a low base of the last quarter last year but even looking at what was actually the market situation in Q2, Q3, Q4 last year.

Domestically I see an improvement this year which is taking us close to where the elections are. So, the visibility I am seeing now, and this has come by analyzing our active enquiries. So, we are not really going by market trends or something that is more of a FY 19-20. Now in FY 19-20 I do not want to say something because general election coming in. But for the current year which is the order book in FY 18-19 which means performance in FY 19-20 we are very positive and that has really not influenced by the elections either in the states or in the center in the next 12 months.

Ravi Swaminathan: And what would be the market size 0 to 30 as of now?

Nikhil Sawhney: So, like we have said, the Q1 number of orders placed was about 300 Megawatts as compared to 125 Megawatts. The annualized market last year was about 750 Megawatts and we anticipate the growth would be over 20% on that.

Dhruv Sawhney: Yes it could be, which is substantial growth. So, there is a revival.

Ravi Swaminathan: And along with the improvement in ordering, is the pricing also improving?

Dhruv Sawhney: That is a very good question. There has been marginal increase up to now but with the increased order intake we are definitely confident of a better margin, because there is more to eat for everybody. The competitive intensity is less, the expectation level, everyone is having more orders, and everyone is seeing further orders. So, there is a little tendency of not having a certain price point which could be used by other people in the same sector, so we are actually changing our price points.

Nikhil Sawhney: And also, there is a marginal pass through of costs which will take place, so there will be price increases.

Ravi Swaminathan: And in terms of exports, so basically exports is a fair share of revenue, the recent rupee depreciation has it made us more competitive?

Nikhil Sawhney: We were not losing orders based on price anyway, so the fact is what it all will do will be better from a margin perspective for us as well as allow us to pass through anything.

Dhruv Sawhney: And the further question is, that actually the rupee depreciation in the last 3 months is mainly going to see our order conclusions in the next quarters, that is making those very competitive, the ones which you put out, because these are dollar quotes, so you are in a much better position versus international competition not Indian competition in the foreign market of enquiries, the active enquiries which are under negotiations for Q2 and Q3. So, that is why I made the feeling that our margins in order bookings in the current year will be better than what we had in the previous year in exports and overall.

Moderator: Thank you. We take the next question from the line of Pawan Parekh from Renaissance Investment. Please go ahead.

Pawan Parekh: Sir, my first question is, while in this quarter our margins are better y-o-y, so we are about 17% but in this quarter we have had more of exports and even aftermarket revenues also done reasonably well. So, our margins should have been closer to like 19% or 20% that we generally report?

Dhruv Sawhney: Good question. Quite a lot of the dispatch of Q1 has come from last year and these are almost ready and these are the ones that have been dispatched this year and the mix was different. It was not really dependent on our order booking this year or on, so we are really looking at the legacy of 9 months ago, and what had happened because that is really the dispatch part of what you had in the current quarter.

That is why I am confident of H1 where the second quarter is going to show an improvement of what we had here. The second is margin, and that is really in line with what you are saying. So, the improved aftermarket, the improved diversification in the exports is what is going to make the margin better in the next few quarters.

Pawan Parekh: So, you mean that last year some of the orders that you have taken were at lower margins and those have come into execution now?

Dhruv Sawhney: No, the mix was different to what we have now. The mix of aftermarket was different when we picked those orders then. You are looking at higher aftermarket today, so this will get reflected by your future margins.

Nikhil Sawhney: Also, there is another thing that as we operate with certain amount of fixed costs, as we tend closer to about ₹ 200 crore turnover on a quarterly basis, we have much better overhead absorption and what you see from our results is, yes, our material cost may have gone up which is a reflection of product mix but overall margins are impacted by fixed cost also, which if you look at it over a period of time of the business, which is over the next quarter as well as the subsequent quarters it will all get evened out.

Pawan Parekh: Sir secondly, we have been seeing deferment of orders on and off both domestic and exports earlier and the order in flow has not been pretty good this time. So, is it that some of the earlier deferred orders they have actually kicked in or these are like new enquiries which have materialized for us?

Dhruv Sawhney: Especially in our joint venture GETL, some of the orders are taking little longer for them to pick up and we expect that in Q2. But to answer your question, this is not anything, this is all new business. This is not the deferment.

Pawan Parekh: You mentioned the enquiries are good from segments like Sugar, Co-gen and a couple of them, cement, steel also. So, in this quarter what has worked for us in terms of better order inflows which segments?

Dhruv Sawhney: The same segments.

Pawan Parekh: So, essentially given that Quarter 1 has been really good and for FY 18 we have not had a very great revenue growth, so this year actually we should be compensating for the loss revenue growth of FY 18 also and at normalized margin. Is that a fair expectation?

Dhruv Sawhney: We definitely are going to have revenue growth and we definitely are going to have margin growth. We do not give a guidance on this but what you have mentioned as a trend is correct.

Moderator: Thank you. We take the next question from the line of Chirag Muchhala from Nirmal Bang. Please go ahead.

Chirag Muchhala: So, basically the question first is on the aftermarket. In this quarter we have seen increased order inflow as well as very high order backlog in the aftermarket, basically around ₹ 73 crore worth of inflow compared to normally ₹ 45 crore to ₹ 50 crore of inflow run-rate that we had, and you mentioned in your opening commentary that overseas market has contributed to it. So, is there any large refurbishment orders in it and should we assume because of these overseas offices getting more, this to be a normalized run-rate going forward?

Dhruv Sawhney: What I want to tell you is we have been successful in this quarter, but this is not reflective and you cannot take one quarter's performance and then put it as an average over the rest of the year. So, even when one has done well I caution that. But the point that we have got one is some refurbishment orders, so we are all very happy about that is that there has been this success in our perseverance in these exports offices and concentrating in the aftermarket in the export offices.

I being close to the customer giving him confidence that we can service him, these are the reasons why we took the expense of putting up this facility overseas. So, while I definitely feel that the overall business is going to be higher I cannot make a projection of exactly what it is going to be because this business is lumpy from quarter to quarter.

Chirag Muchhala: Second question is on the GE Triveni side. There have been international media reports that GE has decided basically to divest its stake from the GE Baker Hughes joint venture which basically holds stake in our company GE Triveni joint venture, so any update on that side? What happens if GE actually divests their stake to this JV?

Dhruv Sawhney: I would not like to comment on something that is in the media or coming from another company. All I know that is there is nothing that is in front of us today and nothing that I can see in this financial year or going forward. What may happen in the distant future is something that we will keep you appraised at the moment we are aware of something that has relevance to Triveni Turbines.

Chirag Muchhala: As of now also the international marketing of the GE Triveni continues to be handled by GE people or do we handle it now?

Dhruv Sawhney: No, it has been handled by GE, exactly same as it was before.

Chirag Muchhala: Last question on the API turbine side. Few quarters back we had won the breakthrough order of API turbine from Middle East, so any more business updates from that, any more orders that we have secured and what is the progress on execution of those turbines that we have got?

Dhruv Sawhney: Good question. The customer even though API customer and the Kuwait National Petroleum Company, we have now delivered them, so that off take was delayed a bit, so we expect them in operation in the next few months, so which is a big step through. Getting registration from places like Aramco and others have been much longer than one thought. Nothing is in our control. We are a small part of their purchasing overall, so we are pursuing it, we are getting some enquiries but the finalization of those enquiries is taking longer.

This is really not something that is in our control but all I can say is that our reception from oil producing companies and from these very high good margins new sector market has been good. So, when we go to the consultant, when we go to the parties, we are well received, we are not saying that they won't hear, they just say you have to follow our procedures and they take this time. So, this is really still a focus area.

Chirag Muchhala: Any addressable market that you can mention where we are already qualified and where we can bid for API turbines?

Dhruv Sawhney: Parts of the Middle East we can. And we are hoping that we can get some breakthroughs in South East Asia in the near future.

Chirag Muchhala: Any numbers that can be put around, addressable market size in terms of let us say Megawatt or Gigawatt?

Dhruv Sawhney: Addressable market size is very high, but I would not like to put that till we are qualified because the addressable means to us. Yes, so I would rather approach that question once we get into the question of getting enquiries.

Chirag Muchhala: And finally, what would be the GE Triveni JV's order book as of now?

Dhruv Sawhney: ₹ 164. crore

Moderator: Thank you. We take the next question from the line of Anand Bhavnani from Unify Capital. Please go ahead.

Anand Bhavnani: Can you give us some sense of the current capacity utilization within GE Joint Venture and the standalone Triveni Turbines?

Dhruv Sawhney: Well, I think it is the same because in the joint venture as a joint manufacturer the manufacturing of turbine for the JV is done by Triveni Turbines.

Anand Bhavnani: What would be the capacity utilization on a combined basis?

Dhruv Sawhney: I would say we have 50% to 60% market. Because there is a lot of outsourcing and there is the bought out equipments we can grow very substantially. I mean you can take at least that and with some small changes even more, so 40% is easy.

Nikhil Sawhney: As you know in our new facility we only have two bays commissioned right now.

Dhruv Sawhney: And space for 5.

Anand Bhavnani: If I were to track the order book, looking at the last 3 or 4 years order book at the end of first quarter, so in 2014 it was ₹ 7.6 billion, in 2015 it was ₹ 7.8 billion again in 2016, it was close to ₹ 7 billion. So, we have not been able to increase our order book beyond this ₹ 7 billion or ₹ 8 billion number. Now when do you see this crossing, let us say the Rs. 10 billion or ₹ 11 billion kind of number?

Dhruv Sawhney: So, let me tell you what we have done, if you look at some of the players in the power field, their turnovers have gone down very substantially as you must have noticed. So, we have been able to weather this thing internationally very well by diversifying our sectors. I think we are positioned well to take up, because the sectors we are in have now started showing fruit, so we are quite confident that with our offices now starting to kick in, in terms of post product and after sales service and with the number of units having been commissioned overseas, that takes time.

It is not only dependent on us, it is dependent on the customer having the other facilities in commissioning his power plant. That will start seeing traction in the current year but very much so in 2019.

Anand Bhavnani: Can you give us a breakup of our Q1 revenues in terms of turbine sales, aftermarket and refurbishment?

Nikhil Sawhney: Aftermarket is the same, about 24% of the turnover from aftermarket, we include refurbishment in the aftermarket segment.

Anand Bhavnani: Turbine sales?

Nikhil Sawhney: Yes.

Anand Bhavnani: Margin wise, how would be the split between these two segments?

Nikhil Sawhney: Aftermarket is much better, but we do not give the break ups.

Anand Bhavnani: Order book, you mentioned that mix has changed, we have higher aftermarket so if you can you give us a sense of the order book split in terms of aftermarket?

Dhruv Sawhney: Yes, it is in the investor brief, but I can get it out. The split of order booking is the split of orders in hand in aftermarket and 13% of the order book is aftermarket.

Nikhil Sawhney: That is ₹ 103 crore.

Dhruv Sawhney: But you must understand that aftermarket has a much quicker cycle than the product, so looking at the opening order book and saying does not mean that the turnover is going to be in that same split because the book in bill is much quicker in aftermarket than it is in product.

Anand Bhavnani: Earlier in the call you gave a couple of figures I could not understand so if you can explain. You gave a number 300 Megawatts order placed vis-à-vis 125 Megawatts last year. What was this number in relation to?

Dhruv Sawhney: The question was what was the domestic market now versus last year. So, we gave a figure of what we believe was the market in Q1 last year overall and this year but with a caveat to say that because it is a very low base last year this increase should not be looked at as a percentage way of forecasting the future increase though we expect the domestic market in the following quarter to also be higher than the last year market.

Anand Bhavnani: If I were to look at these numbers, in terms of megawatts numbers, in Q1 this year is roughly 140% higher. Had it translated into commensurate rise in revenue?

Dhruv Sawhney: No, see an order booked today will translate into revenue in 9 to 12 months. So, this is the time cycle of the power generation steam turbine business.

Anand Bhavnani: So, my sense will be how should expect revenues to be 140% high given the order book is 140% higher in megawatt terms?

Dhruv Sawhney: No, let us take a differentiation. We talked about overall market going up, we talked about our orders going up, we had a 43% increase in the domestic order, this will come in the quarters, three quarters from now or 4 quarters from now is a reflection in the dispatches.

Moderator: Thank you. We take the next question from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram Just wanted to get some clarity like you were expecting sugar and co-generation are a good growth driver, but when we look at the overall sugar scenario it is in a very bad shape. Just wanted to understand that where are these orders coming because the sugar mills are not performing well?

Dhruv Sawhney Good question. Let me tell you in the Group we are also in sugar, so we are very, very aware of that. You see sugar standalone has got problems in the environment. So, the driver for sugar companies is in the full exploitation of their co-products which is molasses and bagasse. In molasses it is to put up ethanol plants and you know the big incentive that will be given by the Government of India in funding and the priorities that has been given by the Prime Minister towards ethanol blending. Now these distilleries also have power generation proponent we have already got some orders. In the case of more crushing because yields have gone up, there is more bagasse availability.

So, at least to counteract low sugar prices we will have to get revenues from co-generated power even though the rates are not going up, but they are still very viable in terms of having a diversified revenue stream for the sugar plant. So, it needs the revenue stream from ethanol, from power and from sugar that is what I am saying.

Nikhil Sawhney: There is good funding for it.

Dhruv Sawhney: And the funding for the ethanol is there, so there is no problem of funding, both sugar development fund and the banking sector.

Renjith Sivaram: Okay so you believe that even though the sugar prices and other things are in a bad shape, the sugar mills will continue to do the CAPEX in terms of ethanol so that their overall yield will increase, so that CAPEX will continue?

Dhruv Sawhney: Yes, there are no options. They have to do it otherwise they are not able to increase their profitability and revenue stream and the risk factor is very large to rely only on the sugar market.

Renjith Sivaram: Okay. And apart from sugar, which other major sector you are seeing an uptick? Are you there in chemicals, fertilizers? Is there any uptick?

Nikhil Sawhney: So, without getting into the specifics, the large segments are process cogeneration which includes certain sectors that you talked about but more than that it has been metals and steel, and the enquiries from cement have been very strong also.

Renjith Sivaram: Okay. And what was the impact of this rupee depreciation in this revenue growth because you mentioned that export had been a driver in terms of the revenue growth?

Nikhil Sawhney: The rupee depreciation we follow a closer hedge accounting and a majority of our external, that is foreign currency receipt are hedged. So, what you would see in terms of this currency depreciation of the rupee is when the new contracts get expired, you would find much better profitability because the rate including the forward premium would be somewhere in the region of about ₹ 72 and ₹ 73 for dollar contracts.

Renjith Sivaram: Okay. So, this current revenue growth, is there no impact because of the rupee depreciation in the revenue?

Nikhil Sawhney: No.

Renjith Sivaram: Okay. And I had missed it, what is the current market in captive cogen in the domestic that you are seeing for this year? I heard it as around 750 megawatt, is that the right number to look at?

Nikhil Sawhney: That was last year.

Dhruv Sawhney: I think this year we will be looking at over 900 megawatts.

Renjith Sivaram: Around 900 megawatts?

Dhruv Sawhney: Yeah.

Moderator: Thank you. We take the next question from the line of Ashutosh Mehta from Edelweiss.

Ashutosh Mehta: This is more to dwell upon one of the questions which an earlier participant had asked. So, if we look at the sales mix during this quarter, so we have a larger portion of exports and aftermarkets. But however, when we look at the gross margins, we see a decline there. So, is there any specific one off or a contract which has a lower margin which we have delivered now?

Dhruv Sawhney: Yes. That is exactly my point that this had been coming from the previous year and that is exactly what happened.

Ashutosh Mehta: So, this was related to an export order?

Dhruv Sawhney: It was really a margin on a breakthrough. This is the execution of our first oil and gas. That was our first order, very big one, lot more went in to it than we thought and very high certification and compliance procedures, but we have learnt the ropes and all that is now accounted for and delivered.

Ashutosh Mehta: Okay. So, do we have any other such orders in the order book?

Dhruv Sawhney: No.

Moderator: Thank you. We take the next question from the line of Vijay Gaur from First Global. Please go ahead.

Vijay Gaur: What are the margin levels that we are expecting since the export contribution is really higher here and the margins sequentially is low somewhere. So, what are the margins that we are expecting for the next quarter?

Dhruv Sawhney: We do not give our thing, quarter on quarter. But I want to just mention two very positive things, looking at catching up higher-margins in Q2 than what we got in Q1 and that the overall year margins are going to be higher than what we had last year. So, because we have been in the capital equipment business is something that gets delivered in one month and does not get delivered in another month and that is a higher margin and a lower margin. One quarter you may see a huge spurt in something and then it is dangerous to take those as a projection for the future. Then the positive in margins both on a half yearly basis and on the full yearly basis.

Moderator: Thank you. We take the next question from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Sir, with regard to earlier you highlighted that sugar co-generation sir do you think that the B-heavy processes will aid in CAPEX for us sir, which Government had envisaged?

Dhruv Sawhney: Yes, most definitely. But it will take a little time if it is but many people are moving to ethanol distilleries on B-heavy. The Government has increased the pricing of ethanol for B-heavy which they may make it further intensive, but we have to do that if we want to get our ethanol blending even up to 10%. So, we know it because we are in that business and we will be pulling it ourselves as a group. These are very encouraging trends in terms of power generation equipment even in a sector where the sugar is not alone doing that work.

Kirti Jain: Sir, from FY 19 we will start seeing order for B-heavy molasses or when you are seeing orders for B-heavy?

Dhruv Sawhney: It might be even in the current year, FY 19 may be. I do not know but certainly I know that I cannot say now because we have not had our earnings call on Triveni engineering as yet. Perhaps you can hear.

Kirti Jain: Now we have established our second plant also and we will continue to see good cash flows so any plans of diversification further in the concentric circles?

Dhruv Sawhney: Yeah, good question. We have no big diversification or anything in this current year that we are looking at. We are certainly looking at new product lines. We have plenty of capacity for new product lines so our R&D effort with this we are actually spending money on that, we have the space in terms of our results of the year can absorb higher R&D expenses because they have the returns coming in the years ahead and secondly we have both the capacity in terms of the plants and equipment and space for further expansion.

The second thing that we are doing we are going even further down the line, the small CAPEX in terms of testing equipment because it will supplement our R&D we are probably are going to have the first testing lab or the second one which we will have it in Asia. Now this will allow us to really start stimulating state-of-the-art technologies which we are developing. So we are benchmarking now higher and higher in international space. But there is nothing in the FY 19 year that we are contemplating.

Kirti Jain: On exports piece which are the geographies we are seeing good traction sir are they on developed market or on the developing market side, sir?

Dhruv Sawhney: Well, the developed market has been better than last year, we expected it can still improve but it has definitely been better than last year, and we have got orders also in Q1 better than what we had last year. Again, they are the sectors which I said waste to energy and biomass and limited process cogen and these will continue. Secondly, we are seeing some traction in South East Asia better than last year. LATAM has not picked up as the way we thought it would and some parts of in refurbishment business and others in the Middle East and Africa are doing well.

Moderator: Thank you. We take the next question from the line of Chirag Muchhala from Nirmal Bang. Please go ahead.

Chirag Muchhala: Just one follow up. Sir, is there any Forex gain in this particular quarter?

Suresh Taneja: Forex gain, no we follow hedge accounting and on variations on account of MTMs are put into hedging reserve and which are then adjusted against the revenue at an appropriate time when the turbine is dispatched.

Chirag Muchhala: Okay sir now it does not flow through the P&L unlike earlier process of other?

Suresh Taneja: Yes, it flows through OCI - other comprehensive income.

Chirag Muchhala: Because that figure is negative actually in this quarter negative Rs. 2 crore despite rupee depreciation.

Suresh Taneja: Yes, absolutely because the rupee depreciation is negative it keeps on happening like this finally it gets adjusted in the revenue and you get the hedge rate.

Dhruv Sawhney: Yes, it is not a loss, but it is under the accounting standards we have to provide for it. This is happening even though we have not delivered the turbine.

Moderator: Thank you. Next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Sir, just one question on the domestic market. Have you lost market share in this quarter because it is about 140% increase in terms of market size and we have grown order inflow by 43%. So, is it loss in market share or is it loss in pricing?

Nikhil Sawhney: No, we have actually gained market share.

Sagar Parekh: So, then this 43% rise in order inflow does not match with 140% increase in market size, right?

Dhruv Sawhney: No, see the market that we estimated in, so I think you are right. We looked at the orders maybe the market figures of last year were not entirely 140 or 150. But we have traction on all orders, so we know exactly what we have lost and what we won. So, in that we know that our market share has actually gone up. It is around 60%, 65% figure.

Moderator: Thank you. Ladies and gentlemen, this seems to be the last question for today. I would now like to hand the conference over to the management for their closing comments.

Dhruv Sawhney: Thank you very much. Thank you for the very active questions. I would like to just summarize our position by saying that we view the balance part of FY 19 very positively. We have a very good order book best that we have had, and the mix is good in terms of international and domestic and aftermarket and products. The strategy of diversifying our geographical presence internationally with the help of our export offices is working.

The domestic market is picking up. And the increased domestic market will bring about an increase in margins as well. And our research and development efforts in the past which have brought new models out have been well received in the market and so have given us opportunities of catering to the sectors which are growing which is waste to energy and biomass and in the cogen and the ethanol sectors domestically plus what is available in metals and cement. So, we expect a better Q2 and good H1 results and ending the year with a positive increase in both top line and bottom line. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Triveni Turbines, we conclude today's conference. Thank you all for joining us you may disconnect your lines now.