Triveni Turbine Limited

Q1 FY 20 Earnings Conference Call Transcript
August 05, 2019

Moderator: Good day, ladies and gentlemen, and welcome to the Q1 FY '20 Earnings Conference Call of Triveni Turbine Limited. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from 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 Q1 FY '20 Earnings Conference Call for Triveni Turbine Limited. We have with us today on the call Mr. Dhruv Sawhney – Chairman and Managing Director; Mr. Nikhil Sawhney – Vice Chairman and 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 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 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 very much indeed. And welcome everybody, good morning, to the Q1 FY '20 earnings call.

We have a good set of numbers for you this morning. Our net income from operations had a growth of 24% versus last year at ₹ 2.14 billion. And this resulted in an EBITDA of ₹ 468 million, which again had a growth of 39% over the corresponding quarter last year. Our profit before tax increased to ₹ 409 million in Q1 FY '20, a growth of 41%, but what was exceptional was the growth in profit after tax at 62% and resulting in a figure of ₹ 307 million. The EPS not annualized for Q1 FY '20 is ₹ 0.95 per share.

Also encouraging is the strong outstanding order book at ₹ 7.2 billion. The notable achievement is that our PBT margins are back to the level we achieved in the past years and which is in line with what I communicated to you in the last financial year during our earnings calls. I'll be referring to this a little more further on. The period under review recorded an order intake of ₹ 2.15 billion. And the mix of exports and domestic is virtually the same as it has been about 40/60. The order booking is lumpy domestically, and Q1 has been lower than last year. Of course, this has to do with the elections and general conditions, but we feel that the subsequent quarters domestically will be better. And we're having encouraging inquiries from various sectors.

The domestic turnover is substantially higher, at 84%. And this is really owing to the preponement of some product deliveries in the domestic market. As I have mentioned on a number of calls in the past, quarterly results should not be viewed just by themselves because in this capital goods business there are times when there is preponement. And there are times when it just goes into the next months, which you've seen in some quarters last year. We are happy that this time it's a preponement and which resulted in a very good performance. And I will be talking more about the future a little later on.

Inquiry generation in the domestic market is about on the same levels as we've had in the past. We have not had much any slowdown which has happened in other sectors. Then that is encouraging. The sectors that we are looking at domestically, we are having extremely good growth, and in the molasses-based distilleries. And you'll be reading about this in the press and otherwise. That is very encouraging, and we expect it to continue for the next couple of years at an increasing speed. Also process cogeneration and a little bit in the steel and cement sectors.

In the aftermarket, again it is lumpy, and some orders have got postponed to the subsequent quarters. And order booking was ₹ 619 million which is slightly lower than last year. We expect this to make up by H1 of the current year. The aftermarket, we feel, is very encouraging in the inquiry sense. And our refurbishment business internationally in the lines of turbines, not just of our range, of other people's turbines, is a major growth area we are looking at in the future and something that we've been trying to break into for the last few years.

The inquiry pipeline in the aftermarket and refurbishment sector internationally is coming from various geographical segments and that is encouraging. And it's really been due to the efforts we've put in, in the last 3, 4 years of spreading our efforts through offices and through increased penetration in the international markets. The international product order booking has been higher than the previous year and the orders in hand are good. At the end of Q1 FY '20, the total outstanding order book internationally is ₹ 3.5 billion. And this is versus ₹ 3.3 billion, so it's a substantial difference in the quantum that we have.

The Company's achievement in the international market was commendable at a growth of 26% year-on-year in the product order booking, and this was in spite of a general slowdown. Turnover, as I said, is lumpy, so that it is less in this quarter, but we expect to make up in Q2 so we'll be on target at the end of H1. The inquiry book is strong. And we see this coming from a number of areas from South America, where we had a little bit but we've had very good penetration now and especially from the Africa regions we are getting good response; from Southeast Asia. And very much to our benefit is in Europe, something which we didn't get too much traction last year. And that again is through our efforts in this area in the last couple of years. So, these are counteracting some areas which have gone down slightly, but we are still getting substantial business from our main markets of Turkey and some parts in East Africa and Nigeria, where we are expecting some good business in the next 2-3 quarters.

As I'm mentioning, the business is lumpy, but we are seeing order booking in the current year FY '20 to be better than what we got in the last year. And we've made a very good start. So, not only is the inquiry book good. Quite a lot of it is active. I think some of this is to do with our substantial design and development efforts. And as I have mentioned in previous calls, we have tackled 2 major areas. One is an increase in our product offerings, an increase in our efficiency levels to meet customer expectations. And its strong emphasis on value engineering and cost reduction. I think that has been a fairly substantial achievement in Q1, and you see the results in our PBT. More of this is expected in the subsequent quarters, and that is why we can say that we are looking at an increased topline in FY '20 versus the last year and an even better increase in the bottom line in FY '20 compared to FY '19. So, we are very happy that our margins are now coming back to the levels that we were having in the past. So, these are the real efforts of both very strong supply chain efforts and our value engineering efforts in design and development. Naturally this comes through a reflection of what we are looking at the material cost, which has come down from 60% to under 57%.

We are also happy to announce that our new test bed is now functioning. This is one of the most modern test beds globally today. And in the steam turbine area, I think we are probably the only one who would put up any new facilities like this. This is to encourage our further developments in R&D and value engineering and test them out before we put them into the market.

Our relationships with international organizations, especially the University of Milan and the Indian Institute of Science in Bangalore are even stronger than we had in the previous year. And they are continuing, especially in our initial efforts of development of a whole new range of turbines in the future, CO2 turbines, which we are in the same realm as other major steam turbine producers globally. And so we are really on the frontier edge of looking at new technologies coming in the next few years.

I would like to go back to the outlook again and summarize this by saying that we are very optimistic of achieving a better topline and a better bottom line in FY '20. And this has come through our efforts of diversifying our efforts in a wide geographic area internationally and mainly concentrating on the international market rather than just on the domestic, which we did the shift which we started about 3 years ago. On our joint venture GE Triveni Limited, management and investor expectations about the past performance and potential of the joint venture GE Triveni Limited were not resolved with GE. And TTL filed a petition with the company national law tribunal, NCLT, which has given some interim relief. And they're on the BSE website, which we put them up on the 13th. And currently the case is being heard. A case was filed by GE in the Bangalore high court, which has heard the petition, and referred the matter back to NCLT. The matter is sub judice, but GETL, our joint venture, is pursuing business in both the domestic and international markets. And we have some good potential inquiries which we expect to turn into orders in Q2 or in Q3. The orders in hand in GETL are ₹92 crore. And the execution orders is going on well. In fact, in the month of July, we had a very successful commissioning of one of our old orders in Southeast Asia, in Indonesia. And we expect more business from these areas as well.

I'd like to close my opening remarks by saying that in fairly tough international market conditions both internationally and domestically we have distinguished ourselves by our performance in Q1. And we expect performance in the year which is lumpy quarter-to-quarter but for the year to be better than what we had in FY '19; and certainly going forward into FY '21 with the order bookings in FY '20.

Thank you.

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

Ravi Swaminathan: So, I just wanted to get an understanding on the domestic market, given the backdrop of slowdown in the automobile sector. So, basically do we see a prolongation of pickup in demand in the domestic market, especially from the core sectors like steel and other ancillary markets, and given the fact that real estate is also not doing still well? So, probably can there be a postponement in terms of domestic demand for probably another 6 to 12 months? Or are there any other compensating sectors which can compensate the inflows there?

Dhruv Sawhney: Yes, that's a good question. I've mentioned it a bit in the opening remarks, but let me focus on it. Because the first question is that I think the general feelings in the industrial sector is not really comparable to our sector. So, that's the first part, especially not the automobile. And second is that our response in Q1 and in the past and the active inquiries that we have in hand also don't match with what's happening with the sectors generally, even in capital goods. Now let me just go into this a little more. One of the really major growth sectors for us is in the ethanol distillery business. And you see the government is very keen on this, and the industry is very keen. The government has given a substantial amount of funding which has already been approved. So, most of these projects, lower funding has already been approved. The Triveni group itself has got some substantial figures in this. And the number of new distilleries coming up to fulfill the ethanol demand and certainly try and go from our current levels of 6%, 8% up to some 20% in the next 3-4 years will require substantial orders of steam turbines as well. So, that's a very good sector. Secondly, even in the sectors of cement and steel, which will be nontraditional sectors, while we may not be seeing definitely any new equipment or brownfield equipment, the waste heat recovery part is quite good. And the returns there are good for these sectors. And that's why the efficiency improvements that they embarked on are not very capital intensive, so don't require lots of funding; and are not having very large projects but have a steam turbine component. So, the inquiries we are seeing from there also helped in balancing what may be happening in sectors, such as the automobile, which have nothing to do with any steam turbines. So, looking at both these elements, we don't expect any dip in demand, anyway. We may even see some slight growth, but small. However, we again say that, while this is there, our main PBT growth is going to come from the international market because the domestic market will remain competitive.

Ravi Swaminathan: Got it, sir. And in the domestic market, out of your order book, how much of it would be contributed by core sectors? Even rough numbers is fine. So, core here means cement, steel.

Dhruv Sawhney: That varies. So, I think you'll take a broad brush because it changes from quarter to quarter, but what I'm saying, it augurs well for Q1, Q2, Q3, anyway. And that's what is important.

Ravi Swaminathan: Got it, sir. And ethanol, how much would it be contributing? I mean even ballpark numbers, 20%, 30%?

Dhruv Sawhney: You can come back to us, but the more important point in the ethanol is that it's increasing, that it has increased in Q1 and Q4 of last year.

Ravi Swaminathan: And in terms of the GE joint venture. So, basically, now that a case is ongoing, I just wanted to know regarding the continuity of the joint venture. Will there be a threat to that? And will it have any robust effect on our 0- to 30-megawatt range, which could have seen some very good traction over the past few years because of the GE brand being there on the overall export market? Or is it like there's not going to be any impact on 0- to 30-megawatt range?

Dhruv Sawhney: Well, I'd like to take this question now. And I'm sure some others also have it. The first thing I have to say is that, as you all will realize, the matter is subjudice. And I've made my opening statement. In that, I'd like to add that business in the JV is continuing as it was. I mentioned an important fact, that we commissioned a substantial order in the international market in July in the joint venture. We are actively pursuing inquiries that are on hand and are receiving more inquiries, and so we are not expecting any disruptions. Orders in hand are there and the performance in Q1 was good. You've seen the impact in the TTL results of Q1. And so as I said, probably we are looking at receiving orders in the JV, some orders, in Q2, Q3.

Ravi Swaminathan: Okay, but I mean, are we as a joint venture seeking for further orders going forward? Or is it like given the fact that there's a case going on, we are not actively pursuing for fresh orders, sir?

Dhruv Sawhney: No, we're not there, we are pursuing for further orders.

Ravi Swaminathan: Okay. And what is the fixed cost from Triveni's point with respect to the JV as of now, sir? How much will it be?

Dhruv Sawhney: No, we have no fixed costs for the JV.

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

Sreemant Dudhoria: I have 3 questions. Sir, first question is in continuation with what the last participant asked. In the joint venture, currently are we managing it solely, or is it currently being managed jointly? And in terms of procuring the business in the joint venture, are the efforts still on? Or is it that we are only doing the existing business?

Dhruv Sawhney: I think I answered this question that it's an independent entity and the joint venture is being handled in the way it has been handled in the past. It's continuing. And it's looking for business and it has some active inquiries.

Sreemant Dudhoria: Great. Sir, my second question is on our margins. Now I see that margins have improved. And one of the prime reasons has been lower cost of goods, which has come down to 57%. So, if I were to compare, with Q1 of last year, it was 52%. It was 60% in Q4, and it's 57% now. So, what is the number that you think is more realistic and can be expected to be going forth?

Dhruv Sawhney: As I said, because the business is lumpy, to give a firm figure for the year is difficult. The important point is that the trend that has happened, which is reflected in the lower raw material percentage in Q1, is what is making one be able to give you a question that our margins are back to normal. And that is what is there when you look at the projected performance in FY '20, which we feel is going to be better than what we achieved last year.

Sreemant Dudhoria: Well, just again I didn't follow the answer. I'm just trying to understand where..

Dhruv Sawhney: I can't give you exact figures of what the figures will be.

Sreemant Dudhoria: But I was just looking is it on the higher side, the lower side?

Nikhil Sawhney: Our expectation is that material costs should be in the low 50s. The reason is that we had certain exceptional costs that were taken, when material costs were at 60%. And as you know, with this current quarter, the booking of aftermarket as well as the domestic market was higher, so therefore those will also suppress margins. But to give you an indication, the previous exceptional costs that we had taken are out of the way, and as was stated, we believe that margins will normalize. And it will also be supported further by a change in the execution mix between international and domestic as well as the aftermarket which will further strengthen. But after all, the margins are somewhere in the region that we've always expected it to be this quarter. And it's something that we're confident going forward as well for the year.

Sreemant Dudhoria: And sir lastly, on other expenses. Other expenses are ₹ 25 crore versus ₹ 28 crore in the Q1 of last year and 31 crore in Q4. And from what I understand, you had new product introduction expenses. So, that was on the higher side, but whether this ₹ 25 crore number is sustainable or is there some one-off gains here and other expenses should rise going forth?

Dhruv Sawhney: No, there were lower exports in this quarter which is one of the reasons of the other expenses. Otherwise, we expect to get back to where we were earlier. It should not be very significant for the quarter.

Sreemant Dudhoria: Yes, sure. And lastly, sir, on order books. Generally, order book is more of an indicator of revenues a year hence from the current quarter. So, with the order book degrowing, how do look at, let's say, next 18 months?

Dhruv Sawhney: No, I want to correct you there. We are expecting an increase in outstanding order book by H1 and certainly by the end of the year. So, there's no decreasing order book. The order booking expectations in FY '20 are going to be better than what they were in FY '19. So, we are definitely exactly opposite to what you are saying. There's not a decrease, where the quarterly dips are not important. We have very active inquiries. And just like dispatches may be preponed, sometimes order bookings are going from 1 quarter into the next quarter, but I've already given a clear indication of our expectations in H1 and in FY '20 as a whole on increased order booking.

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

Bhavin Vithlani: My question again is on the GE JV, the issue. So, you mentioned there was order inflow booked in July. Could you give us some color on that?

Dhruv Sawhney: No. I'm sorry. I think you got it wrong. We commissioned an order. It wasn't an order inflow. It was an indication of business carrying on that I said, that the JV is executing orders normally and we actually successfully commissioned an order, an important one, with an important customer. And so this is just giving you an idea of where the JV is today and how it is carrying on.

Bhavin Vithlani: Are the marketing people going and pursuing for fresh orders or...

Dhruv Sawhney: Absolutely, they are. And we are expecting some success in Q2, Q3.

Bhavin Vithlani: Okay. So, it's more just to remind the partners about the past promises and this JV will continue with business as usual. Would that be a fair assumption?

Dhruv Sawhney: Well, you have to understand that my comments should be taken where they are, the matter is sub judice. So, our petition is with NCLT, and their order is on the BSE website. So, that's what I'd like to leave you with.

Bhavin Vithlani: I understand, but the doubt that we have is would the JV end completely?

Dhruv Sawhney: No, not at all.

Bhavin Vithlani: Okay. Yes. That was very helpful. The second question is you spoke about ethanol being a strong driver for domestic orders this year. Would be helpful if you can just help us quantify in megawatt what is the size of the opportunity, what is the market size that you are looking at.

Dhruv Sawhney: You see, one can give some very fancy numbers, if you look at where we are going from 6%, 8% to 20%, but in the sugar and other industries, the timing of how these people approve their projects, get environmental clearance and then place the orders is not easy to project. The important thing is that this is a substantially increasing trend. And we have a product that is ideally suited in this market, and we've had very good success and we have extremely good market share. These are the 2 things that I would leave all of you with, that our market share is good. We have the right stack of product. And government is going more and more into ethanol being made from B-heavy molasses and from juice. So, the sugar element of cane is being diversified further and further. And the government wants this to fulfill the demands of the cane farmers and also help the balance of payments and the environmental position by having blended ethanol fuel.

Bhavin Vithlani: Sure. That's helpful, sir. Last question is you have in the past spoken about cement waste heat. Could you speak about the waste heat opportunity in the steel? That's my last question.

Dhruv Sawhney: A little bit there also. There is a little bit happening there.

Bhavin Vithlani: So, how large is that? So, actually we want to understand how large could be this opportunity on a megawatt piece?

Dhruv Sawhney: That's difficult to put out. Again, you know the sector, other analyses. So, the timing, there's no point. We don't even go there as to when it happens, but all we know is that there is this demand which is good. And it's appreciated by the customers and they want to look at it. The timing is really very much in their purview, and so therefore it's difficult to answer your question in terms of the quantified demand and when.

Bhavin Vithlani: What we were looking you mentioned like 6 to 8 megawatts per million tonne of cement plant. Some rule of thumb on the steel side, that's what we were looking for.

Dhruv Sawhney: I think you could contact our people, but I don't think, as far as I know, because it varies with different types of steel plants varies from and so it's difficult to generalize, I feel. However, you could contact them. But I think the important thing is that this trend is still there.

Moderator: Thank you. The next question is from the line of Kirthi Jain from Sundaram Mutual Fund. Please go ahead.

Kirthi Jain: Sir, second, my thing is that, sir, with regard to sugar and ethanol CAPEX. Currently, like all the Tier 1 companies or who have a good balance sheet have done their CAPEX, one round of CAPEX at least, like our own company, our own sister company, which has done with their distillery expansion. Given that now the companies which are to do with their first round of CAPEX are relatively "lower balance sheet quality" companies. So, with this background and given the credit rationalization happening in the system, do you expect the CAPEX momentum to continue in the ethanol space?

Dhruv Sawhney: No. I think what I'd like to clarify is that the government has a substantial scheme of funding which they have already approved. And the applications that government have already given, you can say, we had in the last 6, 8 months are very substantial and which they've cleared. So, majority of the funding for these is coming from the subvention interests that the government has already approved and budgeted for. And so the clearance from the funding institutions here particularly is not comparable with normal funding. So, your fear of the fact that they may not be having strong balance sheets doesn't quite apply here because of the viability of the project with the participation of the central government. And secondly, the state government is also very keen on promoting it in terms of offtake of the ethanol. And lastly, the oil marketing companies are also projecting increased listing of ethanol in the current year and in what they're going forward.

Kirthi Jain: So, in terms of aftermarket, any improvements we should see given that on the accomplished turbines also we are working, should we see improvement sir there?

Dhruv Sawhney: Yes. I want to just close my thing on the ethanol so that it's very clear. The increased ethanol for FY '20 and FY '21, this is a demand structure. India is a very small participant than when compared to other nations of the world. So, we are coming up a lot in that. So, steam turbine demand in as far as distillery production is there and is very good. So, this is the natural corollary of the government having taken up the initiative of a big push in the ethanol sector. So, that's a counterbalance for us, as far as the general industrial scene is concerned, and manufacturing. As far as our efforts in refurbishment and service of other model turbines, again this is an approach which takes time, but we have dedicated resources now both in the technical design side, in the execution and in the marketing side. And we are seeing good traction coming in, in terms of inquiries. Now one of the fortunate things that we have is that we had spread our geographical and segment-wise marketing efforts for products to a wide range and countries in wide range. So, we are tapping this to also help in this area. So, we have a dual approach there where we are going now very strongly marketing for the product and marketing for the aftermarket.

Kirthi Jain: Sir, in the domestic market we have seen order intake for the first quarter dropping. Do you expect that for the full year we should be able to make it out and order inflow should be better compared to last year?

Nikhil Sawhney: I think what we talked about is that, while Q1 was impacted severely because of the elections, where there was inquiry buildup. We see that in Q2 and Q3 going forward, that should normalize, but having said that, we are not looking at any demand dip. If in fact we should see a growth in the market, to what extent, I think we'll have to wait till the next couple of quarters. From an ethanol perspective, the company gets between 5 to 6 fresh inquiries every month in the sector, so there's sufficient demand. About 25% of those will be converted.

Kirthi Jain: Sir, this 5 to 6 number that you are putting, what was it like last year, sir? Just to understand better.

Nikhil Sawhney: No, I'm not saying what the demand is. I'm not certain, but the demand is very strong.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Sir, couple of questions from my side. Sir, first, to elaborate around the domestic demand drivers, can you throw some light on the export side as well, what is driving demand there?

Dhruv Sawhney: As I said, you see we are fortunate in the export market, which is quite a difficult industrial scene to be in the right sectors. And in calendar year '18, we were an international market survey organization classes as the largest renewables. In the renewables space, we were the largest suppliers of steam turbines in the 5 to 30 megawatt market globally. And we were having some 26% of the market that they established in that year. And there are just 2 players in the top, and the third player is about half us. So, now this market which has waste-to-energy, it has biomass. It's still there. It is growing slightly, but it is not dipping. In fact, more and more people are coming up with these demands of both waste-to-energy and municipal waste and biomass. And it's fortunate that they are in our megawatt size because they are difficult to have very large projects for biomass. That's why we are encouraged in this line where we are not looking at coal-based demand in the steam turbine area and in the renewables space demand. So, we are differentiated very much in that. And that is how the international market is also looking at it both in developing and in developed countries. So, this is what I shall leave you with.

Dhaval Shah: Sir, yes, perfect. So, which geography are you seeing this waste-to-energy and biomass-led demand? So, I understand Europe is a good demand. There is good demand coming from Europe. Which other countries or continents are you seeing?

Dhruv Sawhney: Well, I can just go from the past. We are seeing good demand. We are fortunate in having a renewed success and interest in South America, maybe where it's quite far away but we are very competitive and we have got orders. And we have very good inquiries there. Southeast Asia and, as you mentioned, Europe, but there is also some demand coming in, in parts of Africa. So, quite a lot of that is adding to it.

Dhaval Shah: Sir, is this backed by government's new rule or anything of initiative backed by the government that you're seeing across the board vis-à-vis the energy?

Dhruv Sawhney: Yes. It's both. Some places where they don't want landfills, they're going on with municipal waste. And there may be some issues especially in the developing areas, surprisingly. You're finding it in 1 or 2 countries in Africa which are taking a lead in this. Small demand, but these things all add up where they are wanting to move to be helping the environment. And it's a combination of the project being commercially viable on by itself and not depending on government subsidies and government's push in the environmental area for people to not leave the wastes lying around.

Dhaval Shah: So, can this opportunity give you a sustainable growth for next 2, 3 years? Do you have that sort of visibility, this entire biomass and waste-to-energy segment?

Dhruv Sawhney: Not only do we have that confidence; we see an increasing trend here. We definitely do. The answer is very positive, and we see an increasing trend.

Dhaval Shah: Very good. And sir, last question on the domestic front. You mentioned one is ethanol, which I understood. And the second is the refurbishment demand for waste to heat from cement and steel. So, now what could go wrong for your demand driver on the waste-to-heat side? Because the other portion which government backed there is funding secured, as you mentioned, but on the private side, which is at the discretion of the private players, what could go wrong?

Dhruv Sawhney: Timing.

Dhaval Shah: Timing, okay, but the demand is supposed to be certain, correct?

Dhruv Sawhney: Yes, absolutely.

Moderator: Thank you. The next question is a follow-up from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: Sir, in terms of preponement, can you give us some sense of how much was preponed in the domestic market in Q1? And given that there is some preponement, so should we expect Q2 to be soft from the domestic market perspective?

Dhruv Sawhney: No, I don't want you to go there. As I said, it's not worth looking at individual quarter results. This has been fortunate for us and we've had exceptional results, but more importantly it's to notice my statement of the projection for both H1, which we are confident is going to be better than last year; and the end of the year, which is also going to be better. So, that is our answer to that, that while the lumpiness in the quarter may remain, as far as dispatches or order booking, the trend is upwards in both topline and bottomline.

Sreemant Dudhoria: Got it. Sir, my second question is on the overall other expenses. Now if I see in the standalone and consolidated numbers, this is a bit dated. This is for FY '19 as a whole. I see other expenses are ₹ 120 crore for consolidated, whereas other expenses are higher at ₹ 131 crore for standalone for the full year FY '19. So, consolidated having lower other expenses is a bit surprising. So, can you help us understand what's the reason for this ₹ 11 crore difference?

Nikhil Sawhney: In general, what other expenses are heavily influenced by is the demand of exports in a given year. So, it includes everything from packaging and other aspects of transport, including certain selling commissions. Therefore, they change from quarter to quarter. The difference, of course, again between consolidated and the standalone will be the difference in the executed orders and the jurisdiction to which they're executed. And so therefore if you're looking for Q1, where there was another question earlier, it is basically based on the fact that you had lower exports in this current quarter. Now of course, in future quarters where exports may pick up, this number would increase, but at the same time there are also higher-margin orders. So, net-net, at the end of day, this is explained by the revenue mix.

Sreemant Dudhoria: No, sir, it's more about, if my other expenses at standalone level are X, that at consolidated level for the full year in FY '18 they should be X plus something. They are X minus something, so it seems other expenses are negative for our subsidiaries. So, can you help us understand?

Nikhil Sawhney: Yes. I mean it is very simple. There are transactions between the holding company and the international subsidiary companies. And when you drop your consolidated financial statements, these cancel out.

Sreemant Dudhoria: So, there is some translation effect and some cancellation of charges between the companies.

Dhruv Sawhney: That's right.

Sreemant Dudhoria: But still they'll go lower. I guess translation would have been a big impact. Maybe we had some currency gains last year due to translation and other expenses.

Nikhil Sawhney: No. You haven't got me correctly. Let me explain to you again. Because all these foreign subsidiaries are helping the holding company in India in terms of marketing, so there are some transfer pricing between the holding company and the subsidiary company. So, therefore, the standalone expenses would always be higher. When you draw consolidated financial statements, all such transactions between the holding company and the subsidiary companies, they cancel out. And hence the total expenses of consolidated financial statements will be lower than the standalone financial statements.

Sreemant Dudhoria: So, this will always happen each year for us?

Nikhil Sawhney: Always happen, as long as you have foreign subsidiaries helping you in marketing.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Yes, sir, just I have one follow-up question. Sir, you mentioned some source of data on your market share in the waste to heat. Can you please repeat that?

Dhruv Sawhney: McCoy.

Dhaval Shah: International markets, sir, you mentioned something.

Dhruv Sawhney: The company is McCoy.

Dhaval Shah: Which one, sir?

Dhruv Sawhney: McCoy.

Dhaval Shah: Okay. So, this releases the data regarding the market share and...

Dhruv Sawhney: Yes. It's actually they are called McCoy Power Reports. It's global. And it goes from 5 to 1,000 megawatts; and in different segments, small, medium and large; and company-wise and region-wise and everything, but it's a subscribed base. So, this is the results of the calendar year which I was giving you, yes, it's been something that we are very proud of.

Moderator: Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: Sir, I had a preliminary question on the business. How much percentage of our business in terms of revenue is purely product which is turbine and how much is where we supply turbine and generator together as a TG?

Dhruv Sawhney: So, our turbines, we are not in the drive, we have a very small percentage of drive turbines. And they are almost all in turbo alternators. A very small percentage are drive. Well over the 90% are in turbo alternators.

Lalaram Singh: So, when you receive these orders? Typically, is it standalone for the turbine generates? That's what it means.

Dhruv Sawhney: No. When we receive an order, it's for the turbine island, which includes the generator, sometimes the condenser and various other ancillaries.

Moderator: Thank you. The next question is a follow-up from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: Sir, in the last call, we had a discussion around targeting the oil and gas sector in U.S., which actually gives a good margin and payments are timely. So, any breakthrough for us in the oil and gas sector in the U.S.?

Dhruv Sawhney: Well, you've talked about a huge potential area for us. In the oil and gas sector, registration is a very long process and that we are having some very good results coming in, but we are not targeting really the U.S. in the oil and gas as yet. And we're targeting the MENA and Southeast Asia at the moment, which have substantial oil and gas production. And we are getting very good responses from the customers. It takes time because the procedures are very lengthy and the various agencies involved in this are quite strong, but the response has been very good. And domestically also, we are making a good amount of progress. We've now achieved our EIL and that is our onboard. They've okayed our product line.

Sreemant Dudhoria: Sir, given that globally in oil and gas space there are only a few kind of companies which do EPC work. So, if we get approvals in MENA, would it be right to assume that we might get approvals with the same vendor for other geographies as well? Or it's a separate process altogether for other geographies.

Dhruv Sawhney: It's generally geography-based because the approvals are given along with the customer. So, you may have one person, but an Aramco is only for Saudi Arabia. And where you may have the same consultants in another, you can't use the Aramco one in Petromina, for example. And both are substantial buyers. And the encouraging thing is that the competition is limited and the field is still quite substantial and we are starting from a low base or very low base.

Sreemant Dudhoria: Sir, the press release also mentions about a new line that we have in Bangalore which is helping us lower the operating expenses. Can you discuss a bit more about it as to how many lines total do we have in Bangalore? And this new line, what percentage of our production comes from this new line? And if there any plans to add any further lines to cut down the operating expenses? Any color on that?

Dhruv Sawhney: Yes. It's a good question. We are really redoing most of our product lines to one with increased efficiency and lower costs. So, it's both efficiency improvements and value engineering for cost. And so, we are expanding most of our lines in this. So, this is an ongoing process. Substantial progress has been made and very good progress is expected by the end of FY '20. Quite a lot of it should be finished by then, most of it in fact.

Sreemant Dudhoria: Can you quantify like how many lines do we have and how many you have completed?

Dhruv Sawhney: I'm giving you the spread from 5 to 30. This helps more when actually the full initiative in the lower and middle range and in the higher range. So, we are having different opportunities for different market segments, but it's more the philosophy of having better productivity and lower cost.

Sreemant Dudhoria: If we were to quantify these efforts, by what percentage margin?

Dhruv Sawhney: No, I think you can't really, it depends on the market also. So, it's not possible to give you a forecasted figure of where they would come out. I have to leave it at a statement of how we have achieved a better margin and how we expect and why we expect a better margin for the FY '20 than what we have achieved earlier.

Sreemant Dudhoria: If I may make a small suggestion: When we chat with you, we get a lot of qualitative insights, but frequently in terms of quantifications we have some sense, but we can't quantify, like for example this particular effort. We can't quantify. So, if from here on whenever we do a call, our heartfelt request, kindly give us some quantification of whatever business aspects that we discuss.

Dhruv Sawhney: No, I hear you, but it's very difficult. So, I can't really move on this because it's a very diverse line and it's difficult to actually forecast it with any manner of certainty in the short term. So, it is a type of business where you can't go the route that you are wanting to go. It's not a question of the effort. It's a question that we don't say or do things that we're not confident of, and we have to do the diligence on that. So, even internally it's difficult to forecast.

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

Dhruv Sawhney: Thank you very much, everybody, for a very interesting set of questions. I would like to leave you with some very positive projections. Based on our outstanding results for Q1, which have been very good on both the topline and especially on the bottomline, we are looking forward to continuing this trend and having good numbers in H1 on margins and on order booking and our sales, and also in FY '20; coupled with very good initiatives in aftermarket and the new areas we're moving into, oil and gas, and moving into the aftersales service of other people's turbines.

So, thank you very much for joining our Q1 call.

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.