Triveni Turbine Limited

Q3 and Nine Months FY 17 Earnings Conference Call Transcript
February 10, 2017

Moderator

Good day, ladies and gentlemen, and welcome to the Q3 and Nine Months FY 17 Earnings Conference Call for 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 this conference call please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, sir!

Gavin Desa

Thank you. Good day, everyone and a warm welcome to you participating on the Q3 and Nine Months FY 17 Earnings Call for Triveni Turbine Limited. We have with us on the call today Mr. Dhruv Sawhney - the Chairman of the Company; along with other members of senior management team.

We would like to mention before we begin that some statements made in today's discussion may be forward-looking in nature and a statement of this effect has been included in the conference call invite which has been e-mailed to you 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 would like to start this conference call with opening remarks from Mr. Sawhney followed by an interactive Q&A session wherein you can discuss your view points of view.

I would now like to handover to Mr. Sawhney to commence the call. Over to you, sir.

Dhruv Sawhney

Thank you, Gavin. Welcome everybody, good afternoon to the Q3 & 9M FY 17 Earnings Conference Call.

The Company has achieved very good performance in turnover and profit during the nine months' period ended 31st December, 2016.

Net income from operations was at ₹ 5.62 billion which is a growth of 12%. The PAT was very good at ₹ 969 million, growth of 26% which was quite unusual in the industry internationally and a strong margin of 17%.

We have strong outstanding order book of ₹ 6.31 billion and a very strong pipeline of enquires which we expect to finalize in the next few months and quarters. We will be spending a little time on this at the latter part of the opening statement.

The EPS for nine months is ₹ 2.93 which is a good improvement where we were last year and also what we have been saying during the past Earnings Calls.

Although the order booking in Q3 has been better than the previous two quarters and the corresponding period last year, it is below our estimation because of the postponement of a number of orders.

But we are quite confident especially today in mid February that we will be ending the year on a positive note on opening orders on hand for the next year. But even more important is a visibility of order booking in Q1 of FY 18 for delivery next year something that did happen this year but is even more confident next year because they are all finalized orders waiting for advances or in the last few stages of the technical discussions.

During the nine months under review product sales showed growth of 10% while after market was even better at 19%. Domestically we have enquiries for about 2.5 gigawatts; it is quite strong and evenly spread all across the country. 67% of our enquiries are still from process co-gen including sugar and that is encouraging and the balance is from metals and renewables.

Internationally, the enquiries are stronger than we expected at 7 gigawatts and what is very encouraging is that this is spread over 135 geographies, so the spread is even better than we had in the beginning of the year and in FY 16 that is the real achievement, it is the marketing, diversification, and product offerings that have sustained us.

We have weathered certain hick-ups in the financial year FY 17 such as Brexit which delayed a number of order finalization in Europe and United Kingdom. We have had some postponements because of demonetization and the recovery in the capital goods sector domestically is still delayed, we are not looking at any growth in this sector when we are forecasting growth both for the Q4 and for FY 18, our growth is internationally as it has been in the current year.

We have also gone through geopolitical issues in various regions and countries of the world but, what has carried us through is the fact that we moved on with diversification and setting up a strong marketing base in many places which may not have been in some other cases of capital goods manufacturer both domestically and internationally.

Also, what has helped us is concentration on the aftermarket and that is showing results as the sales have grown by 19% during the period under review and it is gone up by 1%, they are 23% of total sales.

In the year under review, we have found that the aftermarket opportunities are even larger than we thought last year. But for the future we see substantial increase in the aftermarket revenues in the international markets. We have established our service centers in Europe, the Middle East, Southeast Asia, and SADC, the recruitments are there, a number of people have joined such as in Johannesburg and Indonesia they are to be joining in other places in Southeast Asia, Central America and in Southeast Asia we are going to have a couple of more.

The export turnover in the nine months' period has gone up substantially by 139% to ₹ 3.14 billion and they contribute to 56% of total sales compared to 26% last year. This varies from quarter-to-quarter so we may not have the same percentages going forward. But what has happened and what has helped us in our bottom-line is while some of the orders were getting deferred, we had very high growth margin orders coming through in the nine months especially in Q3.

As I mentioned earlier, though the finalizations are taking longer, we can confidently look at the order booking in Q4 and Q1 of FY 18. But one of the two prominent areas which has come up now is great improvement in GE Triveni's order booking which I will cover a little later and what is on the horizon for the next few months for their range as well. As you know these flange to flange is all made by Triveni Turbine and in our consolidation, we take the share of profit though we do not take the turnover as per the new guidelines.

The domestic market is remaining quite dormant, it is at the same level, it is not going down but has marginal increases in some sectors. But overall, we are not seeing growth too quickly so, we are not banking on this maybe after the first two quarters of next year we can review it. But our planning is more on stronger push internationally to show the overall growth.

Some of the sectors that have come up quite unexpectedly is the oil and gas sector internationally. We were very lucky to have finalized an order in the Middle East, in the API segment. Now, while the oil prices have been down this modernization replacements segment has actually grown but is a question of qualification. So, we got a break through order from the Kuwait National Petroleum Company refinery for eight special purpose API turbines. But the important thing is that the client is very good as a reference, the consultants are Fluor and Hyundai Davao, the joint venture also have a huge reach and through this we are getting qualified in a number of refineries let us say in Dubai, Oman, Egypt and even in Saudi Arabia with SABIC there are about 16 subsidiaries that they have. So, this is a market we hope to capitalize on in FY 18 and more so even in the years going ahead. It is also a very high margin market and the competition is quite limited.

The technologies, the product line and the cost competitiveness are very strong in the Triveni Turbine portfolio. If we look at the export market, the renewable sector is driving far growth both in waste to energy and biomass across countries. Some countries may get postponed a little bit but they come back to it. While there is a huge concentration on solar, people are not letting go of renewable generation from biomass and also from waste to energy.

Not just in Europe, we are seeing this movement in Southeast Asia and some parts of Latin America. I think some of the delays that have happened in some developing nations are because of environmental clearances but these projects themselves are financially viable and good, there are things that we keep on our books as a potential and this is increasing and the good part is that a number of our enquiries in hand are from these sectors where we are confident that the order will materialize.

GE Triveni, our joint venture with GE has been progressing well. We expect to end the year with a record profit and the orders on hand at GE Triveni at the end of the year are also projected to be higher than at the beginning even after the good performance in FY 17. So, FY 18 for GE Triveni and for those flange-to-flange turbines of Triveni Turbines is looking good.

One or two breakthroughs that we have is of large over 80 megawatt turbine and this was done with GE Power. So, we are now moving in to the area of combined cycle which has got extremely good potential with GE Power as you know the foremost t producer of gas turbine globally so, the matching of that is very good. In fact, one of the orders we got with us was sold by GE Power to a Chinese EPC.. So, this is a great thing that we are able to sell to a competitive nation like China with the combination of GE Gas Turbines and GE Triveni Steam Turbine.

Similarly, we are looking at various other geographies, we have orders in South Asia and are looking at Southeast Asia and other parts of the world as well for GE Triveni in the next few months and in Q1 and Q2 of FY 18. Domestically, we are looking at some orders coming in the next two to three months in the GE Triveni range in sugar co-gen, and that I think is to do with the turnaround of the sugar situation in India today.

By the end of March, GE Triveni will have three international turbines commissioned. This is going to be a landmark in the Philippines, Vietnam and in Indonesia and so that will be a very good take off point for us for future marketing in the next year.

Our concentration on R&D is increasing, we are increasing our expenditures to improve our product line offering specially going into the markets of oil and gas and biomass. But we are quite unique and we will be able to offer high efficiency products and products of robustness depending on market needs. So, we are catering to a diversified section of the market of reaction, impulse and hybrid, this is something unique as far as turbine manufacturers are concerned globally and we are concentrating our efforts in developing more efficient and robust turbine in all these three lines.

I think our efforts at value engineering and supply chain reductions are working and we are able to preserve margins even though there is a lot of cost competitiveness because of the market conditions not just in India, but in many places all over the world. We are going to continue with these but we are well on the way of having this as an annual cost reduction target.

With the strong outlook of enquiries we are looking at a good growth in FY 17 both in terms of dispatches and in terms of order booking for FY 18, we are well-placed without any dependence on the domestic market either for GE Triveni or for Triveni Turbine. We are assuming that this is going to be stable. But, with the rapid expansion in our overseas activities on the product side this is adding to our aftermarket. So, we are making service offering internationally and they are being very well received. These were being catered by local operators and not by OEMs so, the customer is very happy that OEM is coming now and giving at more reasonable cost.

Our current orders and installations are from 70 countries, we will increase these in the next 12 - to 18 months and that itself is an achievement.

I would like to end by saying that, the team has performed extremely well both in domestically and international to progress through this period and with increased profitability with strong order booking position for both the last quarter of the current financial year and the early part of the next year. Thank you.

Moderator Thank you very much. Ladies and gentlemen, 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 Sir, you had mentioned that the enquiry pipeline for exports have increased to 7 gigawatts, earlier commentary was around 6 gigawatts, etc., from where are we seeing this incremental increase and from which geographies are we seeing the demand and regarding our existing order book, if you can give a sense as to how it would break-up between say captive power, waste to energy, process co-gen, sugar, renewable?

Dhruv Sawhney You know I do not want to get so granular. As you know this is fairly marketing information, the good question that you had is how has the enquiry base increased, one is that we are covering many more geographies, I had mentioned that we are now getting enquiries from 135 geographies even though we are exporting only to 70-72, so we have got enquiries from places that we have not exported to which is very good, they may take a little longer but most of them are active and serious enquiries. So, that is encouraging, the second is that the core sectors which I had mentioned of renewable is strong across the board, both in the terms of waste to energy and biomass these are good. But the additional ones are GETL started getting much more traction than it had. And the two new sectors that we are at one is combined cycle which has a huge market and the second is the oil and gas. This is what has been a little bit of substantial change in the market reach.

Ravi Swaminathan Okay. Sir, in terms of GETL what would be the enquiry pipeline that we would be currently having say gigawatts terms that we would be seeing?

Dhruv Sawhney I think they would be having about for 3 to 4 gigawatts. I did not get it exactly but it would be around 3 gigawatts anyway. And as you know this is very strong marketing by GE, they are doing the international marketing.

Ravi Swaminathan And during this quarter we have seen very good EBITDA margins, I would like to know whether these margins are sustainable?

Dhruv Sawhney I think, you should take the average of margins, we cannot always get the blend of export and domestic, in any particular quarter it goes up and down. But what I am encouraged is that in the beginning of the year the margin that we had in FY 16 can sustain, if you look at our margins we are around the figure going up and down a percent or so. The interesting part is that we have managed this with much more increased competition because of the macro economic conditions in a number of countries.

Ravi Swaminathan Understood. Sir, other cost have increased year-on-year, over the past two- three quarters, it has been increasing and I believe it is because of the marketing cost that we are incurring, will there be a point where it will plateau out or it will taper off and if so, when will it be?

Dhruv Sawhney By the way, you should be saying that I hope it would not plateau out because for the next few years if we got 135 geographies and we are only at 70 geographies, we have a long way to go to get the growth in the next many years, I think we can get even better growth rates as long as we start getting more consolidated position. And secondly, we are moving into the international services sector. So, I am not unhappy on that, there is certain gestation period to this regardless of what money you spend to get consolidated in a country we get the customer relations going, have them the confidence that we are local, so this takes a little bit of time and the money is quite small compared to the future return and even the current margin.

Ravi Swaminathan Okay, got it. And sir, in terms of GETL, can you give nine months' revenue and PAT and the order book position?

Dhruv Sawhney There the PAT you have seen from the accounts, the revenue of ₹ 1.02 billion and PAT of ₹ 102 million.

Ravi Swaminathan Okay. And order book position sir, as of now for GETL.

Dhruv Sawhney I would say that it is better than what it is was in the beginning of the year and similarly we are looking at an order book position from the 1st of April 2017 to be better than what you had on the 1st of April 2016. So, you can take it from there.

Ravi Swaminathan Okay. And regarding the new facilities capacity expansion.

Dhruv Sawhney The new facilities are online. First turbine has moved out domestically, what is very encouraging is that the first GETL Turbine which is going to Argentina will be coming off the new facility in March, this is a great thing that we have managed to keep to our timetable take a few months. More importantly we have this huge facility at a cost and most people are not able to understand completely debt free funded and facility which will end up expenditure now is 150 will go maximum next year to 200 for 2,500 megawatt and taking out into the line of refurbishment up to 200 megawatts. So, the facility is online and turbines are moving, both for Triveni Turbine and for GE Triveni. In fact, with this encouraging performance in the oil and gas sector we are looking at moving more and more of the larger turbines of the new facility and concentrating on the smaller turbines in the original facility in the new lines.

Moderator: Thank you. The next question is from the line of Khadija Mantri from Dalal & Broacha. Please go ahead.

Khadija Mantri I just wanted to know you sounded very positive on the domestic market, especially about the sugar sector, I wanted to know if you are seeing green shoots in any of the other sectors like cement or fertilizers.

Dhruv Sawhney No, let me correct you. I am not positive on the domestic sector. I had said that I expected it to be flat. But we are seeing some hot enquiries in sugar sector. So, this is not something keeping in line with what we have been getting in the past. Our domestic market and our order books are stable. So, our growth is not coming from the domestic sector but we are not seeing any downturn in it either. So, I am not banking on a growth in cement, paper, food or any of the other sectors and this waste to energy is taking too long. The encouraging thing is that a few orders are coming through in the sugar sector, but there are bigger turbines so, that is letting us preserve our order booking domestically. But for growth I am not relying on big jump in the domestic market. And the reason I mentioned it is that in previous calls I had said that we were expecting it in two or three quarters. Now I am not making any such projection.

Khadija Mantri Okay. Sir, but if I look at the Q2 and Q3 order booking numbers, with respect to the domestic market it has been increase in the numbers if you see the run rate has been ₹ (+100) crore?

Dhruv Sawhney Do not read too much into because last year's base you have to compare last year's base some quarter it is there, some quarter it is not. In capital goods you cannot go on a quarter-to-quarter micro analysis. We are looking at about the same and we plan on a yearly basis, not on a quarterly basis and in any case our marketing efforts as far as domestically are concerned that is not a problem we have everyone in place, we have all the product offerings.

Khadija Mantri Okay. And sir, if you could also give me EBITDA and PBT number for GETL will that be possible?

Dhruv Sawhney No, that is a part of the other company.

Moderator Thank you. The next question is from the line of Pawan Parekh from HDFC Securities. Please go ahead.

Pawan Parekh Sir, my first question, you mentioned about 80-megawatt order is that already booked in Q3 FY 17 or that is likely to be booked in Q4 FY 17?

C N Narayanan Yeah, that will be coming in this quarter Q4 FY 17.

Dhruv Sawhney It is online I mean it is almost you say it is here.

Pawan Parekh Yes. In FY 16 we did an international order inflow of about ₹ 350 odd crore. So, should we also end with a flat order inflow on the export side or we should see some growth there?

Dhruv Sawhney We will be looking at the same order on hand, we have had dispatches internationally. So, I think you just take it that orders on hand at the beginning of the next year will be at least at the opening levels, now we cannot say when the traction of other orders whether they close in Q1 of FY 18, but definitely there will be growth in FY 18 because everything is very positive especially with the commissioning of these with our international turbines. The turbine in the Philippines and Indonesia was very prestigious clients and consultant and when they are generating power which we expect in the next two to three weeks that will also help our marketing.

Pawan Parekh And sir, you mentioned that GETL has got about 3 gigawatts of enquiry order book so that is included in the 7 gigawatts number that you had given earlier or is that separate from that 7 gigawatts?

Dhruv Sawhney No, it is part of that flange to flange in it but not the total.

Pawan Parekh Okay. So, sir, typically how long does it take for an enquiry to actually get converted into actual order?

Dhruv Sawhney It can vary from three months to three years, it depends on the sector, or the country, it is extremely difficult to be able to generalize what we have to gear up for is responding to all the enquiries and not being even if they keep asking and they keep delaying that is part of the customer's right but we cannot generalize on this. If we could generalize then it will be much safer, our risk mitigation is to spread our geographies as much as possible and to spread our product offerings so that we tackle many things simultaneously.

Pawan Parekh And sir, finally, you have guided the order book for FY 18 beginning would be slightly over FY 17 level, would that help us to grow at more than 10% for FY 18 then?

Dhruv Sawhney Let us see, those are the minimum levels.

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

Devam Modi Sir, there was only one question on margin, just want to check, what was it that led to the higher margins this quarter and particularly was it some higher profitable order getting executed?

Dhruv Sawhney More export orders.

Devam Modi More export orders. And so, when we look at the nine months order inflows we are actually seeing that year-on-year the export orders have come down while the domestic ones have actually gone up. So, what is exactly happening over there given that the industry also is talking about slow down on the domestic side, so what exactly is happening on that front?

Dhruv Sawhney No, as I mentioned, there are a number of international orders like this very big one for GETL which has just come which are actually going to be closing in Q4 FY 17 and some will close in Q1 FY 18 when I talk about Q1 FY 18 this is an important point, I am talking about book and bill in Q1 FY 18, about booking in order for delivery in FY 18.

Devam Modi And booking and order as well as delivering in the same quarter.

Dhruv Sawhney No, in the same year.

Devam Modi Sure. Sir, so just one thing because you were saying 41% year-on-year growth in terms of 9M order booking on the domestic side so, is there some deemed export or something like that should generally not be the case in our industry

Dhruv Sawhney You are quite right that is a good point. You see when we get an international order from an Indian EPC that is treated as a domestic order while it is actually an international order. Secondly all our orders from GETL are taken in domestic because they are supplied to GETL in rupees. When you have the aggregate numbers it gets difficult but we have to reflect it as per the accounting norm because it is not in dollars and we are not getting forward cover or the exchange rate, that is why we have to translate as a domestic order so, these both are included in domestic turnover order booking and everything.

Devam Modi Sir, I do not know if you mentioned what is the order book on GE Triveni side now?

Dhruv Sawhney As I said, we will end the year in GETL at a higher order book then what we started.

Devam Modi Okay. And sir, on the aftermarket side, we did a lot of work with various consultants, what we understand is that typically a turbine and process industry would be requiring refurbishment within three to four years and given that our install base has been going on since a long time and we have a install base of 12,000 megawatt, the aftermarket opportunity should be much higher than what it looks right now in our numbers. So, is there like a lot of clients go for their own local solutions or something like that or how does it work and do you think that opportunity should be much bigger just on install base right now.

Dhruv Sawhney No, on turbine normally you do not open it for four years, you do not refurbish it. Some refurbish it after 12 to 15 years. So, three to four years is not a steam turbine.

Devam Modi I mean some kind of maintenance requirements?

Dhruv Sawhney Yes, now what we are moving on, we have to set up local people there because that is the big scope not refurbishment getting it back to India.

Devam Modi Yeah, it is basically more of local maintenance or after four years because of the high-pressure operations that you would require some basic maintenance which could be as high as 15 to 20 lakhs per megawatt, about 30% of the original cost.

Dhruv Sawhney But that is the big scope that is exactly where we are concentrating. But for that you need to have a base and that takes time. For example, let me tell you we have a bus in England we call it Triveni Turbine 24/7 bus which is outfitted with all tools and spares etc., we have even sent an engineer from Bangalore, he has taken a long time to get his driving license but now he has got his driving license. So, we are able to offer 24/7 service to other people's installations and things like that. So, we are looking at many different product, service offerings to compete with the people who are there locally after all these people have been getting service from people which are very strong locally, they are not small operators. So, we have to compete with talent especially in the developed country.

Devam Modi Sir, and finally on the domestic market side, given the current level at which the market is and given that we were also hopeful last quarter. So, which are the industries completely collapsed which should come back essentially the mechanics of co-gen should be something that should never change, I mean efficiency CAPEX in this space should always continue.

Dhruv Sawhney I decided that given that I was asked this question so many calls ago and I said may be in two - three quarters I am not saying that anymore. If it happens we will have bigger growth rate because we have all the capacity and the product offerings. So, if it happens we will have even a bigger growth rate then what we are forecasting but we are not wanting to put that into, we are wanting to have our efforts in more sure things, we respond to all the enquiries so, out of the 7 gigawatts if more start converting, we have capacity for 3 gigawatts production with the new plant. So, we can more than double the turnover very easily. So, we are ready but I will rather not get into that conjuncture that this is going to come up or not come up, I think you all are better at it.

Moderator: Thank you. The next question is from the line of Kamlesh Kotak from Asian Markets Securities. Please go ahead.

Kamlesh Kotak Sir, just wanted to dwell on the same point on the earlier question, our order book and revenue show quite divergent trend in terms of the growth. So, while the domestic order book has been on the rise, the revenue is declining and the same is the case for the exports market where the export order is declining but the revenue has been firm. So, when you see that this will be getting normalized?

C N Narayanan Yeah, Kamlesh as you know that the order booking and execution there is a lag of three to four quarters. Obviously, we had a fantastic order booking in export market last year that is getting reflected in the revenue. And so, it is like a cycle, soit is difficult to expect to believe every market to behave in the same way, but today all the markets are behaving in a different way.

Dhruv Sawhney And also the domestic market includes some part of EPC export and the GETL export, that is also included in domestic when you see the figure.

Kamlesh Kotak: Okay. No, sir, the point I am making is that if this year we see the domestic order book is up 41% then that would come for execution in next year would that also result into somewhat lower margins?

Dhruv Sawhney There may be slight differences but you know on the other hand our aftermarket is increasing and the domestic includes GETL and export EPC. So, it is not necessarily, like we had an extraordinary PAT this quarter, you can have slight differences coming in quarter by quarter. So, we cannot say that this is exactly the same margin that is going to continue but roughly when I said in the beginning of the year which was about 2% less at about 15% PAT margin. So, we will be in that range, always.

Kamlesh Kotak Sure. Secondly, sir about the new plant you said it is commissioned, right?

Dhruv Sawhney Yeah.

Kamlesh Kotak How much more investments we are likely to make and how much investment has gone into that till now?

Dhruv Sawhney 100 has gone into, 50 will be finished by the end of financial year and another 50 in the next year.

Kamlesh Kotak That would come in FY 18.

Dhruv Sawhney Yeah.

Kamlesh Kotak Okay. Third is sir, as it stands how many turbines from GE Triveni JV side have we commissioned in India and overseas and how many are under implementation, if you can help me with this thing?

Dhruv Sawhney I am saying that three are hoping to be commissioned internationally by March that is our first big breakthrough and there are seven or eight commissioned in India.

Kamlesh Kotak And so, we do not have any orders from India for GE Triveni as of now pending commission.

Dhruv Sawhney We do have, we have an order this year. This one is under execution for delivery in FY 18.

Kamlesh Kotak Which sector, if you can highlight?

Dhruv Sawhney Sugar sector.

Kamlesh Kotak Sugar only, all right.

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

Manish Goel First you mentioned about API turbines, you got some eight orders from API turbines. Like I just wanted to know we were not present in API turbines, I believe.

Dhruv Sawhney Yes.

Manish Goel So, this is a new segment which we have entered?

Dhruv Sawhney Yes. That is why I put a stress on it. API 611 is general purpose steam turbine and API 612 special purpose. You need huge qualifications and a lot of work has to be done with the consultants. So, everyone says where have you sold these before. So, you never get into the qualification. Now with this order from Kuwait National Petroleum which is a fantastic oil company and with Fluor as a consultant many people who had not started expecting and we did not expect to get the first breakthrough like this internationally. I think it also helps the fact that we have put up an office in Dubai and we put more people there, this was a spin off that if you ask me I did not think about it, I did not expect a one year ago. To be now doubling our office in Dubai because of this thing and we are now looking at many markets which we have not touched before. Egypt for example which is not very hot in many other places. But in the modernization, the petroleum sector when it is under strain from oil price then it goes for renovation, it goes for up keep because it cannot afford the production to go down.

Manish Goel Sure. I would like to know where this application would be for this turbine in our refinery, what would be the application number one and number two, then how does it expand our addressable market for us?

Dhruv Sawhney Well, you see these are small turbine they go up to 8 megawatt, the numbers are large. We have recently got enquiries just in the last year for a 100 turbines, it is quite extraordinary. But they are for mechanical drives, compressor and for pumps and therefore some small power generation and the question is the safety standard, the control equipment the whole design different to many industries certainly different to something like the sugar industry.

Manish Goel So, these are more process driven?

Dhruv Sawhney Yes.

Manish Goel Okay. And how big is the market sir for you like incrementally how much does it add up to your addressable market?

Dhruv Sawhney If you ask me in five years I will be very large.

Manish Goel And ideally GE is again very strong?

Dhruv Sawhney It is not in this line.

Manish Goel GE is not there.

Dhruv Sawhney These are too small but my other competitors are, in fact one of them has just bought another company a very large company which is in this line.

Manish Goel Okay. But we are not contemplating to enter into gas turbine market, sir.

Dhruv Sawhney No.

Manish Goel Sir, second question on the new facility now which has started and which you last call you had mentioned that it is a state of art facility with high level of automation. So, ideally for you then the execution time frame to deliver a turbine would come down quite low, so how does it help number one on your delivery schedules number two your cost and margins?

Dhruv Sawhney Good question, first let me tell you because we have made these efforts and now I am much more stable with the new factory, we are able to get these international orders because of our delivery. We have to put up with a fact that our ports and transport to port and our shipping time is much more than from Japan let us say from Europe so, they do not have that confidence level and I have to quote a more competitive delivery to get my margin and then they have to come and visit the facility to see that I am actually able to deliver this. So, it really helps in that. Secondly, once you do the quicker delivery you should get a better turnover your capacity utilization goes up.

Manish Goel Sure, okay. So ideally less than 30 megawatt would be manufactured at old facility and larger size would entirely come into the new facility.

Dhruv Sawhney: Well sort of in that direction but not so rigid like that.

Manish Goel Okay. And last question on the aftermarket, like within that also we have certain segments the spare part number one, number two refurbishment and third is the services installation and other so, within that how are you seeing traction, if you can provide some thoughts on that.

Dhruv Sawhney Yeah, the biggest traction for me is once we are local in many places is the services sector and spare parts, we are looking for servicing other people's turbine because market growth for me is not in my turbine overseas because I do not have such a large installation base.

Manish Goel Okay. So, refurbishment of the third-party or say other turbines which you can probably look to?

Dhruv Sawhney Refurbishment of turbine is a big-big growth potential.

Moderator: Thank you. The next question is from the line of Ashutosh Adsare from Sharekhan. Please go ahead.

Ashutosh Adsare Sir, last quarter you had mentioned about the Indonesia planning to give 19 license sugar factories so, any update on that?

Dhruv Sawhney We had struggled so hard two weeks ago, they have cut the PPA price down so the things got deferred by four months. It is still very hot and we are still the likely person but it got deferred, we were expecting it in Q2 then Q4 and now we are expecting it in Q1 or may be even Q2 but it has not gone away because it is still importing a lot of sugar and the prices of sugar are high internationally so, all the financial mechanics are still there but you have to be able to be diversified otherwise you would have even a bigger growth and the order on hand and for the beginning of the next year but that is okay, it will come for sure.

Ashutosh Adsare Okay. Sir, on the data points on GETL you had mentioned that the PAT per GE for nine months is 102 million so, is it correct to assume that in Q3 FY 2017 it made a loss of Rs. 1 crore?

Dhruv Sawhney In what?

Ashutosh Adsare You had mentioned that GETL nine month PAT is ₹ 102 million it is ₹ 10 crores. So, is it fair to assume that GETL PAT for Q3 FY 17 was negative?

Dhruv Sawhney I do not have it readily, I do not have it off hand here. It is consolidated. Let me tell you the year end number what I want to say which is much more important, I know that the FY 17 number for GETL is going to be a record. So, that is the most important that we are going to end the year at a record profit.

Moderator: Thank you. The next question is from the line of Pawan Parekh from HDFC Securities. Please go ahead.

Pawan Parekh Sir, I just had one follow-up that you have said GETL orders are also included in domestic for us. so, essentially what we report in export is also of 30 megawatts?

Dhruv Sawhney Yeah, correct.

Pawan Parekh Okay. And sir, you also mentioned about these mechanical drives and compressor led orders. So, does this classify under this API 612?

Dhruv Sawhney Yes.

Pawan Parekh And we have not done these orders before?

Dhruv Sawhney We have done domestically long ago but we were not concentrating on them because we were not getting reference list. We did not get a break through and domestically our expansion in the refinery sector is not that great.

Pawan Parekh Okay. So, sir our JV, with GE also covers your oil and gas sector, right?

Dhruv Sawhney No, but this is not, GE is not in this. This is sub-10 megawatt.

Pawan Parekh Okay. So, sir, given that we have not done so much work in this thing, how did we get our pre-qualifications here for these orders?

Dhruv Sawhney No, you asked me to give you all the marketing information.

Moderator: Thank you. We will take one question from the line of Abhishek Aggarwal from CD EquiSearch. Please go ahead.

Abhishek Aggarwal I want to know how much CAPEX you have done this year? What is FY 17 and FY 18 CAPEX figure?

Dhruv Sawhney It is ₹ 45 crore.

Abhishek Aggarwal ₹ 45 crore for FY 17?

Dhruv Sawhney No, up to now nine months.

Abhishek Aggarwal And how much it would be for full year?

Dhruv Sawhney ₹ 90 crore.

Abhishek Aggarwal ₹ 90 crore for full year total, right?

Dhruv Sawhney Yeah.

Abhishek Aggarwal And all in the Bangalore facility?

Dhruv Sawhney Yeah. All in the new facility which is in Bangalore it is about 30 kilometers away.

Abhishek Aggarwal What would be for next year?

Dhruv Sawhney Another ₹ 40 - 50 crore.

Abhishek Aggarwal That also in Bangalore?

Dhruv Sawhney The same facility.

Abhishek Aggarwal Okay, the same facility would be next year, okay. And this excludes any CAPEX by GETL right?

Dhruv Sawhney No, GETL does not do any CAPEX.

Abhishek Aggarwal It is not doing any CAPEX. And the Bangalore facility is already commissioned?

Dhruv Sawhney Yes.

Abhishek Aggarwal Okay. What is your domestic revenue growth target for next year?

Dhruv Sawhney We not giving any guidelines like that. All I am saying is that we hope to preserve our growth rates at the levels of what we have.

Abhishek Aggarwal And anything on the export side you would like to guide?

Dhruv Sawhney No.

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, some very nice questions which allowed me to clarify certain aspects from the opening remarks especially about what comprises the domestic market and this is not always easy to put down on paper much easier sometime to be able to say and clarify these things. Also, to be explain our new lines oil and gas and what we are doing in setting up our service centers and facilities abroad to move into the service sector in all the three lines more effectively. And, the picture is very encouraging to me for both the end of the year FY 17 but more importantly for the next couple of years to come we are in good shape because of the diversified portfolio and now that we have got this large enquiry base from 135 geographies you can afford one or two places to have a problem not be affecting your overall order intake and growth. So, the future is looking quite all right, even though in certain places macro-economic conditions are not great and many places are not looking at the capital goods industry in such a factorable fashion but our planning of moving out and increasing our product portfolio has worked and timing was quite good. So, thank you very much for joining in the call.

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