



Triveni Turbine Limited

Q4 & FY 18 Earnings Conference Call Transcript

May 23, 2018

Moderator Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited Q4 & FY 18 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 of CDR India. Thank you and over to you, Mr. Barar.

Rishab Barar Thank you. Good morning everyone and a warm welcome to all of you participating in the Q4 & FY 18 Earnings call for Triveni Turbine Limited. We have with us today on the call Mr. Dhruv Sawhney – Chairman & Managing Director; Mr. Nikhil Sawhney – Vice Chairman & Managing Director; Mr. Arun Mote – Executive 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 emailed to you 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. Good morning everybody to the Q4 earnings call. I am happy to be able to report to you that we have had a record performance, the highest ever quarterly turnover. It is 33% over Q4 FY 17 and a PAT growth of 33% to ₹ 354 million.

Our consolidated key highlights have a net income of ₹ 7.5 billion and a PAT of ₹ 960 million. But crucially we have had a record annual order intake. There has been a 17% growth in order intake over FY17. And more importantly the exports order booking has grown by 40%. Now another point that is for the future is the strong outstanding order book which stands at ₹ 7.1 billion on the 1st of April, a year-on-year growth of 12%.



The turnover growth in Q4 enabled us to achieve the same turnover as last year even though we had a slow start in the first few quarters as you are all aware from my previous earnings call. During the period under review the domestic sales were significantly higher than they were in the previous year. And export sales were down. This is because of the opening order book in FY 18 which had a different percentage of export sales to what it is now for the future FY 19. And this impacted the margins quite substantially. In the services segment we are proceeding well.

The second effect on our performance for the year was on other income. We had a ₹ 21 crore decline because of the change in the accounting policy through adopting Ind-AS under which we had to recognize all MTM gains in FY 17 while normally these would have been spread over to the current year FY 18. The difference you see in the consolidated and standalone results has one significant factor. We have been setting up our offices which has entailed substantial, legal, compliance, accounting, expenses and which have all been booked in the current year.

We will have a much lower base of expenses in the export market in FY 19. So this impact has also affected the profitability of the subsidiaries which you will have noticed when you look through the results. But this has done well in terms of establishing our footprint, interplay with customers and more importantly using each center for a larger geographical spread. So our decisions to go where we went have been borne out by the increase in enquiries that we are getting in the international front.

On the domestic enquiry generation front, it has increased by about 7% over the past year. And therefore, some of the large segments cement, steel, paper you are seeing activity in the steel and cement sector in general. In the international market we are fortunate that the renewable IPP space is quite buoyant. Just as you know the space in solar and wind is, so is this space and this has contributed a majority of our enquiries and export order bookings.

This will continue in FY 19 and for many years to come. Sugar co-generation is also an integral part of this process. And our key geographies are Southeast Asia, Eastern Europe, MENAT and parts of Africa. The export trend, the growth in export is continuing in the Q1 of the current year and up to date we are quite well placed for order bookings for the Q1 of this year. So similarly, our dependence and our concentration on services has been borne out especially in the exports field. And we expect this to also contribute to margins and to our efforts in FY 19.

The mix in order bookings has increased to 51% in FY 18 and was 42% in FY17. This 9% difference is what you have seen has been a major cause of our margins. In the domestic market flavor for the future, we are not expecting great growth but we are expecting some growth because we are having a better state of enquiries- 7% to 10% higher enquiries in various sectors such as process co-generation and waste to energy. I would like to dwell on our Research and Development.

This has been a major concentration again for the past year. And it has been borne out by a number of new models being introduced catering to the new market. We are able to now cater to a wide range of efficiency and cost-effective models in geographies which we had not tackled before. We are also able to penetrate new sectors. We are much stronger in the waste to energy sector, having now put certain projects into commissioning.

This sector is growing globally, less in India but growing globally including South East Asia and the developed countries such as Europe and the UK. We have a

number of associations with research institutes in India and with institutes globally. And this is giving us further impetus to our R&D efforts. But our expenditures on R&D are continuing and we are putting in new facilities in the current year just for this purpose.

Both our R&D facilities today are benchmarked globally. And we feel that we are second to none in terms of our manpower and facilities. The new generation portfolio will carry the company for the next 2 to 3 years and we have a new generation coming up in the next year as well. I think the outlook for the company is very strong. One with the opening order book and two with the enquiry base which is leading us to expecting an increased order booking in FY 19 and with the same pace of export order booking to domestic order booking as we achieved in FY18.

The focus on new geographies are showing positive results. And our enquiry generation is supporting these efforts. We are having lot of order bookings coming from South East Asia and from Eastern Europe something that was a new geography which I just mentioned. I just like to also comment on a few items which you may also have noticed. One is on our receivables. A few orders were postponed and we even had the letters of credit and these orders have been recovered.

Payments have come in the month of April and beginning of May, about ₹ 90 crore of it has already been received. So these are temporary hiccups which happen depending on when the financial year closes. And this is something that we are not focusing for the future. Our inventory has gone up by ₹ 35 crore and here I would like to mention that a major order which was being executed by GE Triveni Limited for Africa was rolled over. We expect it to go in the next few months and this has affected not just the turnover in Triveni, this has affected the results of GE Triveni as well. We are little disappointed in the order bookings performance of GETL.

And we are having renewed dialogues as to how we should accelerate this, even though we know that the market is very tough and as you all know when you are reaching the far markets of our other people in the industry they have also had big problems. But we feel that with this renewed sales efforts we shall be successful in getting orders. Our enquiry base is still very strong we are just seeing delay in order conversions. And that is something we are concentrating on with targeted specific areas and targeted sectors. We had a provisioning of an order which was executed by GE Triveni, and we follow very extremely conservative norms so we are provisioning it and we expect the benefits of the insurance to come in future quarters in the current year.

I would like to just end my short introduction by saying that Q4 has really shown us that what we were expecting through the various quarters has come through in terms of turnover and in terms of increased order bookings from the export market. So we are well established in terms of our presence overseas and in an order opening order book. I think FY 19 will have, better results than FY 18 in all terms starting with the first quarter. Thank you.

Moderator

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session.

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

- Ravi Swaminathan** So basically, I just wanted to know on what proportion of your overall order book is sugar given the fact that last couple of years the entire sugar industry have been doing well. So we would have seen good orders but why have prices been on the decline both domestically and globally?
- Dhruv Sawhney** Actually it is about 20%, 25%. But with the sugar prices down, people are looking at co-generation for supplementing revenues. So in fact it is a reverse thing happening. Our enquiries are not bad because with the excess sugarcane crushed there is much more availability of fuel. The potential is large because the pricing they get otherwise is not that great. And internationally also sugar co-generation is very much a part of sugar complexes. So this is in line with what I started off by saying about the renewable sector and the biomass sector. It is quite good and we expect the same percentages to continue.
- Ravi Swaminathan** Okay, we do not see any decline or anything of that sort in fact with cane?
- Dhruv Sawhney** No, not in enquiries and not in the bookings.
- Ravi Swaminathan** And with oil prices going up, how would the demand shape up from Middle East and other oil producing places?
- Dhruv Sawhney** You know we had one order which we got in the Middle East API 612 order, this order was from Kuwait and with Shell, and this is the highest technical performance. It is way beyond the normal API specs. Now this is going to be delivered in the Q1. Part of the inventories went up because of this order. Now this is a very big breakthrough for us. Our offices have moved very substantially in getting ourselves registered with a lot of companies such as SABIC and others in Saudi. So I have not put this in our plans because we are at a stage of getting qualified and then we will get the enquiries. But we are extremely competitive and now we have a track record, so in the next few years I see this as a very good potential high margin business.
- Ravi Swaminathan** But it will be really helpful if you could quantify, say in terms of crore or megawatt, ?
- Dhruv Sawhney** No, I cannot do that. But I would say that we are concentrating on two markets, the Middle East and Malaysia and Indonesia but starting with Malaysia.
- Ravi Swaminathan** In terms of our reach expansion and after sales, so basically over the past two years we had been seeding more number of offices, more number of employees we have recruited etc. Are we done with it? What I am trying to understand is has the cost been incurred and we would not be seeing further cost increase and we will start seeing revenues flowing in or is it like we will spend some more time?
- Dhruv Sawhney** We have had some detailed reviews, post our year closing. One, we are having no further additions. In fact, we are cutting some expenses administration and others. When you set things up for the first time you incur lot of first time cost in legal and office administration and travel and all that. So we have got a very strict budget. We expect our expenses on our all overseas offices to actually go down this year a little bit. So we are not budgeting for any increase. We are at correct levels.
- Ravi Swaminathan** That will translate into say a lesser increase in employee cost and other related costs?
- Dhruv Sawhney** Correct, absolutely.

Ravi Swaminathan And In terms of GETL, just wanted to know what is our current order book? FY 18 we had executed close to ₹ 95 crore. Will the execution be flattish or will there be a decline? My last question is, there are couple of large steel projects which are coming up, so would there be orders from the domestic side for GETL in the 30 megawatt to 100 megawatt range in the large ticket size orders, will they possibly come in?

Dhruv Sawhney The answer to your first question is that our order on hand is ₹ 154 crore in GETL. So we certainly expect a better performance in FY 19 for GETL in all ways. With the orders on hand, with the execution and we do not expect delays on lifting which happened in Q4 FY 18. In the steel sector there are some enquiries and in the mining sector also. And definitely we will be pushing hard in our above 30 megawatts to 100 megawatts range. We are also looking now fairly aggressively as I said internationally in these lines.

So we are trying to have a renewed sales effort in GETL to meet with our expectations and your expectations. The one other point I would like to make is, I am talking about GETL that with the oil price going up combine cycle projects are much more viable with the gas pricing and things you know. So we, with this being part of the GE gas turbine packages that is another good potential for the future for GETL pretty soon.

Ravi Swaminathan So we can expect more orders like the Argentina one which we had last?

Dhruv Sawhney Yes.

Ravi Swaminathan But do you see these domestic orders closing this year itself?

Dhruv Sawhney That is a milliondollar question. So we do not actually bank on that only happening. We have just committed our budgeting, so right now we cannot say.

Nikhil Sawhney More than steel we have a lot of enquiries on the metal space also which is broader than steel and so you will see some activity on the broader metal steel space.

Moderator Thank you. We take the next question from the line of Darshika Khemka from Edelweiss. Please go ahead.

Darshika Khemka I have got couple of questions. First on Triveni GETL. It has been like the third consecutive quarter for the losses and you did explain you had made some provision, but just wanted to understand as to like why there is like no order booking? Is it on account of higher competition or some issues on the acceptance side?

Dhruv Sawhney Well, there is not a question on the acceptance side. It is a more a question of the orders taking long to fructify, and we are accelerating our move into different sectors, new sectors. So we are pushing that and to couple with the fact that just generally in the non-renewable space orders have been slow to be converted. As you have noticed in your surveys of other sectors and power sector generally, so I do think that it is really going to happen again in FY 19.

Now the movement of the oil price also helped the generally combined cycle much more than it has in the past and you have seen the larger combined cycle companies globally and their results and what has happened in Q1 for the calendar

year. I feel that the movement of the combined cycle, we are also really adjusting our sales channels. We have been more aggressive on our sales for the future. And we think that now that we are at the stage where we can more aggressively go and penetrate new markets. We are at that maturity stage in the JV.

- Darshika Khemka** Okay, what are the provisions you made in GETL this year?
- Dhruv Sawhney** It was on a contract and you know that something that commercially happens in large capital goods companies, but we are following this conservative policy that we look for the return from the insurance later.
- Darshika Khemka** Can we quantify that provision?
- Dhruv Sawhney** We want it to keep it with us.
- Darshika Khemka** No issues. Secondly, if you actually look at the domestic CAPEX, I think the CPP market is stagnated at around 700 Megawatts or much lesser than that?
- Nikhil Sawhney** It came down by about 2% this year in our calculation over previous year. So we will say about stagnant. My enquiry book is up by about 10%, that is where the market is.
- Darshika Khemka** So what is this amount when converted into megawatts how much is this? Is it somewhere around 700 Megawatts?
- Nikhil Sawhney** The enquiry book is about 1.75 Gigawatts, this is below 30 Megawatts and the growth we are anticipating is about 10% in this current year of the domestic market from about 650 megawatts to about 720 megawatts, 730 megawatts.
- Darshika Khemka** Thirdly, if you look at the aftermarket business, I think our recent initiative like which we took almost two, two-and-a-half years back of penetrating into the export markets, that is not going well, we are almost around 40%. So do you see this increasing further, the exports mix in the aftermarket business?
- Dhruv Sawhney** Yes, we do. It is lower than we expected but we have lot of new initiatives that we started. We have developed packages of services including remote monitoring and AMCs. Overseas, I am talking about and digital offerings and it will take time to actually get these services ready because these are different types of services to what customers want in India so we do see it increasing. And now that our offices are stabilized that is also going to help in this push.
- Moderator** Thank you. We take the next question from the line of Sujit Jain from ASK Investments. Please go ahead.
- Sujit Jain** Just to deliver it more on the opportunities in the domestic market, you spoke about the enquiry book which is up by 10% 1,750 Megawatt. But what was awarded in your estimate in FY 18? And how much up or down was that compared to FY 17?
- Nikhil Sawhney** 648 Megawatts was awarded which is a decline of 2% over FY 17.
- Sujit Jain** Is this below 30 Megawatts?
- Nikhil Sawhney** Below 30 Megawatts.

Sujit Jain And this includes IPP, Process Co-gen everything that would fall in?

Nikhil Sawhney It includes everything which are power driven markets.

Sujit Jain And can you give a sense as to is this like cyclical and where is it right now in the cycle? What was it let us say 3 years or 5 years back and what was the peak of this market and what was the trough of this?

Nikhil Sawhney The peak of the market was about 1,800 Megawatt in 2011-12.

Dhruv Sawhney This is not cyclical. It is not expected to go up to 1,500 again pretty soon because it needs structural changes but you will have substantial increase once the rate of growth as you see has picked up from the hiccups of the last couple of years, those hiccups are now over like GST and other things. They are being digested, so people are now coming out of the phase of non-investment. So we look to good increase certainly in FY 20 starting with FY 19.

Nikhil Sawhney We see our customers more keen to engage in discussion on the enquiries. So that is a positive trend.

Sujit Jain So FY 18, at 648 would be the trough for FY 17 was lesser than that?

Dhruv Sawhney Yes, probably the bottom.

Sujit Jain And what is the threat to this particular space from micro grids based on solar energy in future?

Nikhil Sawhney The point is that majority of our customers, like you said in the CPP market it requires steam as part of the process. Now either they produce waste heat which is a form of steam for user if they require steam as part of the process that is for the alternatives, this is the most cost-effective method for them to give power to themselves.

Dhruv Sawhney And biomass in any case is separate. That is renewable just like solar.

Sujit Jain In this space of renewables as long as the feedstock is available it always makes sense for you to setup this plant. There is enough funding behind it, there is enough capital, there is the returns exist. And even if the payments are delayed that is a risk that is shared with all renewables, it is not distinct only to a miniscule solid waste?

Dhruv Sawhney We are fortunate that we are in 4 or 5 sectors which are not subject to this competition. One is the waste to energy. The second is co-generation which is coming in from both Biomass conversion and also combined cycle which is looking at the gas and oil prices completely separate and lastly process industries. Our sectors are fairly solid not just in India. The same model is there certainly in all the developing nations to a very large extent where there is lot of growth and in certain sectors in developed nations which is waste to energy and Biomass.

Sujit Jain So out of this 650 megawatts how much would be coal based captive power roughly?

Dhruv Sawhney Hardly anything maybe about 15%.

Sujit Jain And what was our market share? What it has been like?

Dhruv Sawhney 60%, we are retaining our historic market share.

Sujit Jain And what are the rough realizations that we have in products?

Nikhil Sawhney I think that is a different question. We would not be able to answer that very accurately, unfortunately.

Sujit Jain And one last question is, how big is the market in India in above 30 Megawatts up to 100 Megawatts?

Nikhil Sawhney Last year it was very small actually as part of the reason that our growth was low. There was only like 2 or 3 orders that were actually placed, of which we had one. So we had a one-third market share.

Dhruv Sawhney The markets in India, have not started moving to larger projects of waste to energy or in Biomass like it is internationally. And also combined cycle markets in India are not following the same trend. Gas is still not, even though we do not have the same availability as many other countries have and so our markets are little different in the 30 megawatts to 100 megawatts space. So that is why our push internationally is much more and that is where our comparative advantages are.

Sujit Jain Can you quantify what got awarded in this space in FY 18?

Nikhil Sawhney No, I do not think that is our role here actually.

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

Vicky Jain My first question is with regard to say this coal availability there is a shortage in the market. So does it have any impact on our say order flows or order enquiries?

Dhruv Sawhney No, there are not so many coal-based enquiries in our pipeline that will get delayed, so this is not a trend really that is going to affect us. The coal problems are more for existing power plants and for the very large ones.

Nikhil Sawhney You know I will give an example. Even if a captive unit is using coal for their production and is unsure of it, the cost of him importing the coal for his capital requirement would easily still meet ₹ 2.5, ₹ 3 cost of production that he may want. The price of coal would not deter him from setting up the capital power plant, because no one is using coal at this size to actually export to the grid, so it is not grid competitive pricing.

Vicky Jain Okay, so still there will be viability. In such a case of a power deficit scenario like we are having like power supplies, do you expect that the demand for captive power will improve other things being same?

Dhruv Sawhney Yes. Actually, the demand for power is for decentralized power rather than relying on the grid. So anyone who has anything to do with steam of course they must have their own captive power. But the viability of smaller power plants with the high efficiency that we are able to offer in our products give a good ROI to people to be self-sufficient in power rather than relying on.

- Nikhil Sawhney** Also industry there is a disproportionate brunt of the subsidies in the electricity market and so people do not look at captive power.
- Vicky Jain** Yes sir, that is right. On waste to energy domestic market is there any traction happening?
- Dhruv Sawhney** Small.
- S N Prasad** So in domestic market waste to energy there is not much traction. There is an enquiry basis there so few orders are getting finalized but now probably FY 19 may be the year where we can see some traction on that.
- Vicky Jain** On the international front is there any large traction coming in actually any large growth that we are seeing for the next year?
- Dhruv Sawhney** Yes, as I said the growth that we have had in exports in the current year we are foreseeing a similar situation next year. So growth in South East Asia and Eastern Europe in the sector that we talked about, we expect to continue in FY 19. And the first quarter is promising. The first quarter is already showing good traction.
- Vicky Jain** In terms of new office setup are we planning some more new offices or will we consolidate and we will optimize our available offices and reach. What will we do?
- Dhruv Sawhney** Yes, we are consolidating now. As I answered before we have gone through all our startup expenses so we expect no further expenses to be incurred. First, we are not setting up any new offices immediately till we start using these offices for a larger geographical spread and they have all stabilized. The expenses are going to be comparable but last year it has gone lower.
- Moderator** Thank you. We take the next question from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani** Congratulations the way you have been able to mold your business in exports and aftermarket and weathered the downturn. My question is we have seen large orders booking by Thermax especially in the fertilizer sector. And L&T yesterday announced two large fertilizer orders of some ₹ 4,000 crore and most of these are speaking about captive power plants gas based. So would Triveni be the beneficiary of this trend that we are seeing?
- Dhruv Sawhney** You see a lot of the plants coming up unless it becomes combine cycle these plants may have an open cycle which means gas. So unless it becomes combined cycle where the steam comes in, it is not there. Eventually one of the big markets for us globally is for people to go from open cycle to combined cycle. It is happening internationally quicker than it is happening in India because they have not got to that as yet. So here we have not seen too much traction on the steam part from the fertilizer.
- Bhavin Vithlani** My second question is you spoke about waste heat which we believe cement is one of the sectors. How large is that market and how do you see this market shaping up and if possible what percentage of the cement plants would have waste heat and how do you see that as an opportunity for you over the next three, four years?
- Dhruv Sawhney** That is a good point. I think it is a good market that we see market for cement.

S N Prasad Yes, cement waste recovery is one of the biggest opportunities what we can encounter in FY 19 and FY 20. Today installed base of cement plant only around 7% to 8% of the plants having this waste heat recovery that is the kiln waste-based power plants so the enquiry base is increasing. As these plants whatever running plants are more successful and started giving good results to the investment, we see this as one of the big opportunities for years to come.

Bhavin Vithlani How large could this any rule of thumb that like some 5 megawatts, 6 megawatts per million tonne and how large could that opportunity could be for your company?

S N Prasad It is something like around the waste heat based on the technology available today, it is like a million ton plant closer to around 6 megawatts, 7 megawatts of waste heat power generation.

Moderator Thank you. We take the next question from the line of Pawan Kumar from Unify Capital. Please go ahead.

Pawan Kumar Regarding the working capital cycle did I hear that the ₹ 90 crore has already been received from the receivables part?

Dhruv Sawhney Yes, absolutely.

Pawan Kumar And the inventory that shipment is going to happen in this quarter or how are we seeing that?

Dhruv Sawhney Actually it is going to Africa and as part of the GETL. We are pushing very hard with them and they are pushing hard. I cannot say for certain but definitely June-July you know Q1, Q2. So we are going to get some storage charges.

Pawan Kumar Okay on the GETL side, you mentioned that the order book was ₹ 154 crore, if my calculation is right last quarter it was around ₹ 130 crore. So have we won any new order in this particular quarter?

Dhruv Sawhney Yes, international.

Pawan Kumar If we have won the new order in the international market?

Nikhil Sawhney Correct. There was a sugar order in Bangladesh.

Pawan Kumar Okay. So currently the receivable position would be normalized at around ₹150 crore or ₹ 130 crore, ₹ 140 crore?

Dhruv Sawhney Yes, that is right.

Nikhil Sawhney There are some annual basis the fact is quarterly it comes lower because Q4 is always a high dispatch month. So through the other quarter it will normalize to a lower level.

Pawan Kumar Okay and do the steel crisis affect us? The commodity prices which have been going up so would it have any kind of margin impact on us?

Arun Mote Yes, to some extent we have a cost increase but that is being compensated by higher realization of prices from the market. Overall margins are not much affected.

Pawan Kumar Right, so on the realization while you mentioned that it is difficult to give a realization number, but just wanted to know the trends in the realization. How that has been in the past say eighteen months?

Dhruv Sawhney Fairly stable.

Pawan Kumar In spite of the commodity prices going up?

Nikhil Sawhney Already prices to the extent that they end up impacting you is only 2%, 3% that is absorbed by the price so that volatility is not much.

Dhruv Sawhney The raw material and then of that the commodity it is not a big mover.

Nikhil Sawhney The raw material as a percentage of sales for us is somewhere about 50% and of that raw commodity prices is very little and so the movement in those prices is not all that material.

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

Manish Goel Couple of questions one continuing on the waste heat recovery. So it was mentioned that 1 million cement plant requires 6 megawatts to 7 megawatts of waste heat recovery. So what would be the overall project cost and what would be our addressable market in waste heat recovery?

Dhruv Sawhney Now you are asking a cement consultant question. You see it depends on every single case but you know the cement production and you what is the cement capacity today. I think if you look at that and see the fact that they are only 10% or 15% of them that have it, less than 10%. So you have 90% of the cement production that have this potential. And now that we are seeing encouragement in the cement prices, it is a fairly good business deal for cement manufacturers.

Manish Goel Where I was coming from is what would be the project cost for 1 megawatt and out of that if it is say ₹ 8 crore to ₹ 10 crore, what would be our share in it?

Nikhil Sawhney Project cost would be somewhere around ₹ 5 crore to ₹ 5.5 crore per megawatt so the 1 million tonne kiln has a potential to generate 6 MW to 7 MW. And the entire market is open to Triveni because it is our technologies are applicable to the entire market.

Manish Goel Okay so we can get the entire project order so basically that is where I am coming from?

Nikhil Sawhney Yes, exactly right.

Manish Goel And second question on the Agri waste basically we were looking at potential market because typically in Delhi and surrounding areas we see lot of pollution due to burning of Agri waste. Now what we also see on other side is strong government push for 2G bio fuel from such Agri waste. So do you anticipate that the market opportunity could be lost for us?

Dhruv Sawhney No, it is going to take a long time and the technology still has to be there.

- Nikhil Sawhney** There is space for everything, globally there is space for both models and the fact is that Agri waste is primarily stubbles as opposed to the stock itself. So you know there are different models and both will apply and both will work. I think on scale, incineration will win out as a technology over the bio fuel.
- Manish Goel** And last question about aftermarket segment how do you see the growth going forward?
- Nikhil Sawhney** We see both absolute growth in the aftermarket as well as the percentage of sales. This is something that is consistent with our rising order book, so you see the order book I would say installed base, as our installed base grows over a period of time we get more orders and that coupled with the fact that our offerings also in the servicing market is increasing, we see that there will be continued growth in this front. But we believe that our focus on actually making sure that we get more orders and therefore a larger installed base will continue to then allow us to grow the aftermarket.
- Manish Goel** Basically we were looking at refurbishment opportunities even from third party products where we have been supplying turbines which we have not supplied. So are we getting any breakthroughs in such opportunities?
- Dhruv Sawhney** We got some in FY 18 that market is a slow market international its lumpy. Because you have to get somebody else's machine and have it air freighted to India and repair and then send back again. So many people do not want to take that time and dislocation. So we are offering a fairly good offering it is definitely a good market. It needs more effort but there is good margin.
- Moderator** Thank you. We take the next question from the line of Sujit Jain from ASK Investment Managers. Please go ahead.
- Sujit Jain** What is the general average size that we cater to for the refurbishment market?
- Nikhil Sawhney** No, it depends on type of work. You see the work that we offer is through the value chain. We could do anything as simple as overhauling to actually reengineering also. So it depends, the bigger thing is what is the value of contract to us that attracts us. And of course there has to be sufficient enough for our overhead and capacity so that does not exist. But we have already gone up to doing 250 megawatts to 300 megawatts turbines as well in terms of work.
- Sujit Jain** And would the margins be very high in this segment like 25%, 30%?
- Dhruv Sawhney** They are normal servicing margins which we have but it is actually sporadic and it depends on where it comes from. But we have good margins including the cost of transport and you know bringing it here and back again. So both the customer and we get a good return. I am sorry, here also you had a question. Our competition is fairly limited in the refurbishment. It is mainly from local people where they try to convince them not to send it and not to do such a big job. So there are many people who do want to have this efficiency and power improvement which is what we offer. And we offer a completely different value proposition and more and more people are coming to that and willing to sacrifice the extra time that it takes to send it and have it done by us.
- Moderator** Thank you. We take the next question from the line of Vijay Singh from First Global. Please go ahead.

Vijay Singh My question is that I just wanted to get clarity on EBITDA margins, if you can give us segment wise EBITDA margins like export, domestic and the others?

Dhruv Sawhney No, we do not share that.

Vijay Singh My second question is that could you give us some view on export market, how it is, how we are looking for next two years or three years like a simple broad view?

Dhruv Sawhney We are seeing growth, first it is growth in the export market and we are seeing growth where the sectors we feel will sustain in the medium term. They are not subject to going up and down because we are looking at sectors such as waste to energy, our process co-generation, renewable. So these are sectors which are in the plans of countries for the future and some countries have incentives, some have lesser incentives. But they give the potential for there, so we do not find competition from large coal-based power plants. Secondly, more and more countries are coming into this space in the developing world in terms of waste to energy, and all the sectors. So we are seeing growth short-term from South East Asia and Eastern Europe but also from LATAM and Africa.

Vijay Singh Okay and final question. Any view on our order book for next two years excluding GETL?

Dhruv Sawhney We expect an increased order book in FY 19 to what we achieved already. We are looking at increasing our order book year-on-year and the first quarter is a good start.

Moderator Thank you. We take the next question from the line of Pawan Parakh from Renaissance Investments. Please go ahead.

Pawan Parakh I have only one question. So these recent service centers which we have set up have any revenues that we have booked in the current quarter or current year from these service centers which otherwise in the absence of these service centers, we could not have been able to book so far?

Nikhil Sawhney Well, I mean from an accounting perspective the fact is that we are having significant revenue to these subsidiaries and the costs have largely built up and as they build up their own enquiry book it forms what they execute. Of course the fact is the reason that we set them up was to get greater visibility and to answer your question we believe that the performance is what will come in going forward from here and so we are optimistic that visibility that we would not have seen earlier is what we would get. Also the confidence that the customers would get would be more.

Pawan Parakh Okay as of now the only cost is in the P&L, no meaningful revenue and going forward would those revenues start growing?

Dhruv Sawhney No, I think when you said cost heads you see these are startup costs. You know when you are starting offices you have legal and commercial and other costs. So when you are looking at a cost base I mean on the subsidiary result, you got to take that as a onetime thing. Certainly our revenue stream from these subsidiaries is going to show a good increase in FY 19 versus FY 18.

Moderator Thank you. We take the next question from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.

Kamlesh Kotak Just wanted to understand how many turbines we would have under the order book under GETL as of now?

Dhruv Sawhney We have given you the value and the order book.

Kamlesh Kotak Yes, order book you have given, how many turbines would be to be executed this year in GETL and how many would we have executed last year?

Nikhil Sawhney There are 5 in our order book.

Dhruv Sawhney We have about 5.

Kamlesh Kotak How many are executed?

Dhruv Sawhney Three, but you know when you take numbers it does not mean the same because they are different sizes and this is not a product I think on value per turbine. And it can be very distorting to look at. But we have more orders than we executed last year on hand.

Kamlesh Kotak Secondly, given that whatever order book we have, what kind of visibility and what kind of growth you are looking at current year in terms of the revenue?

Dhruv Sawhney As I said we expect we have an increased sales push in GETL both regionally and segment wise so I expect better results.

Kamlesh Kotak And can we assume that with the higher proportion of export markets orders, the margin also could improve compared to what it was last year?

Dhruv Sawhney Yes.

Kamlesh Kotak And lastly sir, how much investment do we need to make in the new facility, any CAPEX that we plan this year?

Dhruv Sawhney That is all over. We have commissioned it is just normal maintenance there is no CAPEX really and we have some R&D but they are not so much.

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

Vicky Jain Siemens had recently announced that in their European region and some of the regions they are closing their turbine division. So are you seeing any spillover or any benefits?

Nikhil Sawhney I think it validates the value chain that we actually operate in. If they move it to that means that this is where the competitiveness lies, so to validate our model in fact.

Dhruv Sawhney Actually it is happening. You know we are in a space where engineered to order capital goods, is globally competitive in the Indian space. With a model of global sales force with offices to provide service so we are getting to the same platform as what the people have overseas.

Nikhil Sawhney And in fact actually one of the biggest issues that we may face in export is the acceptance of the customer from a Make in India perspective. And so if that is

becoming more of a standard into the production that actually helps us in many ways.

Vicky Jain Will there be a chance of more market share gains like a customer will have Siemens reliability and say life cycle service issues, so customer will come to Triveni only correct?

Dhruv Sawhney In our case Triveni GE has life cycle guarantee also. So I think the space for Indian orders globally is only up.

Vicky Jain Finally on this currency benefit will we benefit fully or will we pass through the market and gain market. What is your thought sir?

Nikhil Sawhney Typically we run a hedged book and so we take two gains, one is a forward premium, and there is some MTM on that. Given our hedge accounting and the Ind-AS what we were not able to absorb at all in FY18 will now revert in to FY19 other income. So hopefully this will answer your question in subsequent calls about where our other income comes from.

Vicky Jain How much hedge books have we hedged for three months or six months roughly?

Dhruv Sawhney Now we hedge it depends on our order cycle. So we hedge according to that.

Vicky Jain We have an order book of ₹ 700 crore so will it be hedged for ₹ 700 crore?

Dhruv Sawhney We have a certain percentage in our hedging policy.

Nikhil Sawhney No, it is only under exports; ₹ 700 crore include domestic as well.

Moderator Thank you. We take the last question it is from the line of Varun Agarwal of BOI AXA Mutual Fund. Please go ahead.

Varun Agarwal So my question is on the international competition. In terms of competition Europe and other parts how is competition doing and has there been any consolidation in overall in the competing businesses?

Dhruv Sawhney No, competition is there. We do not have as many competitors as in the steam turbine space and in some other product lines, but competition is as much as you would expect. But the competitiveness and the value proposition being offered from India is being much more widely accepted and we are able to now provide customers with a good value proposition and with a good return to the company. So now, that is a general spread and technologically what we are doing is concentrating on our R&D and our value engineering and on our service so that we provide a world class solution to these customers and in all the segments that are relevant. So I think we are matching now best-in-class what is happening with the international competition.

Moderator Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor over to the management for their closing comments.

Dhruv Sawhney Thank you very much for an interesting Q4 FY 18 session. And thank you for your comments on our results for the quarter. I would like to just end by saying with a good order book to start with, with more exports in the order book and flowing right now into Q1 and also the enquiry pipeline for FY 19 and the feedback we have

from our offices, we feel FY 19 is going to be a better year in both terms and we are looking forward to good growth. So with that thank you very much.

Moderator

Thank you. Ladies and gentlemen, on behalf of Triveni Turbine Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.