Triveni Turbine Limited

Q4 FY 16 Earnings Conference Call Transcript

May 11, 2016

Moderator Ladies and gentlemen, Good Day and welcome to the Triveni Turbines Q4 FY 16 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode. 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 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 welcome to all of you participating in the Q4 and FY 16 earnings call of Triveni Turbine Limited. We have with us on the call today Mr. Dhruv M. Sawhney – Chairman and Managing Director; Mr. Nikhil Sawhney – Vice Chairman & Managing Director; along with other members of the 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 was e-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 would like to start this call with opening remarks from the management followed by an interactive Q&A session wherein you can discuss your view points on key issues.

I would now like to invite Mr. Sawhney to share some perspective with you with regard to the Company's operations and results for the quarter and year under review. Over to you, Mr. Sawhney

Dhruv M. Sawhney Thank you very much, Gavin. Good morning everybody and welcome to the Q4 FY 16 earnings conference call. I am happy to report that year under review FY 16 has been a record for Triveni Turbines in its history and it has been a substantial achievement on all fronts.

Our total income from operations at ₹ 7.96 billion shown an increase of 22% on a consolidated basis and our profit before tax has shown a growth of 21% and we had a PAT of just over a billion ₹ 1.08 billion with a margin of 14% and an increase of 19%.

But as importantly has been our consolidated order bookings during the financial year FY 16 which has shown a growth of 21% and we booked orders for ₹ 8.4 billion. So we have an outstanding consolidated order book of over ₹ 8 billion today. The other remarkable factor is that while the domestic market has gone down by 20% we have had extra ordinary success in the export market and that is what has made our results for the current year what they are and if not more is the component of exports in our outstanding order book and in the order that we have booked during the year. As importantly is a very encouraging order pipeline in both Triveni Turbines and our joint venture GE Triveni Ltd.

We have declared total dividend of 110% and our return on capital employed is 58% with a return on equity of 42%. The good part is that we have now spread our exports to various new geographies and the efforts are continuing in this direction and also taking on more sectors for our turbines in these geographies. Exports have been successful in Europe, Turkey, Southeast Asia and the South African development region. The sectors where our exports are being successful is in the waste to energy, biomass, combined cycle.

Now, waste to energy and biomass are in the renewable sector and in almost all our economies where we export, we are finding growth there. Whether the country's growth is low, this sector is growing and in fact in many countries it is starting from a very low base so there is tremendous potential. We got a number of our projects such as in London will be commissioned in FY 17 this will be a tremendous help for us in establishing our brand of Triveni Turbines, Indian manufactured goods, in the very sophisticated competitive environment in these countries.

Secondly, are our efforts in opening service centers overseas because we feel that one of the advantages that Triveni has over many other competitors is its service advantage. Now we have that in India where we have been close to the customer and we have been able to arrive at the customer facility within 24 hours or 48 hours. We are on our way of reproducing this model overseas. We have had two subsidiaries opened, the results of these have been incorporated in the consolidated result of FY 16. In the UK and Dubai, we have service centers operating now in both of these countries and personnel posted there. Within few months we will have further centers in Indonesia and Southeast Asia and in South Africa and very shortly there will be another two or three centers in Southeast Asia in possibly Europe and in LATAM. Now these centers are carrying service for the whole gamut of operations. Our view is to be a partner with our customer on a life cycle basis where we will not only supply the power plant, we will commission it, take on the erection and have local staff to do it for us. But the value add will come to the present company, we hope to get AMC straight away with the customer going on to the delivery of spares and the refurbishment or upgrades as the turbine is operating.

Our refurbishment activities are not limited to our own make of turbine and we have been very successful in the year FY 16 in one or two countries of actually getting the repair of other people's turbine from Europe, from South Africa and that is very encouraging because these are very good margin orders much higher than the domestic margin and in fact, much higher than our product margins. And once that is executed which will be in the next few months some of them are reference point for the future. We are entering a whole line of remote monitoring, where customers will be able to monitor the progress of its turbine and the output in all parameters that he is keen on anywhere in the world whether at site and at various levels of management. This is something that is prevalent in the higher power ranges and the utility turbines we are bringing it down to the industrial range and to the renewable sector which is also a first.

The increased service offering that we are having is through the establishment of parts of people, of some servicing facilities and these are not capital intensive in nature, it is more people intensive rather than capital intensive. Our training institute which is one of the world class training institutes in Bangalore is well equipped to handle the training and development of the service personnel for our very aggressive expansion program.

Your company Triveni Turbines has also excelled in its research and development and value engineering exercises. We are proud that this year we have been awarded the Top Organization in Design Award by the Government of India and we filled a number of IPR filings in India and also overseas, we are going to be increasing our activity in intellectual property overseas in the coming years. We are very confident now of what we are doing, this value engineering and research program is a continuing one. We are using customer feedback and our own evaluation on the future trends in technology in our areas to have best of class on a global scale. This is the only reason why we have been able to succeed in our export markets and this will be there in the future as well.

I am stressing on our consolidated results because we will be doing this more in the future because we will be increasing activities of our subsidiaries in London and in Dubai and who knows we may be having a few more coming up if the opportunity arises. But in any case, we will be having the spread of branch offices and service centers which would be run locally and controlled from Bangalore so; it is a combination of local talent and talent from Triveni Turbines Bangalore. The 49% of consolidated turnover has come from exports. Even in the aftermarket which is just started this had a growth of 20%. Now the consolidated aftermarket sales from exports was 39% so there is a shift happening in services to what we had started in products a couple of years ago so, that I think will accelerate in the future as well. Our order pipeline, that is our enquiry base, is strong in both Triveni Turbines and in GE Triveni in fact the enquiry pipeline in the domestic and in the international in GE Triveni is about 3.2 GW and our joint venture GE Triveni is now executing orders in Southeast Asia and in Latin America and we are happy of this spread both for Triveni Turbines and for the JV because we have been able to counter act the fluctuations of currency in the country with some of competitors mainly from Brazil and from Japan and we are competitive not just on the price offerings, landed at the customers site but also in delivery and that is after taking to account the disadvantages that we may have in delivery from our site to the port and port which trans shipments to our various destinations. But we are well within the norms of our competitors in terms of delivery and we have been able to counteract certain depreciation of currency especially the Real which is a strong competitor to us in LATAM and the Yen which is a competitor all over less in Europe but in Southeast Asia. We have not found much competition from the Chinese except in some projects where they are financing a complete project as such and there the bidders are only Chinese. But that has not been very strong because they are more for the larger utility plants and more for the larger projects then in the renewable space.

So I would like to open the floor. But I need to conclude that your company is now in the right line globally, this is a line of visibility of renewable globally. The other line which is very significant is combined cycle and we have made good inroads in it in the last year. The combined cycle is where you have some gas and steam together and that is what brings higher efficiencies for the customer. So we are looking at furthering our offerings in this area in the future as well. But FY 16 was a record year for the company and we look forward to many such records in the future. Thank you.

Moderator Sir, we open the floor for questions?

Dhruv M. Sawhney Yes, please.

Moderator Sure, thank you very much, sir. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to only use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question assembles. Thank you. We have first question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan Sir, you are touching upon the waste to energy market in the European space, I was going through presentation by confederation of waste to energy federation in Europe. Talking about some 500 plants. How fast is it going and how big can it be and what is our market share can you give a sense in that?

Dhruv M. Sawhney Yes, well, you know when you are talking about waste to energy it is mainly landfill I mean municipal waste. Now in a lot of these areas and it is happening in Southeast Asia, and will eventually happen in India as well. You cannot just dispose the municipal waste it is a pollution problem, if you just dump it somewhere so, you have to incinerate it and that is where the question of generating energy comes in. The technologies are fairly well established, there are some inroads being made. We are well established in the UK, we have got some inroads in France as well and we are in the market the figure that you have we have as well, they take a little time to come to fruition but otherwise if you look at the market it may be 20 times or may be 50 times what we are there. And the track record we have of plants made in India operating in strict environments of quality and European standards is what is going to carry us in the future. So for me to give you a number all I can say is the numbers are very high. Our new Sompura plant will have it first rolling out in September. And this plant will be able to have doubled the capacity of our Peenya plant so we have plenty of capacity and it is coming in or from future CAPEX in FY 17, is all internally funded. We do not have to go for any borrowings it is very low capital compared to any plants in India and overseas. And so this opportunity I think will need the service part which is why we are also thinking eventually of opening another service center in Europe because the combination of having a product and service is good.

Ravi Swaminathan Okay. And regarding GETL how many orders are we currently executing and how many we are having in pipeline which countries we are looking at for?

Dhruv M. Sawhney As I said the GETL is executing order overseas with Southeast Asia and South America and India we have got some. The enquiry pipeline is good just from numbers but you know these numbers are large but some take it at 800 megawatts domestically and 2,400 megawatts internationally. Now they take time to be converted, there are offers made to EPC contractors in the waste to energy also, so sometimes you offer your turbine to multiple contractors. But I would say that the encouraging fact is that these enquiries are good improvement over the previous year and the spread is there as we are getting more and more visibility of the JV because of dispatch of our first turbine to Indonesia last year which is going to be commissioned in the current year in the next three months to four months. So once power is generated from a turbine supplied by the JV outside India it is much better visibility. Frankly, that is what is needed for the change in perception of these customers towards buying from India; it is more than just a JV and the technology from GE. It is very good that the sugar sector in India has picked up so that this is providing opportunities not only for Triveni Turbines in the range up to 30 megawatts but also in the above 30 to 100 megawatts range which is coming into the JV and this position is there in various parts of the world. The sugar situation is much better now. It is better in Latin America, in countries in Southeast Asia particularly Philippines, Indonesia, and Vietnam, so there the opportunities are good, Another area for the JV and for us is the combined cycle opportunities of combining steam turbine with gas.

Ravi Swaminathan Okay. And the Argentina order is there in this quarter?

Dhruv M. Sawhney Yes, it is for execution in the current year.

Ravi Swaminathan Okay. And what would GETL's current order book and for FY 16 revenue?

Dhruv M. Sawhney FY 17 you mean?

Ravi Swaminathan Last year's.

Dhruv M. Sawhney Are you talking about the order at the beginning of FY 16 or beginning of FY 17?

Ravi Swaminathan FY 17 beginning order book.

C N Narayanan It is ₹ 162 crore.

Ravi Swaminathan ₹ 162 crore order book. And revenue for FY 16?

C N Narayanan Revenue ₹ 142 crore.

Moderator Thank you. Next question is from the line of Rabindra Nayak from Dolat Capital. Please go ahead.

Rabindra Nayak Sir two, clarifications, regarding this aftermarket sales, in the aftermarket your inflow has gone up by 20% and order book has gone up by 36% but if we see the sales has gone by 11% in the year-over-year basis and I am just talking about the consolidated numbers. So is it the case that the things are getting delayed in the aftermarket services also? And secondly, there is a reduction in employee and overhead cost in the standalone numbers and can you please clarify on this whether that is employee and overhead cost is loaded in the joint venture in the subsidiaries?

Dhruv M. Sawhney Let me answer your first question. The services revenue is for order that had been booked much earlier so, you will see the increase in revenue as a percentage in the year FY 17 much more than has happened in FY 16. Some refurbishment and order takes over six months to execute by the time you bring the turbine from overseas to India and send it back, there is a time lag of almost the same as a new product in some of the major orders. Secondly, some of these orders take a few months to execute because they are being done for the first time and the customer wants to be clear on the designs and of the whole plant because he has to take something away and put it back into the same place. We are very confident of our current order book in the services which includes refurbishment orders. And this is why the turnover has been not as much as the current order book was on services, the turnover on services in the last year which will increase in FY 17.

Rabindra Nayak Okay. And regarding sir, this employee cost and overhead cost and standalone

C N Narayanan Rabindra, I think the employee cost has gone up you know it is against ₹ 60 crore last year we have ₹ 63 crore this year.

Rabindra Nayak Sir, quarter-to-quarter I am comparing.

C N Narayanan No, let us not look at the quarter, look at the year because it might be accounting.

Suresh Taneja Even from the quarter point of view, it is quite consistent at about ₹ 14 crore.

C N Narayanan Few lakhs here and there can happen but look at the full year ₹ 60 crore versus ₹ 63 crore.

Rabindra Nayak Okay. But the joint venture subsidiaries are consolidated it has gone up from ₹ 62 crore to ₹ 70 crore.

Dhruv M. Sawhney Yes.

Suresh Taneja Yes, which is about ₹ 8 crore increase and ₹ 3 crore increase is basically the standalone TTL.

Rabindra Nayak Okay. And sir, regarding this joint venture portion of the order book, can you please give the breakup of the after sales in the standalone basis for the whole year FY 16 that you have given

Dhruv M. Sawhney On standalone, actually you know standalone is not relevant because a lot of order are export orders, services orders, are booked in the subsidiaries overseas so it is not relevant and under 30 megawatt orders are both booked by our branch offices, mainly our subsidiaries that is why we put them up so that is growing, that is why we are looking at things on a consolidated basis rather than on individual standalone basis that is the change because the TTL subsidiary a 100% subsidiary as against 50% plus 1 are also having strong revenue growth and forecast.

Rabindra Nayak Okay. And sir, can you please give me lastly the CAPEX number for FY 17?

Dhruv M. Sawhney It may be around ₹ 45 crore to ₹ 50 crore.

Rabindra Nayak ₹ 45 crore, okay, sir.

Dhruv M. Sawhney ₹ 45 crore to ₹ 50 crore, by CAPEX we mean everything including software, including R&D, CAPEX and the finishing of the Sompura plant.

Rabindra Nayak Okay. Sir, you have opened lot of offices in the last year, can you please give your new geographical orders that has revenue or order book that has come in FY 16 any ballpark number?

Dhruv M. Sawhney No, when you open an office, you do not get the order from there, it is done for the next three years. So let us say the opening of offices, the revenue expenditure is all being taken and I am happy our results and our margins are still there after having taken into account the initial cost of administrative legal, many-many compliances that are necessary before you can open an office or a service center.

Moderator Thank you. Next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani Could you talk more about the domestic market dig a bit deeper into the exports and so, the 20% drop in the domestic market. Are you seeing any signs of green shoot and if yes, which sectors would they be?

Dhruv M. Sawhney I just like to share with you a little bit of analysis of the domestic market, when we say 20%, when we sell to an Indian EPC we treat it as a domestic order even though he may be exporting it. We have seen a drop in that. So now if we take that drop out then the net drop in the domestic market has been about 13% but that is also substantial. If you ask me we have a strong enquiry base domestically but we did have a fairly good base of enquiries in the latter half of last year as well so, it is taking longer to convert where we see scope is in the sugar sector, it is good. I think cement is going to be starting by the latter half of 2017 and chemicals and fertilizers sectors are also the process for generation sector is pretty good and we have about 50% of our enquiry basis coming from there. So the sectors I would say are food, cement, sugar, the process co-generation, paper may be I am not too confident personally though we have enquiries from there that may take up but this should substantially help our sales in FY 18 definitely going on in FY 19. But our real growth in we have a very good target for order booking for FY 17 export wise it is substantially higher than FY 16 which was also a very big jump over the previous year. Now all we can do is to position ourselves for risk avoidance, so we are covering ourselves we have the capacity but I would not like to sort of bank on any one sector whether it is domestic or one region of the world.

Bhavin Vithlani Historically, you have been sharing the size of the domestic market so, is it possible to share the size to what level of megawatt it has?

Dhruv M. Sawhney Yes, 620 megawatts.

Bhavin Vithlani Pardon.

Dhruv M. Sawhney It has come down from 770 to 620 megawatts for FY 15 to FY 16

Bhavin Vithlani Okay, fine. Are you not seeing any green shoots from the refinery sector because we have seen their balance sheet deleverage?

Dhruv M. Sawhney Yes, we are seeing some from the fertilizer and from the chemical sector. We are seeing them though, the reason I did not mention is because of the financing elements there and when they are actually going to have the whole project take off the ground because those projects are component is not the drivers in the project, the sugar project is pretty much the driver or so that is a good point, we are seeing definite improvement over the last half.

Moderator Thank you. Next question is from the line of Dewang Modi from Equirus Securities. Please go ahead.

Dewang Modi The current mix of orders is now much more aftermarket and exports heavy order book, could we guide for slightly higher margins going ahead in this year?

Dhruv M. Sawhney Okay. I do not want to give any things what we are looking for is preservation of margins. I think we have pretty good margins compared to our peers probably one of the highest and we are using various geographical forays and exports and going into services to cover risk and risk happen when there is competition in certain areas where you get less margin, you covering the expansion of territories and offices cost, you are covering your R&D cost. So taking all this into account including enhanced depreciations on our new plant so, that is where I would say. But we are putting forward a growth part of three years of sustained growth in income and bottom-line. So that is where the base is we do not and to be rocked by something that may happen geographically in one area but if everything goes well then you have more extraordinary results, but that is something that neither you and I can foresee it today.

Dewang Modi So if my understanding is correct, you are not seeing margins have peaked out but using that in the near-term till growth picks up and the absorption of the new facility cost pick up you might see margin remaining stable and then gradually we can hope for an expansion is that the correct impression?

Dhruv M. Sawhney Yes, you said it.

Dewang Modi Okay. And sir, on the JV side our FY 17 beginning order book is now probably a bit lower than what it was last year so, last year we saw our revenues in GE and the JV growing from ₹ 75 crore to almost ₹ 140 crore this year. So but given the current beginning order book there is less hope for that kind of growth in FY 17, am I right in this assessment or are we expecting some large book and bill orders in the first one quarter or so?

Dhruv M. Sawhney Yes, you are right because these very strong recognition norms for orders, we do not recognize LOIs or anything we want the full advance before recognizing so that we have visibility in the dispatch and these are the partner norms for the JV. So that has an effect we are looking for some substantial growth in Q1.

Dewang Modi Okay. So you are basically saying that the growth will remain on track in terms of at least 15% -16% growth may continue in FY 17 on the JV front but for that you will be expecting some orders coming through in Q1.

Dhruv M. Sawhney Even if we have Q1 everything will not get dispatched in FY 17, you know the larger turbines have a longer delivery times. So we cannot give any assurance about the same growth rate. What we can say is that we are hopeful of order bookings picking up versus

FY 16. Order bookings in FY 17 for the joint venture being much higher than in FY 16 some of the dispatches will happen and some of them will go into FY 18.

Dewang Modi Sir, we have started generating quite a bit of cash so any plans on how we will be utilizing this and is there an intent to do some value-added acquisition probably in near-term or what is the plan over there?

Dhruv M. Sawhney No, let me say the first thing, that we are doing, is using our cash generation for completing our plant. The second is that we are meeting the expenditures putting up offices and all these offices being stocking of spares, having some warehouses facilities these are not much expenditures and then we have a good dividend policy for you so, we will appraise the situation as the year progresses. Our mind is where we are, we see enough scope in the expansion of territory export wise and the expansion of our offerings into different sectors such as renewable and combined cycle.

Dewang Modi Sure, sir. And sir, finally if you can provide some flavor on sort of you have seen a significant improvement in working capital this time around so, is that sort of what should be the normal trend going ahead or is this because of some extraordinary recoveries in the period or something like that? a

Dhruv M. Sawhney No, its the trend going ahead. We are now going less and less on dispatching till people are ready to pay.

Moderator Thank you. Our next question is from the line of Ranjeet Shivram from Antique Stock Broking. Please go ahead.

Ranjeet Shivram Sir, my question will be a continuation of the previous one, regarding the domestic market you had mentioned that the overall the figure of ₹ 650 crore is for the overall industry

Dhruv M. Sawhney Industry.

Ranjeet Shivram Industry has come from 770 MW to 650 MW so, how do you see this planning out?

Dhruv M. Sawhney No, 620- 615 MW

Ranjeet Shivram Okay, 615 MW, okay. And how do you see this going forward?

Dhruv M. Sawhney As I said, we expect the FY 16 to be better because I expect some growth in the latter half. I certainly expect it to better, if you ask me, definitely do not expect any further downturn. How much of the upturn is difficult.

Ranjeet Shivram Okay. So probably for FY 17 also our growth will be largely driven by this export and the JV, the domestic will continue to be muted for one more year?

Dhruv M. Sawhney It will add a little bit, I would not say that. The order bookings will be better than in FY 16 but the effect of that because it may happen in the last half of the year it will not affect the dispatches of FY 17, it will help us in the FY 18 growth. Because along with the export and the domestic market picking up then we can look forward to some very good growth in FY 18 more than the current situation.

Ranjeet Shivram And sir, of this 615 MW how much had we won of the 615 MW of domestic orders for FY 16?

Dhruv M. Sawhney 58%.

Ranjeet Shivram 58% our market share.

Nikhil Sawhney 58% to 60%.

Moderator Thank you. Next question is from the line of Bobby Jairam from Falcon Investments. Please go ahead.

Bobby Jairam Yes, just on the domestic side. India is now a power surplus country so, for all these years of demand chasing supply now is the other way around, so how would that impact going forward the situation for Triveni that is one question.

Nikhil Sawhney Our sales are to industries which require not only power for captive use but also steam as part of that process and so it is not directly comparable to the macro power situation in the country. I do not want to comment too much on that because the real IPP market is not catered to by us in the below 30 megawatt segment, no as such in the 30 megawatt to 100 megawatt segments to our joint venture in India. IPP segments may apply globally but that is a separate question.

Dhruv M. Sawhney And we are in renewable which is a push anyhow I mean the renewable sector is gaining traction everywhere, many countries in LATAM they have power surplus but their move on renewable is very strong.

Bobby Jairam The second question is on dividends, you decided to skip this time as opposed to last year. So are you conserving cash for something?

Dhruv M. Sawhney No, I think you have seen the total dividend of the year which is being substantially higher than the previous year at a 110%. We declared it before March.

Moderator Thank you. We have next question from the line of Pavan Kumar from Unifi Capital. Please go ahead.

Pavan Kumar Sir, your revenue grew at around 22% this year, so what are we expecting going forward in the sense do, we expect the same kind of trajectory going forward in FY 17 or something higher than that?

Dhruv M. Sawhney No, I do not like to give a guidance. I have given you the environment and our orders on hand, our enquiry book, the territories we are growing at, and the domestic market situation so I shared with you the operating parameters on which any such question that you post can be answered. We look for sustaining what we are doing but how much up is really difficult to say but I would like to say that we are pretty optimistic about the future.

Pavan Kumar So qualitatively I had to compare time period when we were visiting last time in December versus right now. How the operating environment actually was, has it gone better or has it turns for the worst?

Dhruv M. Sawhney I think now versus December I have much better feeling in the international market with our service centers and our branch offices moving and that has given us in top management the encouragement to open more quickly.

Pavan Kumar And another question was regarding your balance sheet on the consolidated side, we saw a significant amount of reduction in the debtors but the inventory went up on the other side, so is it like there are any pending orders in the pipeline which are to be executed?

Dhruv M. Sawhney Correct, you got it, there are some pending orders to be executed in Q1.

Pavan Kumar Okay. There is some overflow which we expected to execute in Q4 which got spilled over.

Dhruv M. Sawhney A little bit yes, right.

Pavan Kumar One last question regarding the LOIs. In Q2 we said we had some five LOIs so how many have been and what are we expecting going forward on those particular LOIs regarding the JV.

Dhruv M. Sawhney Some of them have not paid some advances and they have not paid the full advance because sugar situation is turning now. So in fact one is in the current quarter being converted. So one of them probably may not get even though they have given advance may get postponed a little more but a majority of them are coming in now, same came in last year and some are coming in the FY 17.

Pavan Kumar So finally, overall we are seeing, we converted one?

Dhruv M. Sawhney No, we converted two.

Pavan Kumar Okay, you converted two, okay, sir.

Dhruv M. Sawhney And one more may be in Q1.

Pavan Kumar Okay. Can you share the size of whatever the orders that have been converted already?

Dhruv M. Sawhney 40 megawatts each.

Pavan Kumar 40 megawatts.

Dhruv M. Sawhney Each.

Pavan Kumar Okay. In value terms there would be sir?

Nikhil Sawhney I do not want to say, we just wait until the order are through then we will give you the information.

Moderator Thank you. Next question is from the line of Shreenath M. from Motilal Oswal Asset Management. Please go ahead.

Shreenath M. Just comparing the fourth quarter with what we had indicated in December we said that a lot of orders in the December quarter got spilled over to the fourth quarter. But relative to that, that kind of traction does not seem to have come so even on q-o-q basis or on Y-o-Y basis fourth quarter revenue is muted so is there any explanation for that?

Dhruv M. Sawhney Yes, I think there was earlier question about the inventory. So one of them got spilled in the month of March itself, to early part of Q1. These things are on very strict inspection, they are difficult to tell when you have large orders which quarters it goes to on the export line. That had an impact which is okay, this is why you have to go for bigger territories and bigger things but there were also one or two orders that we were going to execute which is now as shorter term orders and the customer sort of delays it by one month - two months nothing serious but you know with very strict revenue recognition norms you have no option it just goes into the next year.

Shreenath M. And the second question was about the consolidated order book which I think is about 5% to 7% higher than as of last year is that correct?

Dhruv M. Sawhney Yes.

Shreenath M. Yes, so now since we have a bill to book typically is one-time that is our execution typically does not exceed a year.

Dhruv M. Sawhney We can book and bill in Q1. Quite a lot orders booked in Q1 so it can be billed in the year.

Shreenath M. Okay. So that is what gives us optimism for growth higher than the growth in the order book is what you are saying?

Dhruv M. Sawhney Yes, and it happened in FY 16, it happened in FY 15, it happened in FY 14. So when we had this book to bill having three years running that is what gives visibility and encouragement and optimism for FY 17.

Shreenath M. Yes, I mean that is where it came from actually. Correct me if I am wrong, FY 16, we begin the year with an order of about ₹ 747 crore.

Dhruv M. Sawhney Yes.

Nikhil Sawhney See I just want to correct you on certain line of thought that you have. Yes, we have the capability to deliver turbines as quickly as seven to eight months or to nine months and therefore technically the Q1 can be book and bill. Now looking at the opening order booking of a particular year does not directly mean that that entire amount is going to be billed in the year because it depends on the payment capability of the customer.

Shreenath M. Okay. So typically you are saying opening order book does not get executed necessarily during the following year.

Nikhil Sawhney Typically 90% of it would.

Shreenath M. Yes, 90% of it would right, yes, exactly. So like FY 16 we begin with ₹ 747 crore order book and we ended with revenue of ₹ 796 crore.

Dhruv M. Sawhney In fact, there has been cases even in FY 16 where some orders booked in Q2 have been executed in FY'16. But you know to now calculate that I am going to get something in Q2 this year which is when it will really be a good one for eight months' delivery is not there. But given the mix of what we have done in the past the very strong enquiry base that we have on 1st of April 2016, we are optimistic of the current year.

Shreenath M. And would there be things like spares in aftermarket which could be out of the order book as well?

Nikhil Sawhney Of course, yes, absolutely. You have got a good point.

Shreenath M. Yes, that is one. And the second is lastly, just a kind of housekeeping question. So this FY 16 for example, how much would be the inter-company transfer because we have consolidate revenue of ₹ 795 crore and standalone revenues about ₹ 700 crore.

Dhruv M. Sawhney Yes, so it is around ₹ 50 crore something.

Shreenath M. So, around ₹ 50 crore is inter-company transfer right?

Dhruv M. Sawhney Yes.

Shreenath M. So similarly there will be inter company in the outstanding order book as well?

Dhruv M. Sawhney No, we netted that out.

Shreenath M. Yes, so consolidated order book is about ₹ 803 crore. And standalone is ₹ 654 crore so, GETLs order book will be slightly higher than the difference right?

Dhruv M. Sawhney Yes.

Shreenath M. GETL order is about ₹ 152 crore is that correct.

Dhruv M. Sawhney Yes. That is exactly the number, yes.

Shreenath M. Yes, so if I sum ₹ 152 and Rs. ₹ 654 there is about ₹ 826 crore so are we seeing the difference of ₹ 826 and ₹ 803 which is just ₹ 23 crore is the inter-company order is my assessment right?

C N Narayanan We cannot off-hand tell you mathematics we can talk about it later because this is something which we require some explanation but definitely broadly what you said is correct but exact numbers we cannot off-hand tell what is the difference.

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

Manish Goel Sir, couple of questions, in last few years we have seen our revenue profile quite changing – one is that definitely aftermarket has grown. But on the core product side we are seeing that renewable energy has increased substantially and exports has also contributed to it. Where I am coming from is that going forward in domestic probably we will have two cylinder firing once if industrial demand picks up which will probably lead to demand for captive power plant and process co-gen and renewable energy itself because now we are seeing waste to energy also.

Dhruv M. Sawhney Yes, absolutely, right. But when it happens, I would like to see some solid enquiries coming in from waste to energy but if you look at it in longer term perspective you are absolutely right that is what gives us very good optimism for FY 18 that India has to move in these lines, the process industry will have Brownfield expansions, captive power. We have to move in the line of municipal waste.

Manish Goel Okay. So ideally renewable energy should be say 75%-80% of our total product sales should it be a fair assessment?

Nikhil Sawhney At this point but over the course of business cycle it is obviously much less.

Manish Goel No, I agree, probably going forward we may probably see renewable energy also growing strongly. So is there opportunity for us for the industrial space in the overseas market as well for captive and process co-gen?

Dhruv M. Sawhney Yes, these are our target areas for expansion in our marketing. You are quite right, in many of the countries that we have gone to, we have gone to the low-hanging fruits which is sugar and things that we know well but then we slowly expand waste to energy, biomass which we know well. Now we are expanding into these areas of combined cycle because of the low gas prices people want to convert into a higher efficiency cycle. So that helps you. Secondly, we are now doing research into the other process industries in these countries, you are exactly right. So that is where the opportunity export wise lie.

Manish Goel And sir, on the JV side, can you give me the order inflow number for FY'16 and FY'15?

C N Narayanan FY 16 was around ₹ 86 crore and FY 15 was around ₹ 60 crore.

Manish Goel Okay. And till date if I probably want to say number of turbines, how much order inflow we would have got in say domestic and international?

Dhruv M. Sawhney No, I do not have those figures, it is better to go on total megawatts rather than number of turbines because when you compare one quarter with another quarter one year to another year you could get a little distorted figure.

Manish Goel And just to get a sense on the JV particularly the availability has been muted order inflow as compared to our sub-30 segment so, you did mention that the pipeline is quite strong. But is it that the issues are relating around to the funding issues or what are the issues?

Dhruv M. Sawhney Yes, I know one major thing is that the visibility with GE being there as well depends on commissioning projects overseas because they want to see an installation. With the best in the world they do not take installations in India and in Southeast Asia they will take some installation in Southeast Asia they may not worry about it being in that country but so that is there but what is very encouraging is that we were able to now pickup one in Argentina and we were competing strongly with Brazil to get that order landed there quicker and to more reasonable cost and higher efficiency level than strong Brazilian competitor is notable achievement.

Manish Goel You have mentioned that in the press release that JV has got a break through order in new segments so what is it pertaining to sir?

Dhruv M. Sawhney This one, this Argentina order which is in combined cycle.

Manish Goel And last question on the way you gave details on the pipeline for the GE JV in terms of 3,200 megawatt can you give us a sense on the sub-30 megawatt both in domestic and international pipeline?

C N Narayanan Yes, these are enquires at various levels of fructification so, we have close to 1.7 gigawatts worth of enquiries in the domestic market and as far as the international market goes that number is as high as 4.6 gigawatts.

Moderator Thank you. Next question is from the line of Koshik Poddar from KB Capital Market. Please go ahead.

Koshik Poddar Yes, the first one is regarding you are putting up a new plant, I mean what is the rational for it?

Dhruv M. Sawhney This has been in the work for the last couple of years. One is that it allows us to expand, capacity to higher ranges. We will now be able to comfortably do the 30 megawatts to 100 megawatts, 80 megawatts the craneage, the testing facilities are in keeping with the customer requirements and secondly, the plant gives us the assembly space. The manufacturing is not capital intensive and in fact the plant is not and thirdly, it is allowing us to raise the testing levels to the best in the world in terms of boiler pressures and the vacuum tunnels. We are getting a new vacuum of a much higher capacity. So these will now be catering to the best facilities in this range. The other major area we have done this is that in our refurbishment we do other people's turbine and there the capacities go beyond 100 megawatt, which we are able to refurbish now and that will be much better service in the new facility. This is a very lucrative line as you would imagine but without the facilities you are not able to affectively get the orders.

Koshik Poddar So in case of refurbishment you will get the turbine back to your facility and do refurbishment or you do it is at the site?

Dhruv M. Sawhney We get the rotor back and we then refurbish it, we put new blades and then we have to test it again.

Koshik Poddar Okay. And where is this facility getting located?

Dhruv M. Sawhney It is about 30 kilometers from our current facilities on the same road.

Koshik Poddar And secondly, you have given a lot of emphasis for aftermarket sales and the refurbishment and all these things regarding the service part of the business, so what will be the service as to product break-up say two years down the line why do you see that?

Dhruv M. Sawhney It will be higher than what it is today but we are expecting good growth in the product as well because of our expansion so the growth of services as a percentage is not going to show some enormous jumps in one year, it will slowly going up. The absolute numbers will grow quite substantially but because we are looking at overall growth in top-line you are having growth in percentages of service to total product and growth of the total business.

Koshik Poddar And lastly you have expressed your hope for a very good FY 18 that is principally because both the engines that is the overseas as well as the domestic kicking in is it?

Nikhil Sawhney No, the domestic is not going to contribute to FY 17 results.

Koshik Poddar I am talking about FY 18 because I think FY 17 domestic will not be there FY 18.

Dhruv M. Sawhney There are two points in this – one is what you mentioned and second is that the order bookings in FY'17 export wise which we hope to be better from an increased territories and increase geographical area, the fruits of that will come into the FY 18.

Koshik Poddar Okay. The contribution of overseas offices will kick in that is what you saying?

Dhruv M. Sawhney Yes, that is our expectation level and so then going to earlier question on industrial sector overseas and going out of the traditional sector of sugar and biomass.

Moderator Thank you.

Dhruv M. Sawhney Thank you. So as there are no more questions I like to close by thanking you all for joining this conference call and for your questions. I would like to end by saying that we are optimistic about the next couple of years at least if not more so we have good visibility going at least for the next couple of years and we see good growth possibilities, we see very good risk diversification in terms of our markets, in terms of our product, and with the strong R&D and being able to now service and cater to higher range of turbines in our new facility and with our spread of offices in centers all over the world, we see a good time ahead for all of us. Many thanks.

Moderator Thank you very much members of the management. Ladies and gentlemen, on behalf of Triveni Turbines that concludes this Conference Call. Thank you for joining us and you may now disconnect your lines.