Triveni Turbine Limited
Q4 & FY19 Earnings Conference Call
May 21, 2019

Moderator: Ladies and gentlemen, good day, and welcome to the Triveni Turbine Limited Q4 & FY'19 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you, sir.

Rishab Barar: Thank you. Good day, everyone, and a warm welcome to all of you participating in the Q4 & FY '19 Earnings Conference Call for Triveni Turbine Limited.

We have with us today on the call Mr. Dhruv Sawhney -- Chairman and Managing Director; Mr. Nikhil Sawhney -- Vice Chairman and Managing Director; along with other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature, and a statement to this effect has been included in the 'Invite', which was mailed to everybody earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will start this call with opening remarks from the management, following which we will have an interactive question-and-answer session.

I now invite Mr. Dhruv Sawhney to share some perspectives with you with regard to the operations and outlook for the business." Over to you, sir.

Dhruv Sawhney: Thank you very much. Good afternoon, everybody for the FY'19 Earnings Call. The year under review has been one of the major accomplishments. Our net income from operations at ` 8.4 billion, has shown a growth of 12%. PAT has shown a growth of 4% at `1 billion. We have a strong outstanding order book of ` 7.2 billion. Turnover is the highest in the history of the company, and this is pretty much on target. Our order bookings also have been a record, and we have had bookings of `8.5 billion in the year. I think the biggest achievements have been how we have fared internationally versus competition in our market share. An international steam turbine power report has rated us now #2 in the world globally. So, out of the global market, we have had 22% market share, and the accomplishment is quite substantial because the third party is less than 10%. So, the market internationally has been lower than one had expected because of certain turmoil and certain geographical problems in many places and also the shift away from conventional coal-based plants to the non-conventional areas, and I will come back to that in a few minutes.

Our disappointment has been a bit in the fact that our new product introductions have had cost overrun in Q4, and that is what has brought the margins lower. This has now been fully provided for. It was mentioned in Q3 that we were contemplating it. So, we are confident of our Q1 numbers and the numbers for H1 and FY'20. The overall order book which is closed at ` 7.2 billion is now quite firm and we have done a very good analysis on the same. But our new product introductions have allowed us the potential of entering new sectors and also new geographies. So, it was something that was well contemplated and is something that we felt was necessary 1.5-years ago, and I am glad we have gone through the research effort and the implementation in the field.

In the export line, the Renewable sector is growing. We are #1 globally in the Renewable sector from the same International Power Report, and that is a substantial achievement. So, we are in the right line, the renewables including Biomass, waste to energy and of course co-generation such as sugar. So, while this is not a line which has growth rates in other renewables such as solar or wind, it is very substantial and it is continuing.

Secondly, it is in all geographies. So, what is not happening in one place in waste to energy may be happening somewhere else. So, the international implementation of projects in the lines of Biomass and waste to energy are bearing fruit in the orders on hand that we have in FY'20. And this is what has given us the confidence of being able to come back to our normal margins in Q1 and especially in H1 of FY'20 based on our order book now and the measures taken for the cost reductions in the new introductions.

The enquiry book which has increased by 8% domestically has come from the sectors of molasses-based distilleries. You have all been reading in the papers about Government's push on ethanol. This is continuing and expected to go on in the future. This is a key sector for us; sugar, pulp and paper and a little bit from the steel and cement sector.

In our Aftermarket area, we have had a growth of 13% in FY'19 in terms of order booking and sales have grown by 7%. Very good achievement that we feel in the Aftermarket has been in the international market where we have had YoY growth of 49% and now the outstanding order book has got 51% of exports in it. The key segments of the Aftermarket business have all shown growth which is spares, services, refurbishment.

In our product international market, we have looked at further inroads in Africa, parts of Southeast Asia and in the Middle East. So, we expect our diversification in geographies to help us in smoothening out a problem that may be happening domestically. As you know, there have been problems in UK with Brexit, there have been problems in Turkey, there have been problems in other parts of Europe. So, we feel we have diversified enough now with our new product introduction having stabilized fully to approach our sales in a consistent manner. So, we can say that we are looking at double-digit growth in sales in FY'20 and we will double that in the margin growth for the next year.

Disappointment has been in the overall performance of the GE Triveni Limited subsidiary. This has been below our expectations. And while the revenue was ` 777 million with profit after tax of ` 90 million, there have been some delays in customer clearances and so the shipment of some large turbines have got shifted to the first half of the current year, but we are putting substantial pressure on BHGE to increase their marketing efforts substantially in the international markets and also provide further technological inputs to the JV so that GE Triveni is able to realize its full potential which we feel has a little bit to go.

In Design and Development, your company continues to have a strong focus, and with our dedicated development team, we are having further improvements in our efficiencies, which is the key and making the products more cost competitive. We have a new testing facility coming onboard in the next two months and that will be helping us in the testing of our new turbines.

The company's portfolio on IPR is building up consistently, so we have a total of about 250 IPR that have been filed till March 2019.

I would like to just end by mentioning that with the company's products having been installed and sold in over 70-countries internationally, with the focus of the aftermarket business picking up traction in the international arena and with growth now in the domestic market, we see FY'20 having sales traction in double-digit and more importantly double of that in a margin correction for the coming year. So, with the strong order book and these projections, we feel that the next year will be an even better one than the record one which we had just been through in FY'19.

I like to end by mentioning that the buy back, which had pursuant to the shareholders' approval by a special resolution, the company has bought back 66,66,666 equity shares at a price of `150 for the aggregate of `100 crore which is 2.02% of its total paid-up capital from all the eligible equity shareholders and these shares were extinguished on the 5th of February 2019. Thank you.

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

Swarnim: This is Swarnim here. Sir, two questions: First, you did mention about the new product introductions. Sir, it will be great if you can just highlight a bit on this new product and which new market or new geographies that you are targeting from this, and maybe something on what is the ideal market size that we are looking to tap for this? And then finally if you can just highlight what is the kind of cost that we have incurred because of which the margins have been lower in the last two quarters?

Dhruv Sawhney It is a good question on what are the basic areas. We have concentrated on the renewable sector. So, we have modified our products to suit our customer needs mainly in the international market in Biomass and waste to energy. So, it is a blend between increased efficiencies and keeping our costs where they are. So, we had gone through very strong testing programs and we have used international organizations in Italy for this. They have suggested certain modifications which have all been taken into production in Q4, and in fact, we have written off all those expenses. We have a good profit base to write off the cost and rather than depreciated over the longer-term. Secondly, we also have a good benefit of R&D expenses which we get from the Government of India. About ` 22 crore we have spent which we have already provided for in FY'19 and the expenditures on testing and on material cost, but mainly it is to modify the turbines to suit various customer segments. Now these customer segments are all over, every country is going for Biomass, waste-to-energy particularly, less so in India than it is in the international market, including Southeast Asia and some African countries, they seem to be a little faster than us in it. So, while this was something that was crucial to hit competition and I am very glad that we are now #1 in this area.

Swarnim: My second question is actually on the data that you said wherein we have a market share of about 22% in exports market specifically between 5 to 30 MW range. If we understand this right, are we saying that 5 to 30 MW, the market size is just about ` 2,500-odd crore globally, would that be a correct understanding?

Nikhil Sawhney It is on the segments that we operate in. So, this does not include drive turbine, it does not include a lot of other systems. So, what we have defined is the market that we are currently catering to, and therefore, while the Chairman talked about new product introductions and we talked about in previous board meetings about our approach into the oil and gas and API market, that is of course not included in these segments.

Dhruv Sawhney: Very fairly we cater to most of the market.

Swarnim: This would be global including India?

Dhruv Sawhney: Global, including India, this is a global market. One thing I might say that the international organizations do not get very much data from China. So, I think you can take China out. It includes Chinese manufacturers and all others.

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

Manish Goel: So, just to clarify, you mentioned ` 22 crore was additional spend on new product developments and which has been debited in Q3 and Q4?

Dhruv Sawhney: No, I will say majority has been debited, a little bit has capitalized.

Manish Goel: Going forward, you do not expect any more significant expenditure?

Dhruv Sawhney: No, no. The figures I gave you for growth, both in margins and in sales is for the full year and is taking into account anything little bit in Q1 that might be spilling over to the month of April which we have already finished.

Manish Goel: This spend you mentioned was on the material cost as well as the additional testing charges, right?

Dhruv Sawhney: You got it. Precisely, these are the two. By testing, we mean testing overseas in University of Milan and others and also in the facilities we have put up in Sompura plant in Bengaluru.

Manish Goel: Also to have a better understanding on the margin front that in Q3 we did mention that the revenue mix was not favorable with higher sales in domestic products with some BoP element. So, for the full year, would it be able to quantify what was that BoP element which probably would have impacted our margins in FY'19, balance of plant work related to the domestic product execution?

Dhruv Sawhney: I am not sure what is it. We have been selling turbine island, which as you know the whole turbine island is the turbine plus alternate and other things. There has not been any extra project.

Manish Goel: So, I will rephrase it. Is it turnkey jobs what we would have executed in the current year should be the larger pie in the overall domestic share?

Dhruv Sawhney: No, I do not think so. What we are selling in the domestic market is pretty much what we are selling in the international market in terms of the turbine package. But what we have done in the international market is we have changed things slightly because it is helping the margins as now we offer erection and commissioning to the customer. So, we are giving him not a turnkey solution in doing the civil works and all, but we take on the supply of the turbine island, erection and commissioning and we also offer operational and maintenance if they want it.

Manish Goel: In Q3, we had certain dispatches of nearly eight turbines which were delayed and couple of them over related to GE. So, we were expecting it to get delivered in Q4, but that has not happened yet?

Dhruv Sawhney: You are right. All of them have not happened. But they will happen in H1. One of them is the GE Power and GE Power has another customer. As you know, the international power business has been through a huge problem. You know the results of these major companies. Now when you go to these combined cycle type of projects, whether it is gas turbines and steam turbines, we are really a part of a package over larger package. We have to stick with the customer and there is repeat business. So, there is limited amount that you can take a point for in one order, but I think that we have seen the light of the day now in Q1. We are expecting the dispatches.

Nikhil Sawhney Dispatches have happened within the year already. It is a question of now revenue recognition on the basis of FOB.

Manish Goel: Just to get to a sense on the aftermarket, back-of-the-envelope calculation based on your order inflow and order backlog suggest that the aftermarket international revenues have probably declined in the current year. Would it be possible to give us a number what is it and what was it last year?

Nikhil Sawhney Last year international Aftermarket was about ` 64 crore and this year it is about ` 81 crore, total Aftermarket was about `192 crore last year, and it is about ` 206 crore.

Manish Goel: So, it has actually not declined from the previous?

Dhruv Sawhney: No, we expect little better growth in FY '20.

Manish Goel: On the ethanol, basically what we hear is that the inquiries have been growing after the government support program. So, would it be possible to probably give us a sense how much has been the enquiry and how do you see conversion happening going forward?

Dhruv Sawhney: There is no point in that because the inquiries come and some people do it quickly, some people do it later. But more important thing is that the group have also put up on ourselves big one. So, the Government have given incentives in terms of loans at the subvention low rate for the molasses based distilleries, quite a substantial interest subvention and they have shortened the environmental clearances also, and secondly, the rate of the ethanol is increased for molasses based, B-heavy molasses and then cane juice. So, the projects are much more viable. We expect this to keep going up.

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

Kirti Jain: The first is on this double-digit growth. Our order book has grown by just 4% on grossing basis. So, what gives you the confidence that the growth will be revenue double digit -- is it that the inquiries are so good that the order flow would be good sir during the year?

Nikhil Sawhney No, there are two things to that -- One is the quality of the order book in terms of when it came in and when it close, so therefore when the product will get dispatched is much more favorable and gives us an indication. And also secondly as you suggest is the book and build that we have already seen in Q1 and so that gives us confidence in the turnover. Now, of course, this is at this point in time. We will keep you updated as we go through the quarters.

Kirti Jain: ` 20 crore kind of was the one-off for the full year, right, sir? So, that should not be there in the FY'20 for our number perspective, correct, sir?

Nikhil Sawhney Like we said we are expecting our PBT margins, which is somewhere in the region of 17.5% to revert back to what we consider to be over 20%.

Kirti Jain: PBT margins of 20% as you used to do historically, that is our target?

Nikhil Sawhney Yes.

Dhruv Sawhney: We know that now because of the expenses having been done and the order that we have.

Kirti Jain: Sir, how do domestic capital goods market, how you expect the growth for next year, sir?

Nikhil Sawhney Currently, this year in the 5 to 30 MW range, 740 MW of turbines were ordered. Our anticipation was to actually exceed that little bit. Q4 was a little weak on the domestic side as you know because of the uncertainties towards elections. And while we are sitting in May right now, we believe that Q1 will also have a little bit affected. But having said that the enquiry book is quite strong in certain sectors where we see, for example, in cement, we are not seeing much Greenfield expansions there, but there has been an enormous amount of expansion happening in the Waste Heat recovery segment. Steel has dried off a little bit, but other industries such as food, pharma, ethanol, etc., are doing quite well. And of course, then you have added impetus to certain renewable-based industries such as municipal waste incineration which is coming in a small manner which makes up a much larger percentage of our order book internationally, so we are quite happy with that. But now these are all of course enquiries and leads. The issue is and will be conversion and so we are looking further at a growth of the markets of 740 MW at a double digit rates.

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

Sreemant Dudhoria: So, firstly, what were the contribution of these new products in the Q4 top line, broad number would help?

Dhruv Sawhney: That is difficult. This is a little sensitive. Maybe offline, you can try. I have not really got a figure in front of me from the team. The sales so much as some of these as one of the participants asked a question is the raw material cost which we have reduced very substantially and the testing globally that affected our margins.

Nikhil Sawhney In Q3, there were nine turbines and in Q4 there were 13 turbines in this range and there are certain turbines in Q1 of this year, which have also been accounted for within the total lot as we have suggested. So, going forward, the fact is that like the Chairman suggested, re-engineering and the revalidation has been carried out. We are confident about cost and the cost that were to be incurred have been absorbed already within the figure for this year.

Sreemant Dudhoria: So, what I was trying to get better clarity going forward when you sell more of these new products, would the margins be similar to your historical margins in these turbines?

Nikhil Sawhney Margins will be similar, but of course, our business is a dynamic business, we are a technology-driven business, which is continuously striving and aiming to innovate, so therefore, we have to continuously introduce new products into the market. As it so happens in this particular product introduction, we had certain problems which we have addressed, both structurally, process wise as well as through variety of different cost measures.

Dhruv Sawhney: I think one of the things that I might mention is that through this experience of Q3, Q4, we figured out that testing was a risk factor. So, we have spent this money and now having indigenous testing in Bengaluru which is already operational in May. We had to outsource this to Milan and other places which one have a higher cost to the cost of variable because there are hours and things like that.

Dhruv Sawhney: And secondly, you cannot do it again and again. You want here an iterative process. So, knowing that our R&D is continual, we had the cash flow and everything to incur it. It takes a little time to implement. But the expenditures and the commissioning of the testing is all over in Q1 So, we will continually be doing this. So, we are confident now about the stability of margins. Of course, there will be a difference between domestic and international, and that is a fluid point. We are attacking all the geographies. What I did not mention is, we find that maybe we will get better traction domestically in future order booking in FY'20 where we are more confident. I think after the elections settles down from Q2 onwards, we should get improvement in order booking in the domestic market.

Sreemant Dudhoria: So, you have to do some CAPEX to set up this testing infrastructure at Bengaluru?

Dhruv Sawhney: It has already been done.

Sreemant Dudhoria: What was the CAPEX toward setting up this facility?

Dhruv Sawhney: This is a question of both cost and CAPEX. It is under ` 10 crore. It is not the amount of cost. It is the time it takes.

Sreemant Dudhoria: All the new products that you will be looking to launch in the future, this facility would be helpful, you need not outsource the testing going forward?

Dhruv Sawhney: That is exactly right.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Just wanted to get your views on the pricing environment currently. Lately has the pricing improved or has it deteriorated or has it remained stable given the fact that I noticed that our gross margins YoY has seen kind of compression and in spite of the fact that aftersales growth has been pretty good relatively and rupee has also depreciated which should benefit us because of exports?

Nikhil Sawhney That is a very good question. On the domestic front, we have seen low pricing for five years at least. This is driven by at the same time a decline in the market which has happened over the same period. So, there is intense competition and there is pricing pressure. Having said that, we never take orders at losses or subsidized projects. So, the fact is that, yes, we do have a considerably lower margin in the domestic market. Internationally, up until about a year ago when we had a sort of depreciation in the rupee, you had a somewhat volatile pricing environment, it changes from sector-to-sector, country-to-country. So, very difficult to say because demand is not homogenous, and so therefore pricing is not homogenous. In India, we can confidently say that it is a very weak pricing environment. We recently have been able to pass through certain costs, but I think that we will see how we are able to do that in the longer term, only time will tell. In general, globally, the pricing environment is tough. But having said that, that is why our efforts towards value engineering and cost reductions is extremely important.

Dhruv Sawhney: That was the real driver for having this testing and keeping on doing R&D. There is no option in it. But as you have seen, the power producers in the higher ranges have gone through real turmoil and they have had a huge capacity reductions and layoffs and all that. So, they are now competing in our range as well.

Ravi Swaminathan: This 740 MW that you had mentioned, that is related to 0 to 30 MW, right?

Nikhil Sawhney Yes.

Ravi Swaminathan: If you can give a flavor of the larger ranges that is 30 and above?

Nikhil Sawhney I do not have the data with me, but I can say that I would not imagine it to be more than by 200 MWs.

Dhruv Sawhney: In domestic market, yes, very low.

Ravi Swaminathan: But is there a scope for it to improve?

Nikhil Sawhney Greenfield expansion when it happens for larger industries will happen in higher range.

Dhruv Sawhney: So, that is why I said we have been little disappointed in the order inflow in the JV. But some has to do with the environment, and we are putting pressure on the BHGE in the international market here.

Ravi Swaminathan: But internationally, are we in a good position, in a couple of orders, four, five orders?

Dhruv Sawhney: We will know more in the next few quarters. We are undertaking deeper survey of the larger range in the JV range.

Moderator: Thank you. The next question is from the line of Nandan Vartak from Wealth Managers. Please go ahead.

Nandan Vartak: So, my question is about the same GETL potential. So, if you can give some idea about potential revenue from GETL that we are expecting?

Nikhil Sawhney Of course the factor is that we also have high expectations. As we see a soft or very low growth in the below 30 MW market, we have high expectations in this segment and so we are going to be looking at it very aggressively to see how we can expand our coverage, expand inquiries so that we can get better visibility and therefore ultimately more orders. We know that we are cost competitive and as we pointed out a very good global market share below 30 MW, and so we should be able to get good market about. I think some work is required, and we will have to get back to you on that.

Nandan Vartak: Another question is about global market size of Biomass segment that we are a market leader now. So, what would be the size of the global market?

Nikhil Sawhney That data does not break down exactly in that manner, but I can confidently tell you that near 90% of our international orders are in the renewable sector.

Dhruv Sawhney: Yes, the difficulties in the renewables, you have waste to energy, co-gen and biomass, it depends on the particular geography, but more growth in waste to energy.

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

Bhavin Vithlani: Could you help us because in India we are seeing orders coming from the refinery side and last year you had a breakthrough order for KNPC. Are you actually seeing potential of getting orders from the domestic refining segment or any of these dried up opportunities on the international arena?

Dhruv Sawhney: Good question. In the international sphere, the first thing is to get yourself registered and prequalified. It has taken a long time, but we were at the Kuwait National Petroleum. So, we are in a few other countries now in the Middle East we have been registered and in Southeast Asia. With this oil price having gone back to comfortable levels, they are starting to have newer inquiries coming out. We expect them in FY'20.

Nikhil Sawhney But you are right, there have been downstream investments in India and which is largely led through EIL. We have missed one opportunity because of lack of approval of EIL which is very stringent in terms of prequalification, but I think that is through now. We are very optimistic on looking at this market in India as well. I do not think the demand is as large it came out to be. So, it is a segment which for us will be much smaller than say molasses-based ethanol distilleries or sugar co-generation or paper. Internationally, it is a much larger market from a downstream perspective. Fertilizer will be a larger segment in India, but those are more than the DPI stage at this point in time.

Bhavin Vithlani: You are expecting a double-digit growth in the revenues. If you actually stretch yourself a bit further, are you expecting that the orders in fiscal '20 could be high double-digit, which will actually lead to further acceleration in the growth rates in '20?

Dhruv Sawhney: We do expect a very good growth rate in order booking in FY'20. We have some expectations from the domestic market as I said, but there is some impact of Q1 being slow because of the elections, but I think our order booking for FY'20 what is it right now is on a higher basis than what we achieved in FY'19.

Nikhil Sawhney We are also looking specifically at certain good breakthrough orders coming from our refurbishment segment. Refurbishment is unpredictable from a margin perspective, but we are hopeful that it will be at least product level if not better.

Moderator: Thank you. The next question is from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand: With relation to the new product introductions, I just wanted to confirm is the brand new product is going to allow us to cater to an earlier untapped market altogether or is it just a new variant that is going to help us gain share in a market that we already cater into?

Dhruv Sawhney: It is the latter; it is a variant to the share of the markets that we are already in there. But in the variant, it is very important because you could call it a new market. If you look at the whole market of waste-to-energy, you have to hit many sectors of it. So, you need product adaptations to satisfy the customers' requirement in terms of positive efficiency and certain features. So, we are not a mass production shop. So, there is a bit of value engineering, there is a bit of R&D, there is a bit of new technologies that you have to keep up-to-date with all the time.

Ashi Anand: I was under the impression that we look constantly kind of innovating, tweaking, trying to bring out greater efficiencies from our turbines. Therefore, is this kind of a one-off kind of an expense or is it more the nature of an ongoing kind of an expense and therefore why have you called out in this particular year?

Dhruv Sawhney: It is ongoing, but sometimes you want to make quantum jumps in attacking a particular segment or market that you may not have touched. It is ongoing but as I said, we have now completed the loop of doing it, testing it, validating and then going and refining it again. So, this is something that takes time to actually fully implement. It is a very high-tech line, the steam turbine and we have 100% engineering and R&D in our own facilities, we are not dependent on any outside source for this knowledge space. So, the accumulation of this is now complete in terms of the process. So, we are quite confident of being able to adapt our products to the future needs of the customer.

Ashi Anand: I just want to confirm, the program has been successful it has cost more than we will be introducing these products into the market?

Dhruv Sawhney: We have already introduced.

Ashi Anand: You had made a comment that in the international the bulk of our orders or revenue is actually coming in from the Renewable segment. But would this therefore be fair to say that in process Cogen and waste heat, we are getting lower share, any particular reasons?

Nikhil Sawhney No, we include waste heat as renewable anything that is not using a thermal fossil fuel. Process Cogen, you are right about your reading that our market share will be much lower.

Ashi Anand: Any particular reasons for this?

Nikhil Sawhney One is coverage. The second is the risk of people making decisions. As you see, the segments of renewable energy are more entrepreneurially-driven, and people make decisions based on payback as a decision maker themselves as opposed to process industries which are more managerial in terms of decision-making and risk averse. Some of the largest buyers out there on the process Cogen side in the paper or even oil and gas side still do and we do get entry. It is a question of coverage. I think that, that will expand as we get installed bases in more geographies. So, continuously we will get a better share. But very frankly, you should know from a demand perspective that process Cogen globally does not have as larger segment as renewables is.

Dhruv Sawhney: Also by the way when we talk about this, this is a question of being #1 or #2. So, we are in a pretty high visibility area now.

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

Anand Bablani: Sir, if I were to see your consolidated performance, I see that share of profit of joint venture is ` 2.3 crore in Q4. So, can you share with us the reason for sharp improvement here?

Nikhil Sawhney There were just some dispatches that took place at that point in time. I just pointed out the PAT of the joint venture was about ` 9 crore. The adjustments because of certain expenses or income been booked in both heads was negated out and so ultimately it came because of revenue that was incurred in Q4 which is specifically towards certain aftermarket revenue.

Anand Bablani: There is no one-off, any reversal of charges or business income?

Dhruv Sawhney: Yes, it is not reversed.

Anand Bablani: If I were to see our order booking in export segment in FY'17, it was ` 300 crore, in FY'18, it was ` 420 crore and in FY'19, it is ` 416 crore. So, YoY order booking in exports has in fact de-grown a bit or it is flattish. So, any particular reason? Has this order booking in FY'19 of ` 416 crore in exports met your own expectation and what is the outlook for FY'20?

Nikhil Sawhney You are right. It was of course higher and our anticipation as the Chairman put it is to grow faster than this. But having said that, even at this pace the market is somewhat soft and given our global market share it is tough to fight for every order that goes ahead.

Dhruv Sawhney: And the market has dropped in the last three years, the overall world market has dropped because as the fossil fuel market has dropped. So, we are fortunate that we are in a line where it is slightly expanding but the overall market in 5 to 30 MW is not the same as it was three, four years ago.

Anand Bablani: Sir, can you quantify for us so that we can have a better sense ?

Dhruv Sawhney: There is nobody who has figures for the whole world market, there's no source, there is no table, but we can know about the orders placed unless, I would not have the figures, but we can try offline to see what is the estimates may be. But basically the real question is that we have not seen a decline in the renewable, we have seen an increase in the renewables market, and now that we have a new range of product for this market, we are able to forecast some increase in sales in FY'20.

Anand Bablani: The way we had product development expenses in Q3 and Q4, are any new further products been contemplated which can lead to similar expenses in FY'20?

Nikhil Sawhney Nothing that has not been planned. We continuously have to spend on the research development, testing, training. So, nothing that is unforeseen.

Dhruv Sawhney: And they were out of our hands. This is why we brought everything in-house now so that the risk factor comes when it is not in-house. We have decided that. That is not worth it in the long term, and we are going to keep continually doing this exactly to answer your question.

Anand Bablani: In these product testing and product development expense, we have seen lot of it is cost of goods. So, eventually, these cost of goods, is it timely for the prototype development which we do not sell and that cost of goods is?

Dhruv Sawhney: No, you develop and then you value engineer. So, it is a question of reducing cost continually. We are not having write-offs.

Anand Bablani: And maybe just the margins are not as good as the conventional business, would that be the right way to think?

Dhruv Sawhney: Correct, But what you call prototype will be the first job.

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

Abhishek Pamecha: This is Abhishek Pamecha. Can you provide a breakup of domestic order inflow between the product as well as the aftermarket for FY'19 and FY'18?

Dhruv Sawhney: Aftermarket has gone up by 7%. Product is minus 1% in the international share.

Suresh Taneja I am talking about the product, domestic has gone up by 7%. Exports have come down by 1%. In the case of aftermarket, there is an increase of 13%.

Nikhil Sawhney Domestic has come down by 5%.

Suresh Taneja: In the case of aftermarket, domestic has come down by 5%, and aftermarket exports has gone up by 49%.

Abhishek Pamecha: So, for the domestic market, aftermarket has grown or degrown?

Dhruv Sawhney: Degrown.

Nikhil Sawhney It is not a market, it is order booking..

Dhruv Sawhney: This is also lumpy, goes up and down.

Moderator: Thank you. The next question is from the line of Ashwani Sharma from Prabhudas Lilladher. Please go ahead.

Ashwani Sharma: Sir, on the international markets, what would be our current enquiry pipeline?

Nikhil Sawhney It is quite healthy; I think it is about 2.5 GW.

Ashwani Sharma: That would be mainly from the renewable side or...

Nikhil Sawhney This is everywhere, but it was definitely more skewed towards renewables.

Ashwani Sharma: On the domestic side, what would be the number?

Nikhil Sawhney I do not have a figure in front of me, but I want to guess it is somewhere around about 1 GW.

Moderator: The next question is from the line of Swarnim from Edelwise. Please go ahead

Swarnim: It is Swarnim here. Sir, in one of the questions, you highlighted that you are expecting double-digit growth sales in FY '20. Sir, you also said that Q1 in terms of order intake is likely to be a bit weak.

Dhruv Sawhney: It is going to be weak, but that is better than FY'18.

Swarnim: Just a simple thing. I think we need to have order intake, it needs to be like front ended in order to be double-digit growth for FY'20 overall. So, I would believe that for that thing you would have a fair amount of visibility to amount of order conversion in the first two quarters, how is that?

Dhruv Sawhney: Yes, that is right. You hit the nail on the head. The only way we can do that is to talk about book and bill in the first two quarters from the inquiry pipeline and what we have achieved up to mid-May.

Swarnim: I would believe that visibility is fairly high.

Dhruv Sawhney: That is our analysis today to say this, otherwise, it is not possible.

Swarnim: What would be the current capacity utilization for the plant?

Dhruv Sawhney: We have got a plenty of capacity; we have got 40% more, 50% more. As you know, we put up the new factory Sompura, so we have a lot of capacity, we can take large orders from the JV, we can take large orders from 5 to 30, there is no problem there.

Swarnim: Since you mentioned that you have a spare capacity and since you can work on two shifts and three shifts basis, then how it is extra capacity?

Dhruv Sawhney: Some machines are one shift, some are two shifts, and the others are assembly, and we have a very good lot of dedicated suppliers around us in Bangalore, so we have their capacities, so this is why the capacity utilization is not a problem. And as you know we have a very low CAPEX, which we put up the plant with. There is no further expenditures needed on any CAPEX to increase capacity. It is a question of getting the order.

Moderator: Thank you. The next question is from the line of Nandan Vartak from Wealth Managers. Please go ahead.

Nandan Vartak: So, actually my question was about CAPEX what we have done in FY'19 and what would be in FY'20?

Nikhil Sawhney No significant CAPEX.

Dhruv Sawhney: It is just what we finished in this Q1, very small.

Nandan Vartak: So, what would be maintenance CAPEX range?

Dhruv Sawhney: Less than ` 5 crore.

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

Anand Bablani: Sir, in terms of order book for GETL, what is the year-end figure for FY'19 and what was it at the end of FY'18?

Nikhil Sawhney While we get the figure, I think it is suffice to say that our order booking has been weak as we have pointed out.

Dhruv Sawhney: So, the order booking in the year has been disappointing as I said in my opening remarks for FY '19 and GETL.

Anand Bablani: The way we have order booking, in terms of rupees in crore given for the rest of the business, anything you can give us?

Nikhil Sawhney In FY'18, we had booking of ` 390 million and our net order and closing order book of ` 1,540 million and this year we had order booking of ` 479 million and closing order book of ` 1,272 million.

Anand Bablani: Overall from sugar distillery, can you give us a sense of what is the order book that we already received?

Dhruv Sawhney: We do not have that breakup over here. Really not going down sectorally.

Anand Bablani: But sectorally in sugar broadly can you give us a sense that the order enquiries have started flowing to the extent that we anticipated let us say six months earlier when it was first announced or is it weaker?

Nikhil Sawhney It is different from distillery. Sugar co-generation is a little lumpy and dependent on other factors in terms of availability of bagasse etc.,

Nikhil Sawhney The distillery is what has exceeded our expectations, but that also we will have to wait and see as to if that continues. For the last two, three months, we have not seen anything in the segment because of election and is it going to be continuity to Government policies.

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

Dhruv Sawhney: Thank you, everybody, thank you very much for the conference call FY'19. I like to just end by saying that we look forward to FY '20 very positively, we are seeing much better performance on both top and bottom line for the new year, we have a good enquiry book on the basis of which we are able to make these statements, and we have successfully implemented our various productions and our testing. So, we are in good shape for the coming quarters after the election of Q1 is stabilized in the next month or so.

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