



Triveni Turbine Limited

Q4 & FY 23 Earnings Conference Call Transcript

May 17, 2023

Moderator: Ladies and gentlemen, good day and welcome to Q4 and FY 23 Earnings Conference Call of Triveni Turbine Limited. 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishab Barar from CDR India.

Rishab Barar: Good day everyone and a warm welcome to all of you participating in the Q4 and FY 23 earnings conference call of Triveni Turbine Limited. We have with us today on the call, Mr. Nikhil Sawhney, Vice Chairman and Managing Director; Mr. Arun Mote, Executive Director; Mr. Lalit Agarwal, Chief Financial Officer; Mr. S. N. Prasad, President - Global Sales Products; Mr. Sachin Parab, President - Global Sales Aftermarket; Ms. Surabhi Chandna, Investor Relations, and Value Creation 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 request Mr. Nikhil Sawhney to share some perspectives with you with regard to the operations and outlook for the business. Over to you sir.

Nikhil Sawhney: Thank you very much, Rishab. A very good afternoon to all people participating on this call and welcome to the Q4 & FY 23 investor call for Triveni Turbine Limited. We're very happy to have you here today



because it's been a record year for us and a record quarter as well. We've had the highest-ever annual revenue, EBITDA and order booking along with a record closing order book position for FY 23. This all augurs very well for FY 24 as well.

The record revenues of ₹12.48 billion in FY 23 was an increase of 46.4% year-over-year, while EBITDA for the year stood at ₹2.76 billion, which was higher by 43.9% year-on-year with a margin of 22.2%. The profit after-tax for the year was at ₹1.93 billion, an increase of 57.7% year-on-year after adjusting for the exceptional income in the previous year.

We also had the highest ever annual order booking of ₹16.05 billion during the financial year, an increase of 35.6% year-over-year, which led to a record outstanding carry forward order book on the 31 March, 2023 of ₹13.28 billion, an increase of 36.9%, which again as I said, augurs very well for the financial year FY 24.

The Company has also during the course of the year had two schemes by which it has paid back capital and equity to shareholders. One was through a buyback and the other was through a dividend. The buyback was to the extent of ₹190 crore during the year, which including taxes and other charges, totaled about ₹240 crore. Including a dividend of ₹50 crore, the total payout to shareholders was in the extent of about ₹290 crore for the financial year.

The return on capital employed was 32%, and the return on invested capital excluding cash on book was over 250%. The Company has a stable cash portfolio of ₹6.71 billion, which is down by 11.5% based on the outflows that we've had during the year. But the cash accumulations for the year have been fantastic. We again have had a higher free cash flow than our net profit. We've had a negative working capital again for the year ended as of 31 March 2023.

Coming to the order booking. The product order booking for the financial year increased by 22% year-over-year to ₹11.43 billion, the highest in the Company's history. The finalizations of orders happened from all segments of industrial customers, followed by power producers as well as API drive turbine. The Company received orders from over 27 countries as compared to 22 countries in the previous financial year, and a majority of the order booking continues to be from non-fossil or renewable energy-based solutions, solidifying our market position in this rising segment.

We also witnessed strong contribution in the domestic market from sectors such as Sugar, Distillery, Food Processing, Paper & Pulp,



Chemicals, and Waste Heat Recovery coming from segments such as steel and cement. In the international market, the Company was able to close key milestone orders in both small as well as large power ranges of turbines from regions like Europe, Africa, Central and South America, as well as North America.

The overall enquiry generation for the year increased by over 41% year-over-year in FY 23 to over 9 GW. In FY 23, the aftermarket segment experienced an extremely strong growth owing to a significant influx of new orders. We also, as I pointed out during the course of the year, received major orders from the SADC region, which we have alluded to in the costs of other expenses, which are part of the notes of accounts.

To reinforce its customer centric philosophy, the Company has strategically located service offices throughout India and international offices in Europe, West Asia, Southeast Asia, as well as Africa. The success of the aftermarket business is evident in the order booking and sales growth in FY 23, which saw increases of 88% and 82% year-over-year. The aftermarket contributed to 29% of order booking for the year, up from 21% in FY 22, and the Company is confident that this segment will continue to provide a significant share of its overall growth in the coming years.

During the year, the Company continued its growth both in the domestic and export sales. However, export sales reported a relatively higher increase of 121% in the current year, and the export sales, as you would know, would be based on the order booking that we had in FY 22 as well as the book and bill that we had in part of Q1 as well as part of Q2 of FY 23. And as a result, the contribution of exports in total turnover has increased to 45% in FY 23 versus 30% in FY 22.

Exports are a core focus for the company, as we believe a significant part of our long-term growth will be derived from our initiatives in the international market. In FY 23, the aftermarket segment experienced strong growth owing to an influx of new orders and this has strengthened the segment already. But I have to admit that there's more work that we have to do on the internationalization of our efforts as well as especially our workforce.

On the R&D and engineering efforts, the Company's global focus and outreach are evident in its constant efforts to file for patents and industrial design registrations in various international jurisdictions, while simultaneously expanding its intellectual property portfolio in India.

The Company has filed for IP protection in all geographies, and currently it has over 338 unique Intellectual Property Rights (IPRs), which it has filed for, up from 316 IPRs in the previous year.

As far as the market update goes, and I'm sure a lot of you would be interested, we saw a degrowth in the total international market in excess of 12 GW to about 8.8 GW. This was due to a significant reduction in the size of the Chinese market and orders that were placed in the Chinese market for this last year as well as the segment of gas turbine combined cycle. Both of these segments are markets that Triveni Turbine does not participate in. In fact, for the markets in which we do participate in, we have seen a growth in the market, and we believe that if we look at next year's data, which is calendar year 2023, we should see a reversion to the long-term mean of a growth in this entire market of industrial heat and power, as well as renewable energy solutions.

The enquiry generation as I said for the company increased to 41% to in excess of 9 GW. This was led by 82% increase in the export enquiry book, while the domestic enquiry book declined by about 16% year-over-year. We are not perturbed by this number of a decline in the domestic enquiry book as, in terms of the growth that we are seeing in the domestic market, it still seems to be quite robust. Our data for enquiry book in the domestic market does not include tender-based data, which is based on Government procurement, which has been quite good in the last several quarters and we believe will be very strong in this current year. Given that fact, there will be an overall growth in the domestic market as well as enquiry books, if we do include Government tender data.

For Triveni Turbines, we are extremely optimistic on the resultant end order booking at the end of FY 23, which gives us very clear visibility on the revenue that we would be able to achieve in FY 24, which would be a substantial growth over FY 23. With our expansion already completed, we have the capacity now to produce in excess of 300 turbines, and I'd be happy to talk more about our capacity during the Q&A.

But beyond physical investments, the Company has also added 20% to its workforce. We've increased our workforce by 20% and we believe that we will be investing further into people and increasing our workforce again quite substantially in FY 24 as well.



The rise of the Company's exported aftermarket order booking as well as a strong carry forward order book and robust order pipeline gives us visibility to a very solid year ahead and both in the domestic and export market seem to be giving us great confidence in being able to deliver these results.

With that, I'm happy to take questions. I'll hand it back to you.

Moderator: Thank you very much. We will now begin the question-and-answer session.

We have our first question from the line of Himanshu Upadhyay from o3 PMS.

Himanshu Upadhyay: Congrats on great set of numbers. One question I had was if we look at the breakup of revenue and also order booking the aftermarket has grown at a very fast rate and even faster than the product business. Is there any amount of cyclical in the aftermarket business?

Nikhil Sawhney: If I may break the question to two, three parts. Our aftermarket comprises of two distinct segments. One is parts and service for our own turbines and the other is refurbishment, which is for third-party turbine users. The parts and sales for our own turbines will grow based on the offerings that we have as well as the installed base. And so, this will grow, we would see at a rate of which is commensurate with the product sales growth. The outperformance really happens in the refurbishment segment, which is I won't say cyclical or countercyclical, but it's a little bit more opportunistic at this point in time.

We are trying to establish a localized presence in certain markets so that we can build confidence with the general market so that we can get less cyclical in these refurbishment orders. Having said that and I'll have Sachin come in here, we're very optimistic that this segment of refurbishment will grow very rapidly in the years to come. Will it be to the same extent of 80% plus growth? I don't know. But this is a segment that will always be high growth and we will try to not look at this in a cyclical manner. But Sachin, would you like to provide some visibility around the aftermarket business?

Sachin Parab: Yes. As rightly mentioned by our Vice Chairman, the refurb business is seeing better growth than the parts sales and service business. The parts sales and service business is very consistent and our aggressive marketing efforts for the refurbishment business have started bearing fruit. And as we are expanding our presence in the international markets the trend will be good. It will be a good growth rate. So, the

cyclic factor is not going to be a big factor, so it's going to be more or less consistent. Maybe not such high rates of growth, but reasonably robust double-digit growth will be there.

Himanshu Upadhyay: One was on this, we are incorporating a subsidiary, where we will be investing ₹5 crore or more to make Triveni brand more visible. So, is that organization or a company would be 100% owned by Triveni Turbine only or it would be also jointly owned by Triveni Enterprises?

Nikhil Sawhney: Right now, the proposal really hasn't gone up to the Triveni Engineering & Industries Limited Board as yet, the point is that when we look at the export market for Triveni Turbine and let's look at Triveni Turbine only, the question is that we need to improve the recall to customers.

We need to improve the branding profile of Triveni being a technological leader and we find that missing. So, we need to support our sales and marketing efforts on the product side with general branding investments. To the extent that the brand is generic and can be leveraged across more companies, just makes it a little bit cheaper for Triveni Turbine to enter.

This is a marketing effort. It's a branding communication effort. I think that we'd be able to provide you more data, more disclosures as and when things get finalized. It was more of an enabling resolution that was passed by the Board to allow for this investment, but we provide you more visibility in the months to come.

Himanshu Upadhyay: See, one small suggestion here. Such a similar effort was also done by another engineering company where 3-4 group companies were trying to make a brand through all the other companies means everybody unitedly, a family-owned organization. Again, they were listed companies, but then over a period, disputes came, and then the disputes came. Everybody is now fighting for the brand. And I had a bad experience.

Nikhil Sawhney: Thank you. We'll take that as positive feedback and we try to develop systems, systems already exist, but I think we'll provide you some visibility as to how this is something that may not be an issue for Triveni Turbines in the future.

Moderator: The next question is from the line of Amit Mahawar from UBS.

Amit Mahawar: Congratulations on great results. It's heartening to see aftersales team delivering some great numbers in 2023. I just have two quick questions.



First is in the global installed base of smaller turbines, what is our current share? That's question number one.

Nikhil Sawhney:

It has been a very good year, what we've decided, because the split in the market that we had of below 30 MW and above 30 MW was a little bit artificial. It was done at a point in time when we had a joint venture with another party. So, it was a distinction that we could create. I think from now we'll talk about it more in terms of small turbines and large turbines. But the market share that we have in the Indian market has been consistent at about 50 odd percent. And that's something that we're quite confident of retaining. The industries that we're getting orders from seem to be reasonably robust. And our enquiry book seems to suggest that we'll be able to maintain that market share. On a global basis, excluding India, of course, our market share is going to be quite small, but the Indian market does contribute quite significantly to the extent of approximately 20-25% of the global market.

So, if we include the Indian market in our total global overall market share, it would still be in the region of and look at it from two basis, if you look at the overall market, including markets in which we don't currently operate, which may be China, Japan and certain niche industrial markets, in terms of applications, our market share should be in the region of approximately 12-13%. But in the markets in which we do participate, market share will be somewhere about 22-24%.

Moderator:

The next question is from the line of Harshit Patel from Equirus Securities.

Harshit Patel:

My first question is on the domestic cement market. We have seen a lot of companies increasingly opting for Waste Heat Recovery (WHR) solution and I think we have also benefited from the same. So, in your assessment, what proportion of cement capacity in India has already installed WHR turbines by now? And if you could highlight the same for steel industry as well, it will be very helpful.

Nikhil Sawhney:

I think we've answered this question in the past as well. In steel, companies set up their waste heat recovery at the time of setting up the plant itself. In cement, it's an add on. And I think at the last point we said approximately less than 20% had installed this.

But to come to the question that Amit had earlier, maybe he has joined back which sort of answers your question as well as to what is driving this demand. So, Triveni Turbine is a manufacturer of industrial heat and power solutions as well as decentralized renewable energy



solutions. And it's important to remember when we talk about industrial heat and power that this cannot be generated through photovoltaic or wind. Electricity is a very inefficient means by which to generate heat. And so, the relevance of our solution is something that the market needs and the market data supports it in the fact that the global market in this range of turbines below 100 MW has been growing year-over-year. It's been growing more so from a clear renewable energy focus. And the renewable energy focus for segments such as cement also highlights the need for investments into energy efficiency. Based on National Green Tribunal (NGT) mandates, which restricted certain types of fuels such as pet coke, the cost of energy for all producers, including cement has gone up, which validates the investment into energy enhancement initiatives such as waste heat recovery, which ends up leading to just a lower cost of energy for the firms. Energy efficiency is a key driver of growth in these segments, just based on high energy costs for companies.

Harshit Patel:

Okay, understood. My second question is on, we had received large orders from South Korea last year, these were for higher MW turbines, so just wanted to check on the execution status of the same. So, have we already delivered those turbines? And if yes, then are there any follow-on orders from the same customer or from the same region?

Nikhil Sawhney:

I'll first ask Arun to answer the question the status of the orders. But yes, Korea is a repeating region where we get orders from, so Prasad can add in there. But Arun, if you could just give some visibility on the orders that we had from Korea?

Arun Mote:

We have had orders from Korea typically coming between single-digit orders but at various ratings. As you know, what we have declared earlier is we have a very prestigious order from a leading steel manufacturer, which is under execution, which will be completed over next year's time. By and large, we are a preferred brand in Korea, and we command a strong market image there.

As regards to our order status as on date, we have sufficient orders to carry on and we are well within the plans of growth that we have which we have indicated to you earlier. Also, as regards the manufacturing capacity, in the current year we will be manufacturing over 200 turbines, and this is also backed by sufficient subcontract capacity that we have, and our complete expansion is done now.

We have no CapEx in the current year policy. It will only be a regular CapEx that is for maintenance. That's how we are positioned on the supply chain and the support for our order executions.



Moderator: The next question is from the line of Amit Anwani from Prabhudas Lilladher.

Amit Anwani: Just harping on the global market, which you mentioned, which declined by from, I think 12 GW you mentioned to 8.8 GW. And you said largely also because of the reduction in Chinese market, could you elaborate more. Are we talking about up to 100 MW? And if you can just throw more colour?

Nikhil Sawhney: It's up to 100 MW and for the calendar year 2022.

Amit Anwani: So, what do you mean by Chinese reduction?

Nikhil Sawhney: There was just lower demand and fewer orders that were placed in the Chinese market. You can guess the reason as much as I can.

Amit Anwani: Right, so the second thing, so you mentioned about the 9 GW market. What are we talking about here?

Nikhil Sawhney: That is our enquiry book.

Amit Anwani: That again is up to 100 MW, right?

Nikhil Sawhney: Yes.

Amit Anwani: Okay, so second question on the aftermarket, I just wanted to understand how much of SADC order is still pending. Are we in pipeline for more orders to be received of that? And how much is the percentage contribution of this in the aftermarket?

Nikhil Sawhney: The percentage contribution of this, I would say it'll be about 15-20% in terms of this current order for the full year. But as we pointed out earlier, we have a unique opportunity to overhaul large utility turbines. And we thought that this is a great opportunity for us to expand the breadth of our services, but also to establish a presence in a region which has very poor offerings for this type of solution.

More than that, it allows us to move up the value chain over a period to move from what are relatively poorer margin services to a higher margin spares type order. So, I think the fact is that you will see more of these orders coming up in the next quarters as well. I think that what you should take away from it is the fact that this is allowing us to be more locally present with our customers.

To the extent that even though exports as a percentage of sales increased as well as aftermarket as a percentage of sales increased but our margins were largely flat was a consequence of some decisions that we took to expand turnover more rapidly than we did from the bottom line to be conscious of that. But as we've always said, we anticipate our PBT to be always over 20%, and our efforts is always going to be in that regard. In fact, in this current year our pressure on margins is a little bit less. We have more exports as a percentage of sales which we will execute in FY 24. We have good orders on the refurbishment and aftermarket side as well. And so, we're quite confident of good margins in this current financial year.

Amit Anwani: Sure. And sir about the market share which you talked about 50% in domestic market, how much GW we are factoring in the domestic market size and is it up to 100 MW or 0 to 30 MW, what is it exactly?

Nikhil Sawhney: No, I was talking about the small market where we have a market share of about 50% on the overall market, Prasad, could you give some visibility on the overall market in India? What may our market share be?

S. N. Prasad: Yes. Sir, domestic market wise, we are closer to around 2200 MW and similar way the market where we are operating globally, that is around 4500 MW is the size of the market. In domestic, as our Vice Chairman mentioned, our market share is around 50%.

Amit Anwani: Right. So, this is 0 to 30 MW?

S. N. Prasad: This is 0 to 100 MW; this is covering up to 100 MW.

Moderator: The next question is a follow up from the line of Amit Mahawar from UBS.

Amit Mahawar: So assuming that globally the investments towards biomass, district heating, process team keeps going on, are we having enough capacity both from supply chain manufacturing to ramp up our market share, because we have certain advantages on cost side on after sales ramp up.

Nikhil Sawhney: Our expansions of that we needed to do in our factory in Sompura are complete. We will be producing quite a bit in excess of 200 turbines in FY 24. And based on our current capacities in-house as well as with our vendors and subcontractors, we don't believe any capacity constraint is an issue for us.

As we've seen, we can expand our capacity within eight to nine months and for the next couple of years at least, we have no issue in terms of capacity both on the manufacturing end. We consistently work with our supply chain to ensure that there's ample capacity that they have for products that are required from a balance of plant perspective. And all of it needs to be taken into consideration while executing an order. So, we don't believe that capacity is a constraint in our supply chain.

Amit Mahawar: Sure. And the last one quick on the API drive turbines. How have we performed and how do you see that market for us in the next two, three years especially the acceptance of vendors for Triveni?

Nikhil Sawhney: Yes, the main question on acceptance is over. Prasad, can I ask you to provide some visibility on Amit's question?

S. N. Prasad: Yes, so API drive turbine market, in previous meetings, what we have shared, yes, our acceptability is quite good. We are on the approved vendor list in major OEMs and EPCs and the consultants approved us as approved vendors for that. On market share, we are in low single-digits, but we do see this as a big opportunity available for us going forward.

But it is a time consuming process because API finalization approval process took time. Now, what we see going forward, we'll be seeing the benefits of these registrations. But as of today, our market share is quite small in that but we see good potential.

Nikhil Sawhney: Our order booking is good in this segment as well, Amit. And we believe that this will be a driver of growth in the years to come. More than that, one is the API drive turbine market, but we see the API power generation market also it's something which is quite robust, especially in countries like India. Government expenditure in the API segment is very good, which includes fertilizer as well as upstream, downstream, oil and gas.

Moderator: The next question is from the line of Ashwani Sharma from ICICI Securities.

Ashwani Sharma: Congratulations on a good set of numbers sir. First question is on the growth. If you can just give us breakup in terms of volume growth and price growth for the quarter?

Nikhil Sawhney: Unfortunately, we don't do volume and price. We just give it in terms of rupees only.



Ashwani Sharma: Okay. The second question is, if you can, these expenses, which were there subcontracting expenses in the SADC market, so will these expenses continue in FY 24 as well?

Nikhil Sawhney: Yes. The point was, these expenses are literally subcontracting charges for personnel. When you overhaul turbines, you need to have people. These contracts we believe are something that's quite remunerative for the Company. And so they will continue. There'll be growth in them as well because we anticipate growth and turnover in these distinct segments also.

The alternative here would be to take these subcontracting charges and put them above the line, and then we'd have a more diluted gross margin. So, I think it would be better to put it here because it reflects the business more appropriately. These are not raw material costs, and these are charges which are paid for subcontracting personnel, and it reflects the cost better. The fact that it has to be highlighted through a note is the governance of it only. But it's routine business, you could imagine. It's a fact that we have to highlight because of significance of the value.

Ashwani Sharma: Yeah. Sir, third is on the guidance. If you can just give us some guidance in terms of top-line growth for FY 24 and margin guidance, that would be helpful.

Nikhil Sawhney: Actually, I think we did a little bit of mistake last year when we said that we would be growing by about 35% CAGR for FY 23 and FY 24. As you've seen with that, our growth was significantly higher by over 45% in FY 23. I think FY 24 is starting off in an extremely robust picture. We have an opening order book, which is over 35% higher than what it was on 1st of April 2022.

And so we're in a much better position. The growth in the order book gives you an indication of where the market will be. We have, of course, whole of Q1 in terms of product book and bill as long as they are smaller turbines and part of Q2 also. And for the aftermarket, we can go little up to Q3 in terms of book and bill. And the enquiry book was quite robust. So we're quite confident in the growth.

In terms of pinning me down on a specific number, I think I would be suffice to say that the growth will be quite robust. Our earlier guidance is something that I'm not going to retract it will be that at least. So that's something that we look at. Margins are something that really, like I said, there's no pressure on margins. There's always a need for us to better it, I agree. But at this point in time, what we would rather do

is take market share, get more presence locally. We need to get more manpower, which doesn't pay off immediately. So that will be adding to our overheads. There are certain costs that will go up also, but margin is not really a concern based on the fact that we know what the margins that we've taken our orders on, we've locked in a lot of our costs. And we're quite confident for the year to come.

Moderator: The next is question from the line of Rakesh Roy from Omkara Capital.

Rakesh Roy: Regarding the aftermarket, you have mentioned two parts like a parts sales and refurbishment. Sir, can you highlight on refurbishment market, how much on the market side, domestic is normally and where we are?

Nikhil Sawhney: Yeah. You don't see the point of refurbishment is that it's a very large market, both on the sector of scope, scale, and value. So, when we look at refurbishment, it is a refurbishment of rotating equipments, including steam turbines, which is where we are an OEM. And it would move anywhere from lower value addition works such as overhaul all the way up to upgradation and energy enhancement.

So, the value chain is quite large, and it's usually undefined. What we can say is that approximately 50% of the market is catered to by OEMs and 50% of the market is catered to by non-OEMs. So, there is significant growth possible. And India it is really an undefined, as to how large the market is for third-party services. We don't have any companies out there offering in terms of third-party basis. But this market exists in many other places, and it's a very robust market, especially in the gas turbine space. So, if you look at the gas turbine space offering this on a third-party basis, it's quite a large market, and that's largely centered around the more developed economies.

Rakesh Roy: Okay sir. Sir, my next question is, can you give you the break-up of the order book in this sector?

Nikhil Sawhney: Yeah, unfortunately we don't give that degree of data because it's not relevant, I think. You know the industry that we get it from. And I think that's reflective of the fixed capital formation in the economy. Sectors such as distilleries continue to outperform. We see good growth there. There's a good demand, which is backed by the Government push. You have certain commodity-based industries, which have a commodity pricing upswing, which are doing well, including paper.

You have markets on the recycling side of recycling paper as well as plastic, which is doing well. You have a few orders which we're very

happy about, which are coming through in the municipal solid waste incineration space, it is something that is quite encouraging that local municipalities are taking this problem seriously. We have waste heat recovery orders which come from both cement and steel. And you have orders on the chemical space as well, which is reflective of demand. In general, we also have some food processing orders also.

Rakesh Roy: Right sir. Last couple of questions. I'm just trying to understand, your aftermarket sales increased from 27% to 33% of revenue?

Nikhil Sawhney: Yes.

Rakesh Roy: Yeah. So, year-on-year. But sir, the margin is flat. EBITDA margin. So what am I missing here?

Nikhil Sawhney: Like I just explained, so one of the reasons is that this large order that we have from the SADC region is something that is, I think, overall margin dilutive to the aftermarket business. But if you look as a company overall it's a strategic area that I think that we would like to be into, that allows us to move up the value chain once we are locally present in a certain area. Through this current offering we have over a thousand people who are subcontracted through us. And so, we have a very large local presence without much liability, but a large local presence, which allows us to gain the confidence of local customers, and that will pay off in many different ways.

Moderator: The next question is from the line of Prolin Nandu from GMO.

Prolin Nandu: A couple of questions from my side. In the past calls, when we had a very robust order book, we had a visibility in terms of revenue for more than a year, right? Because our enquiry pipeline was also strong. Now in this quarter, you have mentioned that the enquiry pipeline attrition in the domestic market is seeing some weakness. So how important is it for our overall consolidated business for the enquiry pipeline in the domestic business to again see some growth, right? Can you give a little bit more colour?

Nikhil Sawhney: Even though we've seen a degrowth in the domestic enquiry inflow that is from private sector. When you include Government tenders or PSU tenders, the market is much, much higher. The fact is that it's just because those are binary events of winning and losing, we don't need to include them in our enquiry book. But if you include that, actually, the Indian market is actually quite robust. You definitely see growth in the market going forward.

Our end order book, as I suggested, has nearly 90% of the orders will be executed in FY 24, 10% will go on to FY 25. But that's normal for any year. More than anything else, the enquiry, the order booking that we've had in Q1 till date, because it's already a late Board meeting that we're having, is very robust which gives us full confidence for the growth in this financial year.

Prolin Nandu: Sure. And have we in the past participated in Government tenders? And what could be our conversion rate for these tenders? And would this be at a similar margin compared to the private sector?

Nikhil Sawhney: The margins are not dilutive. We don't price on a differential basis, maybe slightly higher than regular margins, I think, in the domestic market. But I think we have a very good percentage of winning Government tenders, but they aren't very often. We may bid one every couple of years or two-three years. Prasad, would you like to add any colour on this?

S. N. Prasad: Yes, sir. In the Government tenders, yes, these are large scope tenders. So yes, the margin wise, there's no different strategy we adopt. The margins are quite good. And these are on a time-bound projects, sometimes we see sudden delays in finalization. That is the reason we are not considering in this 9 GW enquiry pipeline. But as and when this comes into finalization phase, again, based on the competition and all, winning or losing that time we take. But based on the historic data, whenever we participated in these tenders, we have got good success. So, we are hoping towards that.

Nikhil Sawhney: I think Prasad is saying that, usually, we win if we participate.

Prolin Nandu: That's very encouraging. And one last question would be, again, on the international, where you are saying that our visibility is slightly lower, and that's why we want to probably form a subsidiary which can probably help us increase our brand presence. So is there any niche segment where our visibility is lower because what I would have thought is that in typically your B2B business, you would have to probably execute a few orders, prove our mettle and then probably we will get visibility.

Nikhil Sawhney: Visibility is a different problem than branding and perception. Visibility is the issue of being able to be close to the customer to make sure that they're able to get an enquiry out of them. That is a physical sales-led effort, which is backed by agents to be able to provide that visibility. The intangible of being able to have a better perception is something that we need to work on from a branding perspective. But we need to

do it at a low cost and something that we think will be manageable and controllable by the company.

Moderator: The next question is from the line of Devang Patel from Sameeksha Capital.

Devang Patel: On the overseas business that we have, could you give some more colour on what is the contribution we get from different regions or continents or maybe developed markets versus others?

Nikhil Sawhney: The nature of the product is that it is customized. Because it's customized from a performance perspective, it's customized from an order scope perspective also. So, the scope can include and exclude certain things based on how the customer is looking at it. In general, the more developed the markets, the higher the specifications, and the higher the specifications, the higher the margins. In less developed market, lower the specifications and lower the margins. This is the generic, not only into our business but to every business. And so, you can see from orders to orders that certain industry is also different.

So, for example, a high-tech industry in India would give you the same margins, but a low technology industry in India would give you lower margins. Would it be different from a low technology business internationally? It's more comparable industry to industry in terms of the technology deployment than it would be from geography to geography. But geography also gives us a good estimation. The fact is that in Europe, we see demand coming from areas such as solid municipal waste incineration and renewable energy, where the end demand from the customer is our production. And so, when efficiency matters to such a large degree, I think you have greater flexibility in pricing. When the turbine requirement is more from a perspective of just providing steam to a process in a low-tech industry, the price is a very important factor in consideration. So therefore, margins are lower.

Devang Patel: I was also trying to get a sense of what is the revenue contribution we get from Europe, North America versus Africa, South America developed versus less developed countries?

Nikhil Sawhney: Unfortunately, we don't give that breakup because it changes so consistently every year. Like I told you, we sold to 27 markets last year and 22 the year before. We have a total installed base in over 75-plus countries, and we've sold turbines in over 80-plus countries. So very frankly, it's difficult for us to ascertain anything out of it. And so, we are

sort of reluctant to give that information because we don't think it could be meaningful.

Devang Patel: Okay. And generally, when you say we have a lot of headroom for growth in our export business, from which continent will this come from?

Nikhil Sawhney: In general, where the size of the economy has determined, the capacity for fixed capital formation and our product fits into the fixed capital formation part of an economic growth. So, the larger the economy, the larger the contribution to our enquiry. But the confidence we get is because our enquiry book is somewhere in excess of 9 GW, this provides us ample opportunity for us to approach it, and a significant portion of it, of course, as you would imagine is from the export market. And so that's how our confidence that we get for growth.

Moderator: The next question is from the line of Bimal Sampat, an Individual Investor.

Bimal Sampat: Yeah, a few months back, we were talking about supercritical turbines. And we were looking at another similar or adjacent product line. Now that I'm seeing that we are doing very well in refurbishment and API turbines, which is a very vast market, and it is very profitable. So, are we now going to concentrate on these two markets before looking at anything else for the next 2-3 years?

Nikhil Sawhney: You're right on one aspect, the fact that we're seeing good growth. And so, our priority is to capture that first. Are these developments and product developments that we talked about, are they put on the back burner? No, not at all. These are something that we continue to invest in. They just don't take prominence because I think much more immediate efforts that would reflect on results more in the short one, two, three-year time frame. These product developments will go into the market. They are already being piloted in different ways. Some technologies have somewhat of a cost opposition.

But those are things that will get sorted out over a period with volume. But in general, they're not dropped off the list. It's just a question from a priority perspective, they just don't make it to highlights of talking on these calls.

Bimal Sampat: Okay, and next two, three years, no major CapEx will be there because I mean, your capacity is sufficient for this?

- Nikhil Sawhney:** You see, the thing is that like we've always said, and I alluded to in my opening remarks that I think our internationalization is not as quickly as it should be. We are getting international orders, but the internationalization of the Company is a little slower than what we had expected. And so, to that extent that we can be closer to customers, we are going to continue to push for that. Would that require CapEx? Possibly. How much of what we look for? We will get back to you after taking it to the Board. But as you could see from our investment in South Africa, these are not significant investments and pay back quite quickly.
- Bimal Sampat:** You have a very good market and a very good sector. Congratulations and all the best.
- Moderator:** The next question is from the line of Amit Anwani from Prabhudas Lilladher.
- Amit Anwani:** Just small question on exports. Obviously, you highlighted about a lot about it. What is our target for contribution from export? And second thing, you mentioned about penetrating to new geographies. So, if you could just throw some more colour on which geographies and what kind of industries you are looking into these geographies, or something on that?
- Nikhil Sawhney:** So, let me take your second question first the way I understood it. The geographies that I think are very attractive to us are the geographies that are growing, which is essentially North America and Southeast Asia. For our segment of growth, we see something like the Inflation Reduction Act being a real propellant for growth in the renewable energy space, something that we would like to have a good share in terms of the products that are sold and the demand. Similarly, with Southeast Asia, the demand would be driven not only in terms of the renewable energy, but also for industrial CapEx and we think that we'd like to be part of that.
- Amit Anwani:** And target for exports.
- Nikhil Sawhney:** Target export. If you look at it, that over 70% of our enquiry book is from the export market that gives you an indication as to where our growth will be going forward. Of course, from a margin perspective, it's much better. We think that it's important for us to have a high market share in India, and we'll always take that so as to ensure that we have good control over that supply chain and cost structure and keeps us getting grounded in terms of pricing and it allows our engineering to continuously value engineer to take costs out.

So, from the export market as a percentage, I think we had 45-odd percent in our turnover. I would think that that was pushed significantly by the overhaul order that we had from Southern Africa. But going forward, we would anticipate more than 50% in the short to the medium term and in the longer term, significantly higher than 50% coming from the international market.

Amit Anwani: If you could just also mention how much number of turbines, we did in FY 23 versus FY 22 if it is possible for you to share?

Nikhil Sawhney: Arun, would you have that data?

Arun Mote: Yeah. We have produced about 190 turbines. And some of them were recognized as revenues, others were in transit.

Nikhil Sawhney: We have a lot of inventory, which is in transit.

Arun Mote: Yes. That's right.

Amit Anwani: Sure, and this is how much versus FY 22, percentage-wise?

Arun Mote: It would be roughly about 70-80% more. In FY 22, we made 116 turbines.

Moderator: Thank you. Ladies and gentlemen. As there are no further questions, I now hand the conference over to management for closing comments. Over to you, sir.

Nikhil Sawhney: Thank you, ladies and gentlemen for participating in our conference call. We've had a record year in every manner. The team has worked very hard, and we anticipate another record year in FY 24. And we look forward to engaging again with you at the Q1 results. Goodbye.

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