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<b>Sub: Transcript of Analysts/ Investor's Conference Call</b>	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analyst/ Investor Conference Call held on 6<sup>th</sup> February, 2024 post announcement of unaudited financial results of the Company for the Q3 & 9M ended on December 31, 2023. The transcript is also available on the website of the Company at: <https://www.triveniturbines.com>.

You are requested to kindly take the same in your record.

Thanking You,

**For Triveni Turbine Limited**

**Rajiv Sawhney**  
**Company Secretary**  
**Membership No A 8047**

**Encl : As above**



## Triveni Turbine Limited

### Q3 & 9M FY 24 Earnings Conference Call Transcript

#### February 06, 2024

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Triveni Turbine Limited Q3 and 9M FY 24 Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR. Thank you, and over to you, sir.

**Rishab Barar:** Good day everyone and a warm welcome to all of you participating in the Q3 and 9M FY 24 Earnings Conference Call of Triveni Turbine Limited. We have with us today on the call Mr. Nikhil Sawhney, Vice Chairman and Managing 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 made to everybody earlier. I would like to emphasise 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, everyone. Thank you for joining the Q3 FY 24 as well as 9M FY 24 earnings call for Triveni Turbines. I'm extremely pleased to be with you today. Triveni Turbines continues on its robust growth path, as demonstrated in the stellar results during the nine-month period ended December 31, 2023. New benchmarks have been surpassed in key metrics of revenue, profitability as well as order booking.

The quarterly order bookings, revenue and EBITDA has surpassed the ₹5 billion, ₹4 billion and ₹1 billion milestones, respectively and we've had the highest ever revenue in the quarter of ₹4.32 billion, an increase of 33% y-o-y as well as the highest EBITDA at ₹1.01 billion in Q3 up 35% and a margin of 23.4%, an increase of 35 basis points. The Profit After Tax (PAT) for the quarter is at ₹683 million, which is an increase of 30% y-o-y. And the order booking for the quarter is at ₹5.31 billion, which is an increase of 26% y-o-y.

For the nine months, this has translated into record revenues of ₹11.96 billion, an increase of 36% y-o-y, the highest EBITDA ever at ₹2.74 billion in the nine months, up 39% with a margin of 22.9%, an increase of 41 basis points y-o-y. And the PAT for the nine months period is at ₹1.93 billion, an increase of 41% y-o-y.

We have a robust order booking for the nine months at ₹14.43 billion, which is an increase of 27%, and the closing order book is at ₹15.75 billion, which is an increase of 28%. The investments in cash on the book as of the end of the quarter is at ₹8.82 billion, which is an increase of 31% from March 31, 2023. The Board of Directors has declared an interim dividend of ₹1.3 and a special dividend of ₹1.0, totalling ₹2.3 as this interim and special dividend at this past Board meeting.

The Board has also approved the establishment of a subsidiary in the United States, which would be called Triveni Turbines Americas, Inc., which will be registered in the State of Texas in the United States. I'll give you more clarity as to growth plans for this subsidiary and our ambition in our international expansions in the coming years.

But beyond the highlights mentioned earlier, some of the key indicators to demonstrate our performance in the nine months are that the Earnings Per Share (EPS) has grown an impressive 43% to ₹6.08 at the nine-month mark, and order booking during the nine-month FY 24 grew 27% to ₹14.43 billion, with exports contributing 53% as opposed to 42% in our order book.

With customer centricity at the core of everything that we do, it is our endeavour in recent years to expand not only our geographic presence and widen our offerings, both in terms of product and aftermarket solutions. We also continue to strategically allocate investments for sustained growth and maintaining a competitive edge. The results of these efforts are well demonstrated in our performance with exports at 46% of sales in 9M FY 24 versus 42% last year. And aftermarket as a percentage of sales at 33% in 9M FY 24 as opposed to 30% in the nine months period of the previous year. This is, of course a reflection of our order book from the product side, but also on the aftermarket side, our strategy to be more geographically dispersed and be closer to our customers, which we aim to do with our subsidiary in the U.S. as well. Our enquiry book is growing and in the nine months period is up by 14%. We have both growth in domestic as well as international markets, and we are optimistic going into both Q4 as well as into FY 25 of an increase in our order booking to at possibly the same growth rate that we've seen in the last couple of years, which will allow us to maintain our growth momentum.

Manpower continues to be a key focus for the Company. We grew our manpower base by about 20% in FY 23. In FY 24, we've grown our manpower base by about 15% and our ambition is to grow it by another 20% in FY 25. So therefore, we will be looking at people across the value chain as well as geographically to be able to add to the growth that Triveni Turbine believes that it will face in the coming years.

The outlook for all the segments, be it in terms of renewable energy, industrial markets, aftermarket are all quite robust. Our concerted efforts to spend money in R&D and engineering to cater to products in the areas which are

best suitable for our clients, be it in the renewable energy field such as in solid municipal waste incineration or biomass-based Independent Power Producers (IPPs), including waste heat recovery are very robust.

Equally in areas of where fixed capital formation is required and which are required for a perspective of running both heat and power solutions, our solutions seem to be extremely appropriate. This includes the oil and gas segment, which is a growing segment for the Company. We continue to invest into R&D. And as we come into the new year, we will come up with new CapEx plans to see how best we can ensure that our R&D even surpasses the product development profile that we've had in the last couple of years or in the last decade, to step it up to even faster pace and to have even more accuracy and even more robustness in the R&D process itself, much like we've been able to do in our product delivery.

Investments, like I said, we will come back to in terms of where the Company will be investing, but the Company has extremely high return on capital invested. And especially if you remove cash as part of the capital employed, the Company has in excess of 300% return on capital.

So, with that, ladies and gentlemen, I'm sure that you have many questions, I'd be happy to answer them in our Q&A. Back to you, moderator.

### **Question-and-Answer Session**

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

**Ravi Swaminathan:** Thanks a lot for taking my question and congrats on a very good set of numbers this quarter also. My first question is with respect to the order booking that we have done. Overall, we have seen robust growth during this quarter also. But if you see the domestic order booking, there was a bit of a decline this quarter. And probably for the first nine months, there was a marginal growth only compared to the exports, which had seen north of 50% growth. If you can throw more light on what is happening in the domestic market, a bit of outlook also on that, that would be great.

**Nikhil Sawhney:** That's great question. Thank you. Thank you, Ravi. On the enquiry book, I'll ask Prasad to come in as well and to explain a little bit more on how he sees domestic product market. Of course, we have vagaries in terms of the aftermarket, which is while the spares and service business is more consistent based on our installed base, the refurbishment segment is more opportunistic. But the product market gives you a real indication in terms of capital formation in the economy.

As we see it and I think as we pointed out in the last couple of calls as well, firstly, you should view us in a nine-month period. The fact that it's flat for this nine-month period does not take away from the optimism that we are seeing both in terms of growth of the enquiry book in the domestic market, which is about 57%, and gives us good visibility into order booking coming into not only Q4 but into the next financial year.

The reason is that, as we pointed out that we saw a drop in the enquiry book, I think it was in Q2, which is just indicative of the general investment climate. As we currently sit now in the middle of February, we believe that private sector CapEx is well on track, is something that is very encouraging. But the absolute level of investment that is going in is also something that we believe is quite sustainable. We're not seeing any sudden huge spurt in investments, which is also very encouraging for us is something where we wish to see a more sustainable growth path.

But Prasad, can you come in and give a little bit more clarity in terms of what you're seeing in the domestic market, both from a perspective of nine months as well as future?

**S.N. Prasad:**

Yes, for domestic market wise, the enquiry pipeline is quite strong. That is a very positive traction. When we are doing year-on-year comparison for nine months. So domestic market enquiry pipeline is quite strong, almost over 50% increase is there. But in the same way in the Q3, when we have seen the enquiry generation from domestic market is equally strong enquiry generation there from across the segment, whereas the order book 9M FY 24 wise, yes, a slightly improvement base, but a particular quarter, we cannot take a quarter wise because quarter wise sometimes some finalisations because of year-end in December, again October is festival time there is Dussehra, Diwali. Some customers postpone their finalisation, but we see that Q4 is going to be interesting in that quarter again from domestic, like in the enquiry pipeline.

**Ravi Swaminathan:**

Got it. My second question is with respect to the exports. Yeah, we have seen some very strong numbers in the first nine months. Can you kind of delve a bit deeper and give a sense on how much of it would have been some of the key subsegments like API, say, the large orders, 30-100 MW orders. And if you can give more colour on which geographies have contributed to this?.

**Nikhil Sawhney:**

Ravi, as you know, we have an installed base in about 80 countries globally. And so, we get enquiries from over 110 countries. In any given year, we are supplying turbines to anywhere between 25 to 30 countries. Of course, the larger the economy, the more prevalent the investments are going to be. And so therefore, the more impact would be for us.

Part of the reason that why we're investing into the United States as well is because we see a very robust market there given incentives towards energy efficiency. We're seeing that already translating to orders for us. But we also see that subsidiary will be able to cater to the Americas for installed base of substantial number of turbines that already exist there.

For the quarter in specific, we've seen orders both in the higher range of above 30 MW. As you know, we talked demarcating the orders because ultimately, they fit into the industrial range of customised products that we manufacture. But the demand that we've seen is from the Middle East, from Americas. The one market segment, which has been slightly weak for us has been East Asia, but the rest seems to be quite robust. The United States and Americas seems to be doing quite well. Prasad, can you give a little bit more colour on the markets which you're seeing activity in?

**S.N. Prasad:** Yes. So, in the quarter as well as the nine months, our order bookings were basically from, as you rightly said, except East Asia, all other regions are performing quite well, starting from Middle East and North Africa, then Europe region, Turkey and Americas. And from different segments, from biomass industries to oil and gas, above 30 MW and even sub-30 MW. That way traction is quite good from enquiry pipeline as well as order booking pipeline.

**Moderator:** Thank you. The next question is from Amit Anwani from PL Capital. Please go ahead.

**Amit Anwani:** My question again pertains to exports. So, we did highlight that there's a robustness across countries barring East Asia. Just wanted to understand, you did highlight in previous calls that you'll be penetrating newer markets. Just wanted to understand any progress on any new markets, which can bring incremental growth? And second thing is the composition of exports as you did highlight, there is a strong robustness still you are seeing on order booking following the growth which we had in the past two years. So, will export will be the high-growth area versus domestic? And what could be the composition of exports in the next two, three years?

**Nikhil Sawhney:** The composition number is very difficult to say because, very frankly, our approach towards the domestic and export markets are slightly distinct. In the domestic market, we see every enquiry cross our desk so that's a market share question. So, the size of the market in India is something that Triveni Turbines can't control. But what we can control is our market share and it is something that we like to maintain.

On the export market, it's more a question of visibility, and to get visibility into orders. And so, the strategy there is to build your enquiry pipeline because our conversion rate once enquiries hit our desk, is actually quite high. But I don't think we've talked about new markets. I think the fact is that we are already present in all the geographies that I've already spoken about.

As far as our product specifications go and applicability into certain markets go, yes, there are newer segments that open up to us. That is more of a technological question or a geographic question that we continuously try to invest into to see how we can open up greater newer markets, which allow for our product to be more relevant for our customers. These will include everywhere on the renewable energy side, everything from geothermal to biomass to waste heat recovery, etc. that we have spoken about.

On the industrial side, we pretty much cover all the industrial spaces anyway. There will be further push into the API, oil and gas segment, both from the drive turbine as well as the power turbine segment. And so, we see growth coming, we see appropriateness of our product profile. As we look forward in terms of exports, as we see exports will be as a percentage, it will definitely be a very strong growth market for us. And that's what we're investing into. We're investing into having physical presence close to our customers to have a certain degree of proximity to our customers so we can give them the confidence to not only provide us with orders, but then also for us to cater to their aftermarket needs.

This seems to have worked in certain categories and that therefore, led us through this investment that we're going to make into the United States, which hopefully will be a model that we can replicate. The model in the United States itself is something that we will flesh out in the next couple of quarters and come back to you, but it will involve a physical infrastructure of a shed. We keep in mind the fact that we have a manufacturing base in Bangalore. So we will be close to customers with the appropriate type of infrastructure that's required. Ultimately, we are very cognizant of our return metrics and something that we will always maintain much like we maintained on the Profit Before Tax (PBT) side of above 20%.

So, while exports as a % sales will rise, that gives us more flexibility in our margin structure because that is a higher margin, these are higher margin orders. But we do have a lot of investments going into people in the next couple of years. Therefore, we are cognizant of the costs that will go into helping build a more sustainable enterprise for Triveni Turbines, and we are very fortunate that the order booking and the revenue growth that we will see in the coming years will be backed with high-margin orders, which would allow us to offset any additional costs that may come from the future planning of the business.

**Amit Anwani:**

Sure. My next question on API Turbine, you witnessed a strong growth this quarter. Our sense is that the oil and gas market domestically, the CapEx is slightly getting deferred. How do you sense and what could be the growth in API Turbine and exports in domestic market? And how has been the contribution past 3-6 months?

**Nikhil Sawhney:**

We don't give the contribution number and a split. But I should tell you that from our perspective, as someone who had a relatively low market share in this space, we've had extremely good reception by both domestic and international clients. These are very large clients, as you know, and the registration process and getting part of their purchase reference is a very large and Herculean effort. So, once we were able to overcome that, the reception from customers has been very good, and that is translating into orders as well. Oil and gas is a large segment, because we are still not transitioning fully. Having said that, a majority of Triveni Turbines' orders do come from the renewable energy segment. So that is still the mainstay of what we see in terms of the capital investment in the market.

Both in the domestic and international market, we see growth in the oil and gas segment. The enquiry levels from this space is higher. And we see investments in the domestic space both by oil and gas as well as fertiliser majors, and we see this internationally as well.

**Amit Anwani:**

Sure. Lastly, on gross margins. As we can see past four quarters, we have been clocking more than 50-51% gross margin all the way picking up from 43%. So just wanted to understand what could be the sustainable gross margin. And second, on the other expenses, what was the charges for SADC this quarter? And third, you highlighted on the R&D spend going up. So, I just wanted to understand what was the R&D spend recently, as a percentage of sales? And what number we are looking for the upcoming years, yeah?

**Nikhil Sawhney:** Okay. Many questions. On the SADC side, we don't give the split, but if you look at the gross margins, the raw material as a percentage of sales used to be somewhere in the region of about 52-53%. It's right now about 56%. Our attempt in terms of value engineering is to get this back down to about 52-53%.

This is partly driven by two factors. One is certain servicing contracts have slightly lower margin, and that ends up impacting the gross margin levels. Also, it's dependent quarter-to-quarter as a percentage of exports, as a percentage of sales. I would encourage you to look at our numbers for margin trend on an annual basis. It gives you a better idea. But what we see is there's no margin pressure. The commodity prices to a large extent have stabilised. We have larger rate contracts with subcontractors and vendors. And we don't see volatility in raw material prices in the short term. Medium term, we may have some raw material variations in items such as copper. But we'll cater to that with long-term contracts.

It's interesting that you point out about gross margins because actually our tax rate for the quarter has also come up quite high at about 27%. But these will give better clarity when you look at it on an annual basis.

**Amit Anwani:** Sure. On R&D?

**Nikhil Sawhney:** Last year, we spent a little bit over 1% in R&D. Attempt will be to take this up to 3%+. Now this would be a mixture of CapEx as well OpEx. I think that this is required not only for our new diversification plans in R&D that we'll be doing. We've touched upon some of these elements in the past. But I think that it is important that when the Company has the cash flow and the flexibility to be able to internalise capabilities on R&D that we end up setting up infrastructure that we would be putting on a variable cost basis otherwise.

**Moderator:** The next question is from Abhijeet Singh from YES Securities. Please go ahead.

**Abhijeet Singh:** Yeah, good afternoon. Congratulations on a very strong performance again. First question is on the API turbines side. Do we have a technical or technological collaboration with any foreign player or any players on the API turbines? Or do we own the technology in-house?

**Nikhil Sawhney:** No, the Company has no technology collaborations on any product line or any technology with anyone for any lines, be it API or other.

**Abhijeet Singh:** Right. And the endeavour to increase the R&D expenditure as a percentage of revenue to 3%. Where will this expenditure be going and in which product segments are we targeting to increase our capabilities in?

**Nikhil Sawhney:** The fact is these are capabilities, the capabilities that we have in structural on fluid dynamics and other aspects of science and engineering are somewhat spread and amortised over a wider set of products. And so, the fact is that we've been investing into certain capabilities and capacities. And I think ultimately, they will fall a part of what we bring to the market. We haven't announced any new product introductions at this current point in time, but the fact is that the Company is building a portfolio of new product releases and new technology releases as well.



**Abhijeet Singh:** Just wanted to understand, are we going to enter a new segment altogether? Or is that something that we are right now outsourcing?

**Nikhil Sawhney:** No, it's partly both. It is partly what we are outsourcing to internalise and then to spend much more on what we were doing.

**Abhijeet Singh:** Right. In the U.S. market expansion now that we are also forming a subsidiary there. So, is there any one particular product segment that we are targeting there? Or is this generic kind of push that we do as far as our capability concerned in U.S.?

**Nikhil Sawhney:** So, I think we've said this in the past that our attempt with our international expansion is to be closer to customers. Now we understand that as we're closer to customers, that will help bridge certain apprehensions that they may have in terms of placing orders on us. But they really don't want to see a marketing office there because that's really not any capability that they can utilise once the product is installed, they want to see some servicing capabilities. So, the essence of this entity to be set up is on the aftermarket side. It will start with that enterprise only to be able to cater to our customers as well as third-party customers from that subsidiary.

As you've seen, we've been quite successful in our South African venture. And margins are expanding. Everything is looking quite good there. So, we seem to think that, that's a good model for us to adopt. And U.S., as you would know, is by far the largest market globally. And given the push they have for energy efficiency, not only is there a very distinct market for new product sales, but also on the refurbishment and replacement market presents a very unique and distinct opportunity.

**Moderator:** Thank you. Next question is from Harshit Patel from Equirius Securities. Please go ahead.

**Harshit Patel:** Thank you very much for the opportunity. So, my first question is, you have mentioned that the overall domestic enquiry book has grown by around 57%, while the overall enquiry book has grown only 14%, so this would imply a very sharp degrowth in the export enquiry book. Could you explain a little bit on this?

**Nikhil Sawhney:** No, no. It's just the domestic market, enquiry book is not as large as an export enquiry book. So, the math doesn't work out the same way. The export market has also grown, but yes, it's grown by about maybe 7-8-10%. But having said that the entire enquiry book is somewhere in the region of about 7.5 to 8 GW. So, it's quite substantial, far more than both our order booking as well as sales in any given year. In fact, we may be 3x to 4x that.

**Harshit Patel:** Understood. My second question is on our EBITDA margin, and I'm talking about margins, excluding cash. So, if I compare the Company's overall trajectory from let's say FY 17, FY 18 to today, so in the last six to seven years, we have almost doubled our sales, our gross margins have improved, the employee cost as a percentage of sales, even they have come down. Despite that, we are not at the similar EBITDA margin levels of the past, mainly because the other expenses have grown disproportionately. So, while I

understand the expansion like SADC and what you would be doing in the U.S. market as of now? But this increase in other expenses seems to be quite disproportionate. So, could you think we can go back to those 21%, 22% kind of margin in the next 2-3 years? Or are the current margin levels would be a more appropriate extrapolation of the future margins?

**Nikhil Sawhney:**

No, no. I think there are some investments that we're doing in the short term, which have had the impact on the P&L the way that you've expressed it. The intent, of course, is to expand it going forward. There was a certain compromise in terms of how much growth we could take with margins. But I think that if I look 2-3 years down the line, we should only see expansion of margins. This will happen through multiple routes. One is the product configuration itself, we are quite optimistic that we will have a leaner and value engineered product, which genuinely will have more costs taken out, then the structure and the cost that we put in would obviously be amortised over a larger turnover. And so, you'll have operating leverage also kicking in.

And then we believe that the contribution of higher margin aftermarket as well as export would end up aiding and assisting in these matters. So, there will be certain costs that we've taken in the short term. But that's why in the short term, I think the way that we see it, that our PBT level, including other income will be in any manner well above 20%. But to get back to an EBITDA number is at 20% as you are talking about without other income, it's something that our attempt will be on, of course.

**Moderator:**

Thank you. The next question is from the line of Chirag Muchhala from Centrum Broking. Please go ahead.

**Chirag Muchhala:**

Thank you and congrats for a very good set of results. So, first question is more of a clarification. So, the U.S. entity that we are planning and written in the document that basically, we are in the process of investing for a local facility. So just wanted to get a clarification that this is more like our South African venture, which is geared towards service, repairs as well as aftermarket or this is we are planning eventually full-fledged steam turbine manufacturing facility there like we have in Bangalore?

**Nikhil Sawhney:**

Chirag, you visited our facility in Bangalore, so you know the assets employed in the factory. So very frankly, actually, the intent is very clear to be able to be close to customers to cater to their servicing requirements. But if local assembly is required, it doesn't require in much CapEx. So, it's something that we have to be slightly opportunistic on. But the point is that the capital employed to that business is going to be relatively low. It will be very high from a manpower perspective. We are going to employ the best of best out there. That is an investment that we'll make which will pay off in the years to come.

And I think that this is going to be a true step towards internationalisation of hiring predominantly, what I would say non-India workforce operating over there. The infrastructure itself is going to be something that will be appropriate for what our requirements are. If the investment is reasonable, I think that the approach is right. It will be from the aftermarket side is our approach, and that is what we cater to. Manufacturing is a relative concept, only 40-45% of our purchase order actually enters our factory anyway. So, the generator, the

lubricating oil system, panels etc, don't enter our factory. So, are we manufacturing that or not.

**Chirag Muchhala:** Sure. And for the U.S. market, which one is end user sectors that we will initially be targeting, because I understand that geography is also very large oil and gas market. So, from an API turbine point of view?

**Nikhil Sawhney:** No, we will be approaching what has been our mainstay in our order book, which is renewable energy and now driven by a little bit in the oil and gas sector. So renewable energy cuts both across industrial installations, which have requirements from an energy efficiency perspective. As you know, the United States has had some of the cheapest power globally or cheapest energy globally. And so therefore, capital investment in energy efficiency has never really been a priority. Capacity expansion was always a priority of incremental capital.

And now with both the Inflation Reduction Act as well as a variety of different incentives as well as corporate consensus towards moving towards a greater decarbonisation, there is a substantial amount of investment across the industrial value chain as well as pure-play renewable energy companies. So, between those as well as API, it presents a very large market. The United States, as you know, is by far the largest economy in the world, and they have every industry that exists there.

We believe that given the fact that over the last several years, the consolidation in the steam turbine space has meant that the industrial user base has not been adequately serviced. And so, we think that exist opportunity for us to come in and provide a comprehensive degree of offerings.

**Chirag Muchhala:** Sure. And because of that market you are also very high on product certification. So, are we through with all certifications?

**Nikhil Sawhney:** Yeah, that's why like I told you in the last couple of quarters, we've been seeing orders from the market as well, and we've delivered orders into that space. So, certifications are part and parcel of whatever we do. Nothing is more stringent than the API 611 or 612 specifications that go into the oil and gas. So, I mean we sell everything from our defence forces requirements for steam turbines and those requirements for certification is far higher than anything else. We are also, as you know, AS 9001 certified company, which is an aeronautical standard. So, we have all the relevant quality parameters as well as documentation that is necessary to sell into any market both from an application perspective as well as geographically.

**Chirag Muchhala:** Sure. My last question. We have seen a very strong ramp-up in FY 23 and 24 and probably this year, end up with total dollar inflow close to around ₹2,000 crore or so. So, on this base, considering our global opportunities in enquiries as well as new growth drivers, over the next 2-3 years, will we still be able to grow at, let's say, a robust 20%+ kind of a number in inflows?

**Nikhil Sawhney:** Actually, a couple of years ago, I gave outlook that the Company will grow at about a 35% CAGR and as we see, I think we're exceeding that. The capabilities that we're putting in place is to maintain a growth rate of that much. Now 35% may be high, but our attempt is to grow rapidly. We think that there's

an ample market out there, which is untapped and uncatered to, and there is a space of Triveni Turbines to participate in there with its current product lines. Our expanded product line will allow us greater confidence to be able to grow and maintain growth.

So, the ending order book, well, of course, Q4 as we're in right now will be something that we think will be more robust than we've had in this current year already. So that will end the year well. But it will also allow us to, because the performance of Q4 is completely dependent on the order book that we have in the past. In fact, our order book as it currently stands, provides us full visibility of growth into at least middle of Q3 of next year and a bit of order booking in Q4 and Q1 of next year will provide us the growth that is necessary based on our past precedents.

So, FY 25 also seems to be quite well catered to from a growth perspective. The enquiry book that we have and the growth in the enquiry book gives us confidence in the order booking that we will get into in FY 25, which gives us visibility into FY 26, partly driven by the capabilities that we're setting up on the servicing side by being more local, but also the fact that there is a secular theme in terms of greater investment into energy efficiency from the industrial side, which is for both heating and cooling solutions as well as renewable energy, but as well as oil and gas.

**Moderator:**

Thank you. Next question is from Amit Mahawar from UBS. Please go ahead.

**Amit Mahawar:**

Hi, Nikhil. I just have two questions. First is, so in the last so many years, the way you've grown both in product and aftersales and especially in the global aftersales market. It's an opportune time that we understand from you the five-year roadmap on where do you see Triveni on the global aftersales market share and product share. If you can give that broad contour? That's my first question.

**Nikhil Sawhney:**

Amit, thank you. We don't really provide a five-year outlook. And we try to provide qualitative rather than quantitative numbers. The reason is we're a pure play steam turbine company. And you have to understand that that the competitors do look at our earnings call in a much more focused manner.

But having said that, our approach is to be the most preferred turbine, also the heat and power solutions provider to our customers. And what do we need to get there? We need to provide the capabilities on the aftermarket side to be able to cater to them. Those infrastructures and the capability that you put up on the aftermarket side need to be able to validate their investment from a refurbishment side, which is to go out to third-party work. The market share there is, I think, a little bit difficult to calculate because it fully depends on the opportunities that sort of presented to you. If I look at it going forward, and we've discussed this, I think in the past, both you and I, that the refurbishment segment has presented a very unique opportunity for the Company to scale very rapidly with a technological solution.

And I think that we're scratching the surface there. This business has the potential to grow very rapidly, but you need to have the infrastructure and the proximity to customers. So, I think the constraint to our growth is actually going to be people. It's going to be the physical presence that we have in local

geographies. So, if we're able to then keep scaling this on a yearly or every couple of years, with a new large presence in certain areas. I think it will allow us to maintain the growth rate for many, many years to come.

So, market share in India is something that we operate in a largely duopolistic market, there are other people who sell in, but it's a very price competitive market, and we're happy with that type of market share.

We have a competitor who we deeply regard. They have an extremely good product range and they're very aggressive as well. They keep us on our toes and they are someone who we benchmark a lot against. On the global market, there also principal competition, but they have a near 75% plus market share. So, there is room for us to grow in that market. There is room for us to expand our visibility.

And so that's the way I'd rather put it rather than give you any quantitative numbers. Suffice to say, we're catering to a substantial growth in the next couple of years. So, our plan is to maintain the growth that we've had in the last couple of years into the next couple of years to come.

**Amit Mahawar:**

Sure, Nikhil. I mean I will just summarise it maybe what you said, if I understand that you still significantly gained market share in FY 24 aftersales materially. And there are things that competition cannot copy from you that you are displaying.

So, the second question quickly, is actually linked to first, I'm sorry for that, but maybe Prasad and Mr. Mote, if possible, can also chip in and help you there. What is the kind of setup you are looking to create? You've invested in people 5-6 years ago, we can see fairly meaningful benefits of that already, right?

And you're now again going beyond the number mandate, and it seems that you are still going to significantly spend on people and go more closer to the market that you've been saying. So maybe next 4-5 years, how will the setup of Triveni both on product and aftersales transition to? Qualitative assessment is welcome.

**Nikhil Sawhney:**

Yeah. I'll let Prasad answer that. That's a very good question. I'd actually like to hear his answer myself, but in terms of split between aftermarket and the product, the fact is as you know, a steam turbine product last with a customer anywhere between 20 to 40 years. So, it presents a yielding opportunity for the Company to be able to cater to our customers' aftermarket requirements, which is really a very sweet spot.

This is something that if you do DCF and whatever cost of capital, you can do it, it comes out to be a great annuity for the business. To the extent that we're able to be extremely profitable on product sales which we know that a lot of our competitors aren't, it helps validate the fact that we can grow on the product side and continue to grow that.

We have right now in excess of 65% of our sales coming from the product. While we see from our competitor's viewpoint, in excess of 50% or 70% of their sales come from the aftermarket and in excess of 100% of their profit comes the aftermarket. So, we think that we are looking at both as distinct growth

avenues, which is aftermarket and product. We think that both provide a good opportunity. But Prasad, why don't you give your views as to what you believe Triveni would look like?

**S.N. Prasad:**

Yes. So, as you rightly said, yes, we are seeing both product and aftermarket as a huge opportunity there. To start with the product side, yes, we have a strong presence in countries. We have a very strong market share in some countries that there is a scope for us to improve the market share in biomass, the renewable energy segment. And coming to APIs because our market shares are miniscule and the opportunity for us to grow in API.

So, what we see the product followed by aftermarket because the API is one segment where we are establishing our references, so down the line the cycle of aftermarket starts for API segment. So, what we see, so in aftermarket side, like the refurbishment opportunities, service opportunities are for any make turbines and our local presence in those countries, where we are establishing small workshops to be closer to the customers, that will open the big opportunity for us when it comes to aftermarket and that facilities are that, that local setup acts as springboard for the products team also to give a comfort to customers.

Our local presence will help them when they are getting a final valuation call whether to buy a product from Triveni. That's where we see we are in right market in the right time and a huge opportunity, both renewable as well as API segment. Based on our current market share as today, we are addressing over 80-85 countries, our fleet is there, and our enquiry pipeline is coming over 100 countries. So, we see a strong growth to come as the years ahead.

**Moderator:**

Thank you. The next question is from the line of Himanshu Upadhyay from Buglerock PMS. Please go ahead.

**Himanshu Upadhyay:**

Congratulations on good set of numbers. This is a follow-up to question or to replies in previous call and today also. We are focusing more in geographical expansion and to be more near the markets locally. Can you give an idea of what percentage of sales and technical manpower would be outside India currently vs. five years back? Also, the number of service centres, how they have increased currently vs. five years? And whatever growth we are seeing currently, is it all orders in-house or directly through our own sales team in exports or there is something like some consultants also who play a role in getting the business?

**Nikhil Sawhney:**

I'll start with the last question. We use a hybrid structure, all sales technically you have to go through us, but we do have an agent structure, which allows us to be a little bit more conservative on overhead costs. And also, in our segment, which is a little bit more entrepreneurially driven from a customer purchase perspective, the relationships that agents have do end up, I think allowing us to make that inroad and break the barriers of Make In India, etc., which some customers in different geographies may have a hesitation towards. So that was your first question.

The other question, people. So how many people are outside India. We have offices in the UAE, in Dubai, in South Africa in Johannesburg, in Europe and in Southeast Asia, and now in the United States. In terms of people and

personnel placed outside the country, I would say there is not more than 4% or 5% of the entire workforce.

Our attempt would be to be much more international and as we go forward. But this would be in 2-3 different areas. Manufacturing, as we see it, will always be based in India. And that is there for a couple of reasons. It's because we think the ecosystem that we've created from both the supply chain basis as well as the capability of manpower is better for us to not spread it in different areas. International manpower will consist significantly of servicing personnel. And these are technical servicing personnel. These are people who are revenue earners in their own right. And so, the attempt there like we have created in South Africa, where directly, we may have 20 people on the books, but we may have maybe a thousand people employed indirectly in servicing contracts gives us a roadmap in terms of where we wish to go.

And as far as what I've been talking about in terms of growth of employee costs, it will be driven by hiring in these foreign geographies, which have a higher cost base than we would in India. So that's something that we cater to, and that's something that we're cognizant of as we go to execute these orders. But the attempt will be to have a greater internationalisation, which is exactly the point that you made, which is a percentage of employees that are outside the country.

**Himanshu Upadhyay:** Okay. And any ideal figure you think that service centres, these many service centres can help us?

**Nikhil Sawhney:** I don't know the right answer to that. I think we have to take it as it comes. It will be a question as to, can all service centres, what is the geography that it can cater to. And that's something that we have to discover going forward. The SADC region is limited in terms of the industrial base that it has. In the U.S., we'll get a better idea. There are significant other growth opportunities, be it in Latin America, Central America, Europe, North Africa, Middle East, besides all of Southeast Asia, which has its own distinct area. So, we were taking the growth in a way that what we can manage, but there's enough growth opportunities that are open to us geographically.

**Moderator:** Thank you. The next question is from the line of Teena Virmani from Motilal Oswal Financial Services. Please go ahead.

**Teena Virmani:** Hi, congrats on a good set of numbers. My question is, once again, on refurbishment where you've answered the previous participant's question. Who are your competitors in the refurbishment market? So basically, I want to understand how are Triveni's offerings different in refurbishment for a client to choose Triveni and not choose any other player or over any other player? And how fast can this aftermarket grow for the Company in terms of as a share of sales, the way it is for the global competitors?

**Nikhil Sawhney:** Well, that's a great question, but there is no one answer to it. Every customer's requirement and their purchasing choice and preferences are different. There are certain things that are somewhat common through, which is that they do want a local presence. They want to know the references that you have and are doing the work, they want to know what the capabilities that you have on the engineering side as well as the development side. What are the liabilities

that you're going to be able to take? And what is the warranty on your balance sheet to be able to support anything that goes wrong.

So, the competition stretches all the way from the OEMs if they're in business to local workshops. And so that is your spectrum of competition, and they vary from market to market. Like I said, some customers would only go to the OEM regardless of what you offer, which is their risk aversion. As you can imagine, you can't approach a nuclear power corporation and say that you know I want to provide you spares for someone's turbine, they never let you in. So customer preference is customer preference.

But on the other side, where there is opportunity for third parties to provide services, we distinguish ourselves as being an OEM. There are not many OEMs that offer refurbishment and third-party solutions. And so, we think that we operate in that space by having far in excess of the engineering resources and R&D resources than a local workshop may have.

But more than that, the quality systems that are also necessary increasingly to provide robustness and reliability of offering for the refurbishment side is something that we consider. Because we've done refurbishments from everything from compressors to gas turbines as well. Having said that, a majority of focus is always on the steam turbine side. But the capabilities are quite common across all rotating equipments. And as we move forward, we will try to leverage those with the focus being on steam turbines, of course.

**Teena Virmani:** Got it. And how much would you target to take this aftermarket share as a percentage of sales going forward over a longer period of time?

**Nikhil Sawhney:** The constraints, like I said, is on people and proximity to customers for the growth of that business. As far as the product sales go, we are extremely profitable on the product sales. So, we would push that to the extent that we can. We see enormous growth opportunity still from the product side. You can see it from our order booking, which we aim to sustain in the coming years.

And so very frankly, as we look at it right now, we are at currently maybe 65:35. I have to imagine the next couple of years despite the high growth in the product sales category, the refurbishment and aftermarket would be able to pick up market share on a relative basis. And so, we think that incrementally if that aftermarket as a percentage of sales is growing by 1% or 2% a year. That's something that is fine that we're happy with as long as the product sales also grow.

**Teena Virmani:** Okay. So, it won't be at the cost of the product sales?

**Nikhil Sawhney:** No, I mean, the product sales provide you with a great annuity. The margins that you can get from the aftermarket for spares and service for your own product is far in excess of anything that you can get on the refurbishment side, as you would imagine.

**Teena Virmani:** Right, and if you're expanding more on the aftermarket side across different other geographies also the way you are now doing it in U.S. can it also have an impact on overall other expenditure or the localisation cost in a way more than what you would have seen in SADC?



**Nikhil Sawhney:** Not fully following the question, but having said that, if I look at it on the growth plans of the business in terms of investment of capital as well as operating expenses, these are all catered to. There will be certain investment costs. The fact is that the entity that we had in South Africa was smaller both in size and scope as well as the potential that the market could create.

The potential of the U.S. market is higher. We have more confidence going in, so we're ready to sort of upfront the investment costs that may be necessary for a market like that. So, because we anticipate very high growth. But having said that, the entity, we will come up with some more clarity in the next quarter in terms of what the exact investments would be like. These are all very manageable in the entire base of the Company. Having said that, we are cognizant, like I said in the beginning of our return metrics, and we wish to maintain those return metrics on the current capital side as well.

**Moderator:** Thank you. The next question is from the line of Aditya Gupta from Tara Capital Partners. Please go ahead.

**Aditya Gupta:** Hi, good afternoon. Thanks for taking my question. First, what's your capacity utilisation right now, both for our domestic and exports?

**Nikhil Sawhney:** Largely capacity is not a constraint for us. We've disclosed in the past that we have the capacity to manufacture in excess of 250 odd turbines, and we're well within that capacity. We have the flexibility to expand that capacity on a variable basis by increasing shifts. So, capacity is not a constraint and neither this is a large capital cost for us.

**Aditya Gupta:** Okay. So, let's say when you say capacity is not a constraint, and assuming you're saying you are going to grow or there's an aspiration to grow at the same pace of 30% or 35% plus for the next two years at least. For that, you're saying there is enough capacity?

**Nikhil Sawhney:** I haven't said that. Please don't put words in my mouth.

**Aditya Gupta:** No, I thought, sorry, maybe I got it wrong. I thought the aspiration was to maintain a healthy or the aspiration is to grow at that?

**Nikhil Sawhney:** Our vision is to maintain, but like you're putting my absolute terms in my mouth by saying like 30-35%.

**Aditya Gupta:** No, no, no. Sorry about that. I was saying that maintaining the growth pace. So there's enough capacity to take you through.

**Nikhil Sawhney:** Yes, yes, yes. And in fact, actually, if you've heard our conference calls in the past, we expanded our capacity by 50% and then another 50% with a total investment, I think it was ₹20 crore and then ₹30 crore. So, the capital investment is also not that much and it took about nine months for it to come online. And so, which is well within our order visibility and enquiry visibility, so that's not a constraint for us.

Another point which you bring up, which is very relevant from a capacity utilisation perspective is the capacity of our vendors and subcontractors. That

is something that requires work and that's something that we continuously focus on to be able to enhance their capacity to ensure that it's well within the capacity utilisation figure so that we don't face constraints. So, this will happen through multiple routes, direct negotiation and conversations. Sometimes there's no capital that has to be provided to enhance capacity for certain subcontractors. And lastly is the fact that we have multiple sourcing strategy. So that is the way that we bridge that risk.

**Aditya Gupta:** Got it. And second, if I look at the margins, even on a, let's say, nine-month basis, there is a gradual improvement that's come through. And this is happening in sync with the higher mix of export orders. Even though I think aftersales is down a little. So, is that you said commodity cost are benign, is there a mix element also in there? And in share of export products, do you think this trend is now going to continue?

**Nikhil Sawhney:** Yes. So, our execution is just a reflection of our order book. And so certain order books have taken in at COVID times were subject to the vagaries of raw material pricing at those points in time. There's much more stability now, there's much more visibility into what project margins could be and should be. We actually should have had higher export as a percentage of sales in this quarter three, but we had too many goods in transit. So, these are all going to get reflected in Q4 and going forward. Our order book reflects our turnover in the years to come. So, it's along the lines of what you are talking about.

**Aditya Gupta:** Got it. And since you mentioned longer transit times, is this something to do with the Red Sea issue? Or is this something completely different?

**Nikhil Sawhney:** The Red Sea issue, I think most transporters are providing alternate routes. So that, I think is important for us to recognise. At this point in time, the goods in transit is just based on the fact of our planned turnover. As you can see, even in Q3, we had a record turnover. And that's something that we'd like to beat in Q4 again. But I don't think the Red Sea is really the constraint. And those shipping challenges are not what the constraint is. It's just production planning and dispatch.

**Aditya Gupta:** Got it. And any cost, I mean, I wouldn't have bought it up actually. Any cost escalation in Q4 because of shipping routes being changed or higher price shipping prices right now, which could be worth calling out for?

**Nikhil Sawhney:** Prasad, do you want to answer that question?

**S.N. Prasad:** Yes. So, majority of our international contracts are on FOB Indian port basis. So, whatever these transportation costs are outside our contract values. And when it comes to raw material, so almost 95-96% are sourced indigenously. So, at this point of time, we don't anticipate any impact of those cost escalations.

**Moderator:** Thank you. The next question is from the line of Bimal Sampat, who is an Individual Investor. Please go ahead.

**Bimal Sampat:** Good afternoon. Now most of the questions have been answered, just two things. Now the new product, what you're doing R&D on, will it be capital intensive or it will be something similar to what we have in current? Our

business is negative at working capital. So new products will be similar or it is something different. And it is related to our product or and are we going to invest heavily, or it will be light CapEx, like our turbines?

**Nikhil Sawhney:** No, I think that we very much like our technology-focused approach towards product development as well as catering to customer requirements. What that ends up doing is that when we put technology first, you have limited competition and therefore, payment terms such as bigger advances, etc, and payments on dispatch end up helping your entire balance sheet such as working capital.

So, I think the intent will be to sell the same way, sell as a technology product and manufacture as well as develop in the same way. But I wouldn't like to put too much focus on the new product development. This is something that we invest in. It will come through in a number of years, but the approach will be very similar to the way that we'd like to approach our current business.

**Bimal Sampat:** Right. And second thing, U.S. thing also, it will not be very capital intensive, you're saying. Correct?

**Nikhil Sawhney:** It will be very manpower intensive. The capital investment we'll come up with the exact numbers to give you in the next quarter, but it's something that that is very manageable for Triveni. Of course, you have to keep in mind that the cost of the United States is higher than they would be in India.

**Bimal Sampat:** But I think it will be a huge market for you. I mean it will be more than what we are doing in all countries put together, something like that?

**Nikhil Sawhney:** Yes, hopefully.

**Moderator:** Thank you. We take the last question from the line of Prolin Nandu, who is an Individual Investor. Please go ahead.

**Prolin Nandu:** Yeah, hi management. Thank you. Thanks a lot for taking my question. A few questions from my side. While you mentioned in the last answer itself that not to give much focus to the new products. But if I look at the journey of Triveni, right, I mean how we started was we were leaders in 0 to 30, then we moved to 30 to 100, then we also added API capabilities. So, when it comes to the aspirational target market that we want to cater to in, let's say, 3-5 years' time, where are we right now? And how big can that aspirational target market be in the context of what we are currently catering to? Can it be 1.5x to 2x of the existing size? Or I mean, what is the kind of aspirational target market that we want to get to in 3-5 years' time?

**Nikhil Sawhney:** You see the market is changing quite rapidly. It's benefiting us also, but it's changing quite rapidly. Ultimately, what is it that we're providing. We're providing solutions for industrial heating and cooling as well as distinct renewable energy power generation solutions. So, each of those will have different applications from a product development and technology development perspective. It doesn't mean suddenly that we're going to start making air conditioners. That's not the objective of any product development. But the industrial heating and cooling market end requirements are quite distinct.

Renewable energy has greater play in terms of the possibility that may come about.

But having said that, the markets are quite large, as you can imagine. These are very, very large undefinable type of markets. I think it's better for us to just take it as what's applicable right now for steam turbines. There may be a certain degree of cannibalisation in the products that we develop. But the aspiration level will be to pursuit on the customer side to be the most preferred vendor, so that means the product quality, reliability, robustness, have to be quite consistent. Of course, efficiency levels have to be benchmarked globally.

At the same point in time is to keep expanding the growth potential and opportunities to be able to be more impactful on the industries and communities that we serve. And I think that we will end up doing that in time to come.

**Prolin Nandu:** Sure. So, if I understand it correctly, there would be some cannibalisation, because of the new product. But is it also fair to say that maybe we are moving out of just being a steam turbine player to more of a turbine player in a few years' time? Is that a fair way to look at it?

**Nikhil Sawhney:** No, no, we're a steam turbine manufacturer, and I would encourage you to look at us as a predominantly steam turbine manufacturer for the next several years. And actually, it's not next several years. So whatever new products that we will start will happen at the incremental level. We find ample growth opportunity in our current market. We don't want to lose any focus on what is present in front of us, both from product side as well as aftermarket, aftermarket including refurbishment.

**Prolin Nandu:** Understood. Because from where I'm coming from is that from an investor point of view, it looks like you have covered most of the bases, right, in terms of the steam market opportunity, so to say. API was something we added a few years back in terms of capacity. Also, we have pretty much, now we have a full range of turbines from zero to 100, so to say. So, I mean, we were not very sure if there are decent white spaces, which are still left to be catered to by our products. So that's where I'm coming from.

**Nikhil Sawhney:** One is the product development, but the market itself is much larger. We see like the previous participant had also mentioned like we see ample growth opportunity to sustain the growth that we've had in the last couple of years. So, there's no reason for us to lose focus on that.

**Prolin Nandu:** Fair point. And on this, you mentioned that there is an enquiry book of 7.5 to 8 GW right. I mean if I heard it correctly, can you help us understand that in last few years' time, how has our conversion rate moved like? And what is it right now? Are we looking at somewhere growth, I mean just to understand the quality of enquiry, is it like a 70-80% kind of a conversion success that we have?

**Nikhil Sawhney:** No, no, no. One is, conversion success within a year, regardless of it converts to us or not, I think that that would be somewhere in the region of about 40-50%. But then conversion within that to us is quite unique and distinct based on enquiry to enquiry. I don't think you can really read too much into that

conversion directly to us because different levels of enquiry come at different stages of the ordering cycle. It provides us a more macro number in terms of opportunities to target. It provides us focus in terms of where to dedicate manpower and it also talks a little bit about our relevance and the market movements. So that's how we track enquiries.

But having said that, to extrapolate and take data from our conversion success, there are certain numbers that we have, which unfortunately, I don't want to share with you, which is in terms of the success that we have once we are in front of the customer, which are all very encouraging. We find that there is competition, but there is enough space for us to enter once we are in front of the customer.

**Prolin Nandu:** Sure. And lastly, on this U.S. subsidiary that you have set up, you mentioned that in next quarter, you will come up with a detailed plan in terms of CapEx and some of the other expenses and it would be more manpower heavy. Does this mean that we rule out any acquisition that we did in South Africa of that nature in U.S. market? Does it mean that or that route is still open?

**Nikhil Sawhney:** No, we have no new organic opportunities that we're evaluating.

**Prolin Nandu:** Okay. No, I was thinking that from the point of view of aftersales, right? I mean, what you have done in South Africa maybe is this that kind of an opportunity?

**Nikhil Sawhney:** We think organic is a better way to go right now. And we take every opportunity as it comes. But this is something that the team spent a lot of time on, Sachin and team have spent a good amount of time in being able to do this. We've already transferred manpower. And we're looking for sales to come in FY 25 itself. But of course, it's going to be more investment heavy.

**Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

**Nikhil Sawhney:** Thank you very much. Thank you, ladies and gentlemen, for joining our call. We're very optimistic about the prospects of our company. We have a great management and management team in place, and we're looking to enhance our capabilities. Do spread the word that we're looking for good able people and getting good people is always the best part. So, we look at you as stakeholders in our growth. Thank you.

**Moderator:** Thank you very much. On behalf of Triveni Turbine Limited, that concludes this conference. Thank you for joining us.

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