Triveni Turbine Limited

Q4 FY 17 Conference Call Transcript
May 19, 2017

Moderator Ladies and Gentlemen, Good Dayand welcome to Triveni Turbine Limited Q4 FY 17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, Mr. Desa.

Gavin Desa Thank you. Good day, everyone and a warm welcome to all of you participating on Q4 and FY 17 Earnings Call for Triveni Turbine Limited. We have with us today on the call Mr. Dhruv Sawhney –Chairman & Managing Director, Mr. Nikhil Sawhney – Vice Chairman and Managing Director along with other senior 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 conference call invite which was emailed to you earlier. I would also emphasize that while this call is opened to all invitees, it may not be broadcasted or reproduced in any form or manner. We would like to start this call with the opening remarks from the management, followed by an interactive Q&A session. I now invite Mr. Dhruv Sawhney to share some perspective with you with regards to the operations and results and his outlook. Over to you, sir.

Dhruv Sawhney Thank you very much, Gavin. Good afternoon everybody on the conference call for FY 17 financial results.

The performance of the Company in FY 17 has been good. The net income from operations at ₹ 7.45 billion, has a growth of 4%, even though the overall global conditions were pretty difficult. There has been some last-minute rescheduling of dispatches in the month of March, which I will refer to later, a large order from GE Triveni which is already gone.

PAT at ₹ 1.24 billion, has a growth of 9% and also the margins are strong, even stronger than last year at 17%. The outstanding order book of ₹ 6.32 billion, I will be speaking on this and the future in more details in a few minutes. But the basic thing that we have confidence in today is a very strong pipeline of enquiry which we expect to close in the coming quarters, particularly in Q1 FY 18and Q2 FY 18. That is a very encouraging picture. One is the enquiries we hope to actually book in Q1 FY 18 and Q2 FY 18, but more importantly the enquiries in Q1 and Q2 which will be booked and billed, those will be dispatched in FY 18 itself. And of course, as you know in our capital goods sector, q-o-q is lumpy. But during the year itself it smoothened out, so we expect good growth in top-line and bottom-line in FY 18.

We have a dividend of 120% that the Board has declared yesterday, which is the payout ratio of 38% of the profit.

I would just start by taking the domestic and the international market separately. At the beginning of FY 17 we had expected a turnaround in the domestic capital goods, but this really did not start till some time in Q3 FY 17, and it is now picking up. For the full year, there was an increase of about 6% - 7% in the domestic market. We booked good orders of ₹ 2.7 billion from the domestic market and it came from Sugar Co-generation and Process, and also from the metal sector, the metal sector has picked up which is encouraging, something we hadn't really contemplated. We expect metals and steel and cement to show further growth in FY 18 domestically, there are good signs and the enquiries are getting more serious from these sectors. The domestic market, which we have been looking at for the last two years is going to turnaround in FY 18. The turnaround, , has probably started in the last half of FY 17 but we expect a good pickup during the quarters of FY 18. So that augers very well for execution in FY 18 and FY 19.

The export order bookings during the year did not reach our expectations. But we have increased market share in the countries we have been in. So this is something that we just have to live with. Europe order finalizations have been postponed, there has been a disruption because of Brexit, because of polls happening and people generally postpone the orders, it is not order booking, it is not that we expect them not to happen or that we lost market share. We have a strong position in Europe. The second area where we had disruptions, our main market which has now revived is Turkey, we have recently got some orders in Q1 FY 18 in the month of April in fact, something we had expected during the year, we forecasted that in Q3 and Q4. But Turkey has picked up a strong order intake and the LATAM region especially Central America have also postponed orders mainly in the sugar co-generation area, large ones we are extremely well placed, they have now been postponed by six to eight months because the electricity authorities changed their PPAs, now the industry is adjusted. But it is the same as it is anywhere else in the world, sugar co-generation is very positive. So, there are good prospects which we expect in Q1 and Q2 to fructify.

The one place which has been extremely good for us which was not expected at the beginning of the year is the oil and gas sector in the Middle East. We have opened our office in Dubai and we really did not know whether we were going to approach the market, it was more for coordination, for order placement and for dealing with certain countries like Pakistan. Now we have got a breakthrough order from the Kuwait National Petroleum Company with Fluor as the consultants. We are doubling our staff in the Middle East because we are getting prequalified from all the top oil companies like Aramco in Saudi Arabia, we are going to be posting a person there, in Kuwait, Qatar, Bahrain, UAE and Abu Dhabi. So that is a very good sector for us, they are small turbines, the scope is large and a lot of people are coming in because of the oil prices being low, this is doing very well.

It has also expanded our range, we have moved aggressively in to the drive turbine market, the small turbine market. And this breakthrough order froma reputed oil and gas company with a global consultant will bring us required credential for getting qualified with the other companies. We are matching this with our R&D efforts, which I will come in a minute or two.

Our offices internationally, have taken a little longer time in getting permissions, but Indonesia is well settled, we are doubling our staff in Indonesia. South Africa opened in March, have an expat who has taken charge of the office, our office in the UK has been revamped and we are also going to open in Mexico in the next four months. We are well on the way there and we have an office in Vietnam where we have lot of substantial sugar orders and good after-sales prospects.

We have an office which is also just opened in Q4 in Thailand, a market which we find has tremendous potential in FY 18 for order booking. So, I think we have taken the expenses in our books in FY 17 and managed to increase our margins. So I think we are seeking this growth in the international market with our product mix moving more to service and moving to exports. So, we will sustain these expenditures, rather increase these expenditures in FY 18 but do not expect it to affect our margins because we are doing it in a controlled manner.

Our plant at Sompura is functioning. The major thing is the big order for GE Triveni to Argentina, 60 megawatt order which we were hoping would go in February and March actually went in early May, it is already gone, it is in the high seas and it is a very, substantial achievement for both the Company and the joint venture GE Triveni. This order would really d have been difficult to execute at our existing plant and now we can go up to 110 megawatts - 120 megawatt in the new plant. This delay in order dispatch is one of the reasons for not having the sales as were expected earlier in FY 17..

The aftermarket has shown a steady growth and mix of consolidated aftermarket sales in terms of domestic and exports have changed from 64:36 in FY 16 to 61:39 in FY 17, so there is a slow increase in our global aftermarket share of total sales.

We are exporting to over 70 countries. The enquiry pipeline is better than last year, it is over 5 gigawatt, many of these are budgetary of course, but the spread of enquiries has increased, these are from over 120 to 130 countries. So we are now getting enquiries from many new sectors and many new countries. That is why these regional offices have shown very good results for us because they are expanding both our range of exposures which we could not have done from Bengaluru. The major segment of exports in the last year was from the Southeast Asian market from Process Co-generation and Sugar, the other regions where we have a comparatively good position internationally and the sectors growing are the renewable sector, waste to energy, co-generation both in sugar and process. So, these are the sectors where there is an expansion, even though the general economy may not be expanding, so it augers well for the continued exports through our offices. Because of our order bookings in the past internationally, the consolidated sales have been ₹ 3.91 billion, which is a growth of 52% compared to the previous year.

A few comments on our joint venture, GE Triveni. One of the major achievements of course was the order that was dispatched to Argentina, , we have also received an order for 83 megawatt turbines, this has now expanded the range of the JV and we have two or three very hot enquiries which we expect to finalize probably in H1. So, we are entering high megawatt combined cycle line and this is the real benefit we are getting through our joint venture, because as you know GE is a prominent supplier of gas turbines and in the combined cycle. We have also received an order, it is a joint venture, from a Chinese EPC, again it was where there were gas turbines from GE, but with this combined marketing approach of GE on the gas side and our joint venture on the steam side, the combination is working out very well.

As our turbines get commissioned in the international market, both for the joint venture and for above 0-30 megawatts, we expect not only substantial new orders but good after sales revenues, both in services and spares. These have already started to show some small measure, but they will accelerate in FY 18 and FY 19 definitely.

The Company has an increased focus on research and development, so bringing out new variants and models are continuing, we have six to eight models coming out in 2018 as well, and they were similar number in FY 17. We have a total of over 200 IPRs filed till March, and in a large number of geographies. So, our intellectual property is now spreading out of India because of our international spread, so we are protecting your Company's technology in a number of these areas in Asia and Africa.

We are tracking export order book, of 5 gigawatts, but this is about 5% higher than what it was last year. Some of the new markets that we are looking at are the Middle East and North Africa through our Dubai office. Australia, where we have received a very prominent order in the sugar space, from a group which is a Thai Group, one of the largest in the world, so that will auger well, they have huge capacity expansion plans in Thailand, they generally do not consider India for the orders up till now. And of course, we have a prominent position, a major market share of the sugar industry in Vietnam, and an office there.

Waste to energy and biomass is the key differentiator of your Company, and even the data from a global research company is showing the prominence of your company in the international market in the sector of Biomass and waste to energy.

The demand from the sugar sector internationally is expected to turn up in the co-generation area, even though sugar prices may be going up and down. And that is because the pricing situation is better now in these sectors. We are going to be concentrating on our API drive turbines as an expansion item, something we did not have in the past. We are going to be looking domestically at the sectors of metals, steel, cement and biomass. I think the overall thoughts I would like to leave with you is that we find both domestically and exports a much stronger position in the future than I would have said in the last few quarters. Also, in our new factory , by September we will have the new high speed balancing which will allow us to do full speed balancing of turbines of much higher megawatts. Besides one other player, there is no other facility in this part of Asia that has this capability. So we find that we are very well positioned to both execute larger orders and also do refurbishments which we are concentrating on in India and globally.

I think I will stop there and look forward to your questions.

Moderator Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan Sir, can you give more clarity regarding this order from the Middle East, is it kind of a one-time order or is it like sustainable over the medium-term? Given the fact that oil prices have seen a recovery from a low base but still what we gather is that a full fledge CAPEX recovery has not seen an improvement in the Middle East. So, just wanted to know how it is and sense on pricing also on such kind of thing.

Dhruv Sawhney This is more than sustainable because of the slight squeeze in oil prices, the petroleum companies are looking at suppliers away from Europe for their traditional sources. We have extremely good margins and are very, very competitive in these markets. The question was to get technically qualified, so with this API qualification from a very substantial customer like Kuwait National Petroleum Company, now people like Aramco and all, it is a very tedious process of registration, some of our competitors had put up these informal barriers of having very difficult things to do. But we are now technically able to do it; it is a question of few months' time. So, it is not only I think a sustainable market, it is more than sustainable, because they are looking for replacements, they are not looking for expansion. And when they are looking for replacement, they are looking for value. So, we are offering them a different value proposition of the same technical merit. So that is why I find that there is a very good scope and we are starting from an almost zero base. So, it is very encouraging and it has a good margin and potential. So, therefore the Middle East of course is there, but we are finding the same potential in parts of North Africa, so that is why our Dubai office is being strengthened.

Ravi Swaminathan And what would be the quantum of this order?

Dhruv Sawhney I will like to keep that as this is market sensitive information.

Ravi Swaminathan In terms of the domestic market you are saying that there is some amount of improvement in the metal sector, this is probably the first time that we are seeing some kind of an improvement after a very long time. Can you just throw some more light as to where from we are seeing an improvement and what will be the quantum of improvement?

Dhruv Sawhney The quantum of improvement is a crystal ball question. The metal sector, the way we see it, one is the orders placed; the second is that the enquiry that have been pending for some time have become very active, waste heat recovery in Central India in the sponge iron sector, waste heat recovery is a main area that the metal sector is looking at because they are trying to optimize the energy cost, so it is not new production. And they have sort of cash flows now to make this more viable. So for all these plants, recovering, getting a more optimum energy mix, lower their cost and they are willing to now go ahead and spend the money on this. So that is where the revival is, it is not really a new metal production. But I would also like to say this same approach is happening in the cement sector, though cement is also going to be expanding as you have seen. Of course, we have projections of the steel sector but we have to wait for that much longer. So, I think this auger well but the waste heat optimizing energy is the driver, if I may say, for these plants.

Ravi Swaminathan In terms of enquiry levels you told exports were around 5 gigawatts, what would be the same quantum for the domestic market and for GETL and what was it comparable last year?

Dhruv Sawhney Yes, it is about 5% higher than last year and the domestic is about 2 gigawatts.

Ravi Swaminathan Domestic is 2 gigawatts and for GETL what could be the potential?

Dhruv Sawhney --4- 5 gigawatts again, and that is also a little higher.

Ravi Swaminathan For GETL it is - 4-5 gigawatts?

Dhruv Sawhney Yes, and it is higher. And what is more important, you see these enquiries, the fact that we have now got orders in 83 megawatt and in the combined cycle area and also we are now going to be expanding in the same non-sugar sector that we have done internationally in the joint venture, industrial sector, is the growth opportunity, like what I am talking about waste heat for metals that is also present internationally, these are areas which we are slowly tapping.

Moderator We have the next question from the line of Devam Modi from Equirus Securities.

Devam Modi Sir, we read that metals contributed almost 21% to the domestic order booking, so which were the other major sectors and how much would they have contributed, roughly?

Dhruv Sawhney Sugar process co-gen over 40%.

Devam Modi Sugar and process co-gen are around 40% each?

Dhruv Sawhney Yes, a little higher. Not higher, the balance is spread. So you have 21% there and 44% there and the balance is spread.

Devam Modi GE Triveni managed sales of ₹ 120 crore and PAT of ₹ 10 crore, order inflows were ₹ 166 crore. So, what is the order book we have ended the year with on GE Triveni side in March 2017?

Dhruv Sawhney ₹ 208 crore.

Devam Modi And from what you are saying, there are enquiries wherein you are expecting large chunk of orders over the next two quarters in GE Triveni itself, right?

Dhruv Sawhney Well, two to three quarter we cannot tell, but the spread of enquiries are good.

Devam Modi If we adjust whatever sales we had on the domestic which was probably deemed exports, this year after adjusting for that also exports would have come down on a y-o-y basis?

Dhruv Sawhney Yes, because you got the point, that deemed. But I think next year even if we, because the GETL one is a deemed one, we expect a higher blend. You see, what I did not cover in my opening remarks I wanted to say, that in Q1 and Q2 we are looking at very good orders, a major proportion of which are going to be book and bill. Now, the reason I say that I will have a much better visibility of the year after Q1, but as of today the book and bill orders we have received, that is as of today in Triveni are more than what we received in Q1 last year. So, I am confident that opening order book on the 1st of July will be more than what it was on 1st of July 2016.

Devam Modi Can you mention the number which you ended the year with around 630, excluding that 208, so can you mention the number of orders you would have added between the year end and today?

Dhruv Sawhney Over 1 billion.

Devam Modi Any impact that we would be expecting because of this rupee appreciation on our margins or anything, or we remain insulated in terms till it becomes part of our pricing?

Dhruv Sawhney Yes, we have a good hedging policy; we are a little conservative in our approach on pricing internationally, so we cover that. I think a slight dip is not affecting us at all.

Moderator Our next question is from the line of Pavan Kumar from Unify Capital.

Pavan Kumar Can you just give us the volumes of how many megawatts were executed for the year and Q4?

Nikhil Sawhney The megawatts?

Pavan Kumar Yes, in terms of volumes.

Nikhil Sawhney No, we do not typically give that information.

Dhruv Sawhney I do not have it on hand, exactly the megawatts. Because it is so varied, we are doing things from palm oil, small ones to power generation, 29 megawatts to drive turbines which we have got and the pricing levels per megawatt vary so widely from the oil and gas sector in the Middle East which is pretty high to the EPC sector of sugar which is pretty low when you sell to an EPC, and Indian EPC that is, but you can get that figure offline.

Pavan Kumar But on an average it would be ₹ 2 crore to ₹ 3 crore, around ₹ 1 crore per megawatt, something like that?

Dhruv Sawhney It varies a lot, especially internationally it varies a lot.

Pavan Kumar Going forward in FY 18, what is the kind of visibility we have on the export side? I understand you have sounded quite positive on the domestic side, but export side what are the expectations going forward?

Dhruv Sawhney So, one of the biggest thing is that we have international data of order in the market. So we are able to see that they put us in a very prominent position internationally in the biomass and, especially in the biomass and sugar co-gen areas. So, we find that we are doing quite well. Of course, certain markets take time to stabilize but I am much more optimistic now having all this data and seeing where the competition is and what is happening in various markets to know that we have very competitive offerings. While we cannot be sure when the customer is going to place the order, it is even more difficult tracking a project in Guatemala as it is in India. We are confident that our market shares will be increasing internationally.

Pavan Kumar Can we assume say 10% to 15% growth on the exports side in terms of order book?

Dhruv Sawhney I do not want to give any guidance on this, I want to wait for Q1 FY 18 and Q2 FY 18, and I will be able to be much surer once I have some orders in hand. All I can say is we expect good growth.

Nikhil Sawhney To answer your question in a subjective manner, our expectation that order booking in FY 18 for the export market would be substantially better than FY 17.

Pavan Kumar In the other expenses are there any one-offs in this particular quarter and what is the kind of margin expectations going forward?

Nikhil Sawhney I think broadly what you would expect is, given the fact that the Company would be spending a lot more in its internationalization and the expectation that we would maintain a somewhat similar mix like in sales broadly, I think that you should look at margins being constant, I do not think there is any expectation for us to suddenly see a bounce up or decline.

Pavan Kumar At FY 17 levels or Q4 F Y17 levels?

Dhruv Sawhney No, generally as a year.

Nikhil Sawhney Overall, yes. Q4 had different reasons for the margins going down, but the fact is you have to look at business as depending on its orders which are cyclical. So, actually you should look at a year from a form of all expenses as well as margins.

Moderator Our next question is from the line of Ashi Anand of Allegro Capital Advisors.

Ashi Anand I am just trying to get some sense on our international business. What would be the spread, if I am looking at different regions what would be our mix between different regions, different countries?

Dhruv Sawhney Let me give you a broad view, we are seeing very good traction in Southeast Asia, this is major growth for us, that whole spectrum of ASEAN and Bangladesh. We also have good potential now coming in Europe, which was not there last year; it was there the year before. So there were not many orders finalized but there are still lots of waste to energy products coming up, because Europe is moving more and more into the renewable space and more and more into the non-fossil fuel. So, Europe is there. Turkey has revised again, you know the disruptions that were in Turkey, and I myself am going there next month to meet our largest customer in the world is from there, so it is a very good potential market. Africa, with our office in Johannesburg is going to be covering a much wider spread of country from there, it is not just the SADC region and we are expecting a good visibility and then though small, it is going to accelerate in the next couple of years is the Middle East and North Africa. It is not going to happen in the next quarter but certainly we are getting very well placed.

Ashi Anand If you can just correct me if I am wrong about this, but if looking at different markets, would it be fair to say Southeast Asia is more focused on process co-gen and sugar, Europe is a whole renewable and waste to energy opportunity, Middle East is the whole oil and gas opportunity? Turkey and Africa I am not very sure about.

Dhruv Sawhney Turkey and Africa are similar; we have got a mix of both there. So, I think you analyzed it quite well, and Latin America also in the sugar, we are starting off in the processed co-gen because that is our big forte.

Ashi Anand So, Latin America is also…

Dhruv Sawhney Well, it has taken so long, I expected it to happen last year and it did not get finalized. So now we are very hopeful that orders will come in H1, from Central America.

Ashi Anand I am assuming Latin America could possibly be a large opportunity force

Dhruv Sawhney Yes, but they just are very uncertain and closing it. So, we are tracking it, we are going to open an office in Mexico only for that reason because we find that this is a potential we cannot miss.

Ashi Anand I am just trying to understand competition across different markets, in our core kind of segment of lower capacity turbines, who exactly would be competing with in each of these markets, are there different competitors that we are looking at in each region?

Dhruv Sawhney Now, that is getting very sensitive. But you could look at the normal manufacturers and make your own assumptions on that. But we are looking at increased market shares in all the regions, so we have a very strong marketing arm which looks at our offerings vis-à-vis our competition. And through our R&D and our service efforts we are looking at increasing our market penetration, and that is going down very well with international customers who are actually rather different than the ones domestically, even in markets like Southeast Asia. That is why we are having to get more local there, because they want our service facilities close by, so that was one part that was slightly missing that while we had an extremely competitive manufactured product of very good quality, they wanted a closer service, and now we are providing both. And this is a competitive edge; many of others do not have this facility of local OEM service.

Ashi Anand If I could just ask that question in a slightly different way. We will be competing international, so are we competing lower cost against European players or are we competing a slightly higher quality say against the Chinese, what exactly would our core position be?

Dhruv Sawhney We do not find much competition from the Chinese where there are non-Chinese funded projects.

Nikhil Sawhney Not more than 3% to 4% of our offers would be against a Chinese competition.

Dhruv Sawhney Almost none. So, we do not find a competition from competition in Europe, Japan.

Ashi Anand Okay, excellent. So we are kind of similar to higher quality at a lower cost that would be the kind of position?

Dhruv Sawhney No, I would not say lower cost, we give a better value proposition to the customer, with service.

Nikhil Sawhney We do not lose orders on price.

Dhruv Sawhney And secondly, we are giving him more of a lifetime relationship, we have now changed our thing that we do not just want the order, we want to have the service and the continual relationship with them. We are geared up in some regions and are gearing up more so that we are able to have a stronger relationship with the customer, and we are confident of our product and our services so that we can do this now. That is why we are setting and putting the money into these offices overseas.

Moderator Our next question is from the line of Monica Joshi of Hornbill Capital.

Monika Joshi When you set up these overseas offices, typically what is the kind of cost that you really incur? The nature, the quantum, if you could just help us understand.

Dhruv Sawhney See, this is a people business, it is not CAPEX heavy. The CAPEX which we would do is mainly on the service side, we would stock some spare parts, and we would have some service equipment. But really you're having local staff and staff from India, providing service to the customer and are on call and also marketing.

Nikhil Sawhney There are establishment cost in terms of governance, etc., but those are one-time and I think largely they have been covered for the regions. But the expansion of this is completely human capital dependent.

Monika Joshi And this five or six offices, correct me if I am wrong, that you already have established over the last one year, which is very credible, but how much of the cost do you think you have incurred in human capital and how much would you because you mentioned twice at least in two geographies that I heard you doubling your strength in these regions. So, how much of this human cost was captured in your employee cost rising to about ₹ 81 crore to this year rather than ₹ 68 crore last year? That is the first question.

The second question is how much more would you add on the overseas side in terms of cost?

Nikhil Sawhney If you look at our business, typically we have revenue per employee in excess of ₹ 1 crore. So, our expectation from any new incremental hire is to have significantly higher revenue per addition of employee. So, bearing that in mind you have to see the fact that actually the cost is not as important as getting the right person.

Dhruv Sawhney It is more of getting good talent locally in the region we are and on having, I think our growth has been limited by trying to get the right people for the right areas.

Monika Joshi Is there any one-off cost in the other expense line item in Q4?

Dhruv Sawhney Nothing very material.

Monika Joshi Okay. Because as an absolute number or as a percentage of sales, we have seen a significant growth, obviously your revenues in Q4 have not grown but here you see the cost going to about ₹ 36 crore.

Nikhil Sawhney No, you see the efforts and endeavors that happen from a marketing perspective come about at a later point, so the timing of it is different. That is why I said look at it over a course of a year and I think you will get better data.

Monika Joshi So, at the course of year is this the run-rate we should consider as we project numbers into the next few years, is that fair?

Nikhil Sawhney No, that is what we said, a majority of the establishment cost that we needed to incur has been done, and the rest is variable in nature and the fact that they will be directly proportional to order booking. So, very frankly we believe that our costs are well under control. One of the reasons that the Company has such high margins is that it is very conscious on costs at all levels, be it material cost as well as overheads.

Monika Joshi You said in your opening remarks on an increased market share. If you could throw some light on a few geographies that you can pick and how you have changed your market share in the last two years?

Dhruv Sawhney This is also little sensitive. But I gave you the geographies, where we are predominantly concentrating are Southeast Asia, Europe for FY 18. Obviously, market shares are different in different places; you start from a different base, Turkey and now the Middle East and SADC. Actually, I will tell you where we are quite strong and where we are going to start seeing the growth. We have already made good headways in Southeast Asia and in Turkey; we expect substantial increases in Europe, Africa and slowly in the Middle East.

Nikhil Sawhney To answer your question in another way, the market share comes about as a question of customer acceptability of your brand and installations. And so the greater number of turbines we supply the greater confidence our customers have on our products, and therefore the greater chance of winning. As the Chairman said a little bit earlier, we do not lose orders based on price, though we do not compete directly on a price basis. So therefore, really for us to be in the game is a question of customer confidence which comes through an increased installed base.

Dhruv Sawhney And the local service.

Monika Joshi Sir, I truly appreciate that and we are seeing the traction over the last four, five years. So, let us stick to the geography of Southeast Asia, you have been there for a few years and there would be a disproportionate increase in your market share as you get that confidence with your customers. And at that point, that tipping point should be about four or five years into your entry into the market, and that is the reason we are asking. So would you say your market share is…?

Nikhil Sawhney It is more than just geography, you have to segment it based on application as well as industry. So, you have to look at references on multitude of parameters, but broadly it does come about to this strategy that you are saying that we are saying that if you do split the market up.

Monika Joshi Even when you split the market up you are seeing within the geography, within that particular application you are seeing a substantial increase in your share. I understand the global market is down, so you are seeing an increase in your share, is that correct?

Dhruv Sawhney Firstly it does not take four, five years. After the establishment of our offices, I mean we really established in Southeast Asia in the last year, it took two years to get from there but the traction has started, Thailand has started only in the last quarter. But again, the reference side which was just mentioned is also a tipping point, once you have it. We are going to places where we have a good base, because that is the place to exploit and secondly, by having it in one sector gives you a reference to approach another sector in the same country, because we are able to go and have confidence in our capabilities locally.

Moderator Our next question is from the line of Varun Agarwal from BOI AXA Mutual Fund.

Varun Agarwal As you mentioned in your opening remarks that the oil and gas order which we have got, I just want to understand the opportunity size in terms of megawatt or some number. How big is the opportunity? Second is, how much time will you take to basically take benefit of the opportunity, because there are a lot of replacement demand which is coming from there?

Dhruv Sawhney Firstly, it is a good order, it will be executed in the current year. And the opportunity demand means that once you get prequalified and registered with other petroleum companies you automatically get their enquiries. At the moment, we are not qualified to get the enquiries in the API line from host of people, so you are starting from a zero base. So, what the potential comes once you start getting their dialog with their customer, at the moment we have to go through the formal registration and they do a lot of scrutiny, checking and technical presentation, we are in that now and that is why we have doubled our staff there and putting people into different countries. I will give more visibility on this as we go. So right now, the take away from this is that we have entered a new line. So start estimating how much we will do and what we will do, we ourselves do not know, we are starting to get substantial enquiries from that. But all I do know is that it is a very good margin business, it is a business that we are coming in the replacement were very good. It is not dependent on the oil price and the customer base is large, they are very large companies.

Varun Agarwal , You mentioned that in certain geographies we saw some postponement of demand of order. Can you just elaborate a bit on, you basically give us an idea, but do you think there are more cash flow concerns in particular companies or more to do with the overall economic conditions?

Dhruv Sawhney I think it is more the overall economy, I do not think customers are really short of any cash. If they are putting up an efficiency project they may just postpone the decision, it is not from a cash flow perspective. In some cases, in Latin America there may have been considerations of them having to where the electricity cost was revised by the authority, they have to prepare a new project report. But they all have enough; this is not a big funding part of their overall CAPEX plans.

Varun Agarwal On postponement of deliveries, you mentioned that certain deliveries which are postponed due to some reason, if you just elaborate a little bit on any quantum or some megawatt term or amount?

Dhruv Sawhney No, I think these are things that are part of capital good supplier who is catering to diversified markets. In many cases, we do not really dispatch till we get the surety of payment. So if he takes a couple of months longer, then we will really delay it by a couple of months. And so that is the mix, we have not changed our commercial terms. And we do not want to get ready for it, so it is a small cost to keep it, but it does not help the turnover in the quarter and it comes in next quarter. So the cost of keeping or the interest cost, as you know we are debt free, so it is not having effect that much, it does not affect our cash flow, we are quite positive in the free cash flows. So, it is a customer relationship that we preserve and fit his needs. And these are not terribly long postponements but they do affect your performance forecast in any particular quarter which is why we do not like to rely on quarter-to-quarter numbers and it is more of a half year and the year.

Varun Agarwal This is a lot more due to the cash flow issues with the customer or is it more due to the delay in overall project?

Dhruv Sawhney Yes, delay in overall project. The site may not be ready; other parts of the project may be taking longer.

Varun Agarwal On your sugar co-gen in the domestic market, can you elaborate a little bit on how do you think the next six months to one year, how it will pan out for us?

Dhruv Sawhney I think there are good prospects; we have got a good enquiry base. So I think the sugar is doing, as you know, much better than it was two years ago. So, with the pricing of sugar where it is today and with the results of sugar companies being substantially better than what they were in the past year, we expect many people to be looking at these co-product projects.

Varun Agarwal Sir, can you give some idea on the overall size of the domestic market?

Dhruv Sawhney We do not have this sort of data that is available on a segment or a state, they do not put this out in the public domain. But I would say the market is essentially what it was last year, if not higher.

Moderator Our next question is from the line of Shrinath M from Motilal Oswal Securities.

Shrinath M . The other expenses line item which is by far the highest ever in the quarter and it is significantly depressed margins for this quarter. So, can we have some more granularities on this?

Dhruv Sawhney I am referring to my CFO here.

Shrinath M It is Rs. 36 crore and the highest in the quarter by far, previous quarter it was Rs. 25 crore and the year ago quarter was Rs. 27 crore. So, in one quarter what has changed so dramatically that Rs. 25 crore jumped to Rs. 36 crore?

Suresh Taneja I also do not have the details available with me. But if you look at the standalone results and the consolidated results, you will find that almost it is a similar delta for the complete year. So, basically I do not see it may be a problem of q-o-q but it is matter of IndAS is whether it is consolidated or standalone it has got a very similar delta here. So, therefore the increase is basically, as we have said, are the export expenses and the overseas offices which we have set up in order to strengthen our export business.

Shrinath M The other thing which has actually supported margins is a significant jump, again, in other income, which we claim always to be a part of the recurring business, maybe including FOREX or whatever. Anything there again this quarter?

Dhruv Sawhney Yes, which will always be there. As we have said that by and large we remain very substantially hedged and that part of the income is just like offsetting revenue for us.

Shrinath M So, is there sense in including it in other operating income rather than showing it as other income which is typically financial in nature?

Nikhil Sawhney We would love to do it but the accounting standards would not permit us.

Shrinath M And the other thing is a slightly broader question without intention to being offensive. I have been tracking almost eight quarters and con-calls now of our company and every quarter there seem to be a gap between our intention and implementation. If I remember correctly, FY 16 we said we will match the growth of FY 15, which did not happen. FY 17 we said we will match the growth of FY 16, again we couldn't that growth is lower than expected. And every quarter there is some order spilling over to the next I think which is part of the game in our business, we cannot exactly be same. But then the orders into which the quarter spills over does not show exceptional growth in sales or profit, it is normal, again a recurring quarter. So this order spilling over into every quarter is also I think part of the regular part of the business, so that cannot be excused in that sense. So, how do you see this, can we be more realistic and muted in our guidance so that expectations and guidance is not too much of a gap, because this is a phenomenon which I have observed. What would be your comment on that?

Dhruv Sawhney I think I would like to take it straight on rather than give a different answer. Let me say, with the experience of last year and particularly what you are saying, one does not want to give some sort of guidance or optimism without having stuff in hand. So, now if you notice what I am saying now is that, let me take something head on. For example, there is a drop in orders on hand at the beginning of the year versus last year, how will it correct, how will you have confidence that it will be correct. So, to address that question directly, the first thing I said is that in the six weeks that I have had since the beginning of the year our orders which are going to be booked in will be more than what happened in the quarter last year. After Q1 when I have a conference call then I will actually have them in hand, so it will not be something that is going to be postponed. Now, Q1 may have the results coming from the past but what I book in Q1 if it is what I am going to think what I am going to book then I can talk about the year much better, certainly after Q2 because those are book and bill. I only look now at what is going to be booked and billed and overall booking. Because what you are looking at is what the figure is going to be for FY 18, you pick another project for FY 19. So, I am also going on the same way of trying to move in that direction. But now we would not like to, if you notice I am not saying what is going to be happening for the whole year without the visibility of the booking of Q1 actually in hand.

Shrinath M Still that does not include the possibility that in Q4 there may be some spillover of orders into the next year and hence our expected revenue for FY18 may be lower than what we initially expected?

Dhruv Sawhney Correct, it is always that. So what we need to do in your book and bill, you need to have some cushion because these things can happen between the quarters it does not matter. So, our optimisms now must have a certain amount of cushioning. You may have noticed that in one or two quarters last year we did much better than the market may have thought or what we had expected, because there was bunching of people taking things out. Now of course when it happens better everyone says very good and they expect it to happen in the next quarter, but that was a lumpy thing. If you remember that happened in Q3 and at that time I said I do not want you to get an impression of repetition of this. And so I get your question, I would want you to look at Q1 actuals.

Shrinath M But are we as constant, are we really more confident now of FY 18 over FY 17?

Dhruv Sawhney I am saying because I have six weeks of actual results, I am going gradually. I think if I have six weeks of actual results, I know where the markets have moved, we have done a granular analysis of domestic and selected export markets and where we are in those markets. And I have had a very detailed enquiry sales conference before this call. And so we do expect growth in FY 18, good growth. You want to ask me for where it is, I would not to be able to show it at the end of Q1.

Shrinath M And we should expect no major margin, negative surprises either?

Dhruv Sawhney Yes, that is also true. And so with the mix that I actually get in Q1, I will be able to say why.

Shrinath M Thanks a lot for taking this question. Again I repeat, no offence meant at all.

Dhruv Sawhney It is a very good question and certainly it is not taken in bad taste. But I want to say that, what we are getting again now in Q1 FY 18 and in Q2 FY 18 book and bill will make it again a little back ended for FY 18. So your question of whether that gets rolled over is there, we cannot duck it. So, what you can do is to have more of the orders so if something happens you are still having good growth. So, you might have exceptional growth if everything goes fantastically, but you cannot always assure that because it is not in the Company's hands.

Moderator Our next question is from the line of Ashutosh Mehta of HDFC Securities

Ashutosh Mehta My first question relates to the 83 megawatt order. So, what is the execution time for this?

Dhruv Sawhney It is quite long, we are not taking that order, it may not go in to FY 18, and so we are not sure about it.

Ashutosh Mehta So it is more likely in FY 19?

Dhruv Sawhney Triveni part may be FY 19, we are not clear on the execution of it, the customer time is FY 19.

Ashutosh Mehta And this is Bangladesh right sir?

Dhruv Sawhney Yes.

Ashutosh Mehta So apart from that we had plans to commission in the 30 plus megawatt segment three plants in three different countries, so is that commissioned or is that also a spill over case?

Dhruv Sawhney Under commissioning. Vietnam is commissioned.

Ashutosh Mehta Only Vietnam is commissioned, and Indonesia and Philippines, under-commissioning?

Dhruv Sawhney Yes.

Moderator Our next question is from the line of Pavan Kumar of Unify Capital.

Pavan Kumar If you wanted to see some kind of revenue growth this year, how would it come from? What I am asking primarily is our order book is presently at around ₹ 6.3 billion, if you want to do at least a 10% growth we have to execute may be 20% book to bill at least. So, is that a possible scenario?

Dhruv Sawhney Yes, this is exactly what I have been tracking. The six weeks' performance of book and bill has been exceptional; we have got more than we have got for the first quarter last year. And so I am confident now of the Q1 book and bill, we have got good book and bill in Q2 as well. So that is where that question is.

Pavan Kumar I want a numerical figure on what is the size of the Argentina order that you dispatched? Size in the sense growth maybe if you can just tell that.

Dhruv Sawhney We do not want to give those exact figures, I think it will be 60 - 61 megawatt order and that you can just make your own hypothesis. But what I do want to say is that an Indian product coming out of India is competitive landed in Argentina is quite good, we were both competitive in delivery, in pricing, competitive cost in technology. So that is a very good breakthrough.

Pavan Kumar And how much time did we take to execute this order?

Dhruv Sawhney About 12 - 13 months.

Moderator Thank you. Ladies and Gentlemen, that was our last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Dhruv Sawhney Thank you very much. Thank you, everyone, for a very nice feedback and call. I would like to just end by saying that we have had a good year in a difficult market, we expect even better year in FY 18. I have optimism but I would like to be much more confident on that after my Q1 full results, the start of which has been extremely good. So for us, because we are half way through Q1 now and the ones that we have been expecting to get in Q4 which it spill over to Q1, some of them already materialized and some are going to happen. So, I think that with the competitiveness of your Company's products and the spread of geographies and the markets where we are established now through our offices, we see a good potential not just in 2018 but definitely in the years that follow. Thank you very much.

Moderator Thank you, Members of the Management. Ladies and Gentlemen, on behalf of Triveni Turbine Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.