



Triveni Turbine Limited
Q4 & FY14
Conference Call Transcript
May 29, 2014

- Moderator** Ladies and gentlemen good day and welcome to the Triveni Turbine Limited Q4 and FY14 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 the conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you sir.
- Gavin Desa** Good day everyone. A warm welcome to all of you participating in this Q4 & FY14 Triveni Turbine Ltd. Earnings call. We have with us on the call today Mr. Dhruv M. Sawhney – The Chairman and Managing Director, Mr. Nikhil Sawhney – The Vice Chairman and Managing Director and other members of the senior management team.
- We would like to mention before we begin that some statements made in today's discussion may be forward-looking in nature and a statement to this effect have been included in the conference call invite which has been mailed to you earlier. We would also like to emphasize that this call is open to all invitees but it may not be broadcast or reproduced in any form or manner.
- We would like to start the conference call with opening remarks from the management followed by an interactive Q&A session where you can discuss your views and key issues. I would now like to hand over to Mr. Dhruv Sawhney to share some perspective with you with regard to company's operations and outlook for the year ahead. Sir, over to you.
- Dhruv Sawhney** Thank you Gavin. Good morning everybody and welcome to the FY14 Conference Call. The market in the country for the last year has been extremely sluggish and the fall in turnover and profits have been due to the low order booking in the first half of FY14. The capital goods sector in the first half was much worse than most people expected including the Government. This slowdown that happened in the domestic capital goods sector for the last few years, contributed to the sluggish order inflows and also due to postponing of final deliveries to some extent. Also, taking final decision on projects, for which they had got the funding for but were not sure when to give the red light.



In the International market, there has been some volatility in the financial market. Some of the addressable export market also had slowed down in the first half of FY14. This contributed to a slightly lower off take in the international markets in the first half of the year. However, the first 2 months of the current year saw an increasing trend month on month. The steep fall in balanced part of FY13 and first half of FY14 is now getting reversed. The turnaround is starting in the international markets and also in the enquiries in the domestic market. Even after low demand in the domestic market and increased competition, Triveni Turbine could improve market share from 58% to 63% in the sub 30 MW range. In the 30-55 MW range, we gained maximum market share in the domestic market. Both are significant achievements. Delivery delays in Q4 also contributed to a lower turnover. We were expecting and the clients were wanting to take deliveries. But, some of the projects just spilled over in the last few months. These orders have been delivered now but this affected our FY14 results. Lower turnover naturally affected the margins owing to the lesser overhead recovery. But; however, I think it's a credible achievement, that we were able to preserve our margin over 20%. The whole team feels good about and this augurs very well for us in the future. There has already been a psychological shift in customer problems and projects, that the new Government hasn't taken office for too long and few sectors in the last week have also started reviving.

The net sales stood at ₹ 5.06 billion and this turnover was lower by 23%. The EBITDA stood at ₹ 1.15 billion with a margin of 22.7%. PBT was over ₹ 1 billion had a margin of 20% and PAT stood at ₹ 0.7 billion had a margin of 13.5%. Aftermarket sales declined by 13% in line with the main order and we expect it to revive along with the general product market. We also expect a good revival in our refurbishment market with the economic conditions of both in India and our focus markets internationally. The percentage of export sales went up from 27% to 29% which helped us to preserve margins. The most encouraging thing in last year's performance was the turnaround in the joint venture Company, GE Triveni Limited, as far as order bookings are concerned. There was a tremendous breakthrough in the international market for GE Triveni. We received 3 orders worth ₹ 1.8 billion from good customers in South East Asia and these orders augur very well in terms of penetration in South East Asia.

The focus that the Company is having on exports is gaining very good momentum. We have expanded our geographies in FY14 compared what they were FY13. We have got very good responses from market such as Central America and some parts of South America where we are extremely competitive and the customers are receiving us very well especially in sectors such as sugar where we are prominent and other co-generation sectors. We believe, the export market going forward will significantly contribute to Triveni Turbine and will also be giving a significant contribution to our joint venture Company, GE Triveni Limited. Both these factors are very good and is a real marker for rapid growth. In the international markets, the order size is larger; customers ask for more sophisticated equipment's. Price points are okay. Once we have these orders which are now being executed. They form a base for reference in the sector for future customers because in the international market, we have been having this Chicken and egg situation with customers saying that they are very appreciative of GE products but they want to know where all the joint ventures has sold them. We have substantially crossed that hurdle and that is a major milestone for GE and Triveni Turbines.

We have already started receiving very good enquiries in Triveni Turbines in the first 2 months of the current year and our order booking in these months have been more in what we got in Q1FY14. Our joint venture has also got a major order which was concluded a week ago for a large 55 MW turbine. This augurs very well for our



visibility, going into FY16. This is a radical change given in your company because not only are we having good visibility of FY15 but also are now for the first time able to have confirmed business for FY16. This coupled with the up-turn in the domestic and the international markets in the first and second quarter means that we can sustain the growths levels which we are projecting for FY15 in the year ahead. But the growth in the current order book and the pipeline of enquiry in GE Triveni Limited and we are chasing about 300 MW of active enquiries right now, in the domestic market and we have also had a good shift from budgetary to active budgetary offers in the international market. We will be in an extremely good position to talk about what FY16 will look like by September which is at the end of our second quarter. We don't like to say something unless we are fairly sure of it. I was not able to give great visibility for FY15 in the first half FY14 because till we have a good consideration of the active enquiries being completed and in our favor we don't like to put that out. We will be having very good visibility on FY16 by the end of the second quarter.

Currently our outstanding order book on a standalone basis is about ₹ 5.8 billion including our refurbishment and on a consolidated basis, it is ₹ 7.1 billion as on March 31, 2014. This will be bit higher after first couple of months. We feel that this strong order book that we are bringing forward from last year and what we have in the current year should give us a consolidated growth in turnover of 35 – 40% and we haven't given figures like this before but we are confident of these projections and with maintaining margins at least at the current levels of FY15.

There is an increase in the long term loans and advances. This is owing to land of 24 acres which we bought from the Karnataka State Industrial Development Corporation. It is about 22 kilometers further down from Peenya. It is an extremely good area, it took over a year and we are very fortunate to get it. It is in the process, we have paid for it, it is going to be registered in a few weeks and that is why it is being temporarily shown as long term loans and advances. Our current liabilities are higher due to higher advances received from customers in the second half of FY14 and these are being executed now.

Our inventories have really gone up owing to the increased order inflow in the last part of FY14 and it is the raw material, inventories, work in progress and components that have come in which were much higher than what they were last year when we did not have such a good order inflow and order back log. During the slowdown in the country and some parts internationally, Triveni has concentrated on expanding its product range. We have again introduced 8 new models and they have been extremely well received by customers. Our expanded product range is best in class in the under 30 MW line and our product line is almost got as good as a substantial competitor who is very prominent in this field. We feel that we will be much better than him in some areas and at least at the same levels in all the other areas. This is a significant achievement especially for our international markets customers. We have taken out very strong intellectual property filing both domestically and in our key international markets. We have also expanded geographies in select segments and we will have very strong penetration in the next 6 months in these select markets and segments. We have almost covered 80% of all customers in there who will be aware of where we are and many of them are visiting Bangalore along with their consultants. This is giving a very good visibility for the future.

I don't want to take too much more time and I will be happy to answer questions. Thank you.

Moderator

The first question is from the line of Nirav Shah of GeeCee Investments.



Nirav Shah What is order inflow received in Q4 & FY14 and the break up between domestic, exports and aftermarket?

C N Narayanan The Standalone total order inflow for the full year was ₹ 563 crore which includes aftermarket order inflow. We had more than ₹ 200 crore of order inflow in Q4 which includes aftermarket.

Nirav Shah What was the export order inflow this quarter?

C N Narayanan The total order inflow is around ₹ 148 crore from exports which primarily came in the second half only. We did not have much export orders in the first half.

Nirav Shah The press release mentions that there is export traction and the JV orders were also from the export segment. On a standalone basis also, there was good order inflows. Was the order inflow from export or domestic during April and May 2014?

Dhruv Sawhney It is about equal on a standalone basis in the current 2 months.

Nirav Shah Is the domestic story now expected to play out?

Dhruv Sawhney In the last week we are getting in the steel sector, people who had left enquiries, dormant for 1 year are asking us to revise them again and update our budgetary quotes. The feeling is, they say, will you be able to keep to the same thing you offered and the deliveries, which is good. It means, they are looking at their projects more seriously. We feel that in the domestic infrastructure sectors, like cement and steel sector, there will be decisions quickly. It could take 4-6 months because they know that there is a 12-18 month gestation period for their projects. Hence, they have to order these capital goods pretty quickly. It is also getting a little competitive because they know that there are few players to offer them these and we may have these orders because at the moment we are able to offer the best deliveries. Once we get a bigger order inflow, the deliveries increase.

Nirav Shah FY15 growth is more coming out of a smaller base? Can we maintain 25 – 30% growth rate in FY16 once domestic market starts gaining traction in addition to some support from the international aftermarket segment?

Dhruv Sawhney That is a fair projection. I would like to hone in on the figure I said in October. But if you ask me for an informed gut feel now, I would back those figures.

Nirav Shah ₹580 crore is the order book on a standalone basis and ₹ 710 crore on a consolidated basis. The JV order booking is ₹ 180 crore, ₹ 130 crore is the difference between the standalone order book and the consolidated order book. What other cost component will be part of the difference of ₹ 50 crore?

Nikhil Sawhney Cost component of it and there is a set pricing methodology on how it is going to cost us based on the margin.

Moderator The next question is from the line of Sandeep Tusliyan of JM Financials.

Sandeep Tusliyan Our market share has increased to about 63%. How has the market size moved from a peak market size of 1,700 MW to 670 MW for 0-100 MW?

Dhruv Sawhney About the same as last year. It is about 1,200 MW for 0 – 100 MW. One order above 50 MW from a large petrochemical complex was the only major order last



year which overshadowed. We are of course concentrating much more on the up to 70 and higher market in FY15. That is where we caught a much better market share than we had in FY13.

- Sandeep Tusliyan** What is the size between 0 – 30 MW?
- Nikhil Sawhney** 700 MW, which is the same as FY13 - 14.
- Sandeep Tusliyan** What is the total capex likely to be incurred in Karnataka?
- Dhruv Sawhney** This is a long term plan. The main aim was to own the land. We want to build one bay with testing facilities mainly for the larger megawatt of turbines. We were sub-contracting some parts of this and some part is to get up to the testing all the way up to 100 MW. We will concentrate on that. We don't feel that this phase will take more than ₹ 35 crore which will easily be internally generated in about a year's time.
- Sandeep Tusliyan** How well utilized is the existing facility at Bangalore?
- Dhruv Sawhney** It has got lot of potential for expansion right now. We could increase very substantially by almost 40%. We are using the new facility to add on the larger range which we don't have. This will bring us to the same level of the facility in the higher range that the prominent player in India, has.
- Sandeep Tusliyan** What is the potential turnover that this facility could generate without incurring any significant capex?
- Dhruv Sawhney** When we look at the ROI, it is very substantial because we don't have many orders in the higher range which are over 45 MW. The facility takes time to be ready. You could be having ₹ 100 – 200 crore very quickly.
- Sandeep Tusliyan** Would it be fair to assume that 50 – 60% of the facility is utilized now and will it be possible to increase from these levels?
- Dhruv Sawhney** Yes. This is as compared to the short to medium term, the capex is very small compared to the turnover potential.
- Nikhil Sawhney** Just to answer your question, capacity typically works on number of turbines and not on megawatts.
- Sandeep Tusliyan** Your increase may be substantially higher when you move to a higher range?
- Dhruv Sawhney** Correct.
- Sandeep Tusliyan** The rupee has seen some appreciation in the past 1 – 2 months, what would be the threshold level for discomfort?
- Dhruv Sawhney** We are okay at these levels, even little conservatively we are still able to come in at a very competitive pricing internationally, especially where we are entering for the first time. We are not unduly perturbed even by the projections that some of the markets are giving on the rupee in the short term.



Nikhil Sawhney We are fully hedged as of now on all foreign contracts on a net basis and at which our average pricing is quite healthy.

Sandeep Tusliyan Would it to some extent impact our cost competitiveness versus other players? We are covered for existing contracts, but does that impact us when we bid for new orders?

Dhruv Sawhney There is not much impact. We do not have much imports. So we are not doubly hit by lower export realizations and higher import cost. We have hedged our turnover now and even the projection we have quoted has enough cushion for rupee at marginally lower levels.

Moderator The next question is from Manish Goyal of Enam Holdings.

Manish Goyal What is the order inflow for the quarter?

C N Narayanan ₹ 200 crore.

Manish Goyal When you mentioned, the full year number is ₹ 563 crore and ₹ 303 crore for 9 months, the balancing is ₹ 260 crore. What is the order inflow excluding aftermarket because you have been giving numbers excluding the aftermarket in the past?

C N Narayanan Excluding aftermarket, the total order inflow is ₹ 460 crore for a full year and ₹ 190 crore for Q4.

Manish Goyal How much was the exports for the full year?

C N Narayanan ₹ 148 crore.

Manish Goyal Does that means your order inflow was very muted in international at ₹ 23 crore in Q4?

C N Narayanan No, the first 6 months was muted in terms of international orders at ₹ 37 crore. H2FY14 inflow was at ₹ 111 crore, so that is why the whole year is ₹ 148 crore. We had ₹ 62 crore of order inflow from international market in Q3FY14 and ₹ 50 crore in Q4FY14.

Manish Goyal Can you give the breakup of the standalone order book in terms of domestic and international?

C N Narayanan ₹ 360 crore of domestic orders and ₹ 100 crore of international orders. We have some GETL orders that we just discussed and the balance is aftermarket.

Manish Goyal Does ₹ 580 crore include aftermarket?

C N Narayanan Yes.

Manish Goyal How much is aftermarket?

C N Narayanan ~₹ 50 crore.

- Manish Goyal** Can you highlight the breakthroughs in international market especially for the JV, these orders are from which areas, sectors and what are the enquiry levels and how do we see these going forward?
- Dhruv Sawhney** This order is from South East Asia from IPP and fertilizer, these are with very tough consultants from Japan and the very best in this line. Even GE is in touch with these consultants and all India sector. So the breakthrough in credibility of looking at it from India being done for the first time from JV took some time. All these sectors have good growth in South East Asian markets. The IPP sector and the fertilizer and the oil & gas related sectors. That is why sales people are located all over South East Asia exclusively for marketing of JV products. In fact, GE marketing people are located there whose sole responsibility is to market GE Triveni products.
- Manish Goyal** We used to get lot of orders from international market from renewable space and biomass space in the sub 30 MW range, how is that shaping up?
- Dhruv Sawhney** Very good. In fact, we are very prominent in the bio mass space today globally. We are one of the top in this line globally. This has been encouraging because it is all the way from Central America where everyone is going for power generation from biomass especially in the sugar, rice and paper sectors. In Europe, we are having some breakthrough in the waste to energy sector in the UK.
- Manish Goyal** What kind of order inflow growth will see in FY15 in the sub 30 MW and over 30 MW range?
- Dhruv Sawhney** It is a little early to talk about the domestic market getting finalized. We expect a very big change in H2FY15 over H1FY15 on the domestic order inflow. We expect the market to be higher in sectors that we are talking about like steel, cement, IPP, biomass and sugar could very appreciably grow but I will be in a much better situation in September to be able to give concrete view in that. The soundings are very good but till we are not actually close to closing orders we don't want to project out. All the soundings from the new Government on infrastructure are very good. We certainly expect it to be much better than last year. There will be change in power projects in infrastructure. How much of it is going to be straight away is a crystal ball question. But you would agree that there is no way that the same gloom that was there in the first 6 months would continue and this is what we are finding now in revivals. We could see a fairly substantial revival, but it may come in Q3FY15 or in Q4FY15, I don't think too much will come in Q1FY15 which is already finished or Q2FY15. And we don't book these till we have the order. We don't book it till we have the advance. We are getting it once in a few days.
- Manish Goyal** Challenging part is on the fuel availability for captive power plant?
- Nikhil Sawhney** Majority of our clients actually don't use coal as their fuel. They are present in e renewable space, waste to recovery, those are non direct coal.
- Manish Goyal** What would be the domestic revenues split between biomass and waste heat?
- Dhruv Sawhney** The risk factor that you find in linkage is for large power projects. The reason we had a slowdown in order intake and the market went down last year as companies were not finishing their Brownfield projects. These are smaller ones, not for fuel supply linkages in the market; I don't think our cement is going to go up that much. I am not going to go though that small expansion.



Manish Goyal How do you see spares and services business which includes the refurbishment business going forward?

Dhruv Sawhney That will be in equal measure. In the last quarter of Q4, we got some break through internationally in the refurbishment. We find that more growth from refurbishments will come internationally but these take a little time because they have to allow the rotors to be air freighting back and we have got a very good scheme. We are very competitive with air freighting to Bangalore and back to the customer.

Manish Goyal Out of the consolidated order book of ₹ 710 crore, is ₹ 50 crore for aftermarket?

Dhruv Sawhney Yes.

Nikhil Sawhney The smaller the size of the turbine the shorter the delivery. Therefore, the shorter the delivery even in Q1 and Q2 can actually build in to this current years dispatch. The above 30 MW range orders would typically get executed in excess of 12 month or even less than that by the time they actually ship out and build, it may take that much time and so the delivery cycle is different. While for spares, the order delivery cycle is extremely short.

Manish Goyal Would refurbishment ideally take 5 – 6 months?

Dhruv Sawhney Yes, we are trying for larger refurbishment ones where it may take 6 – 8 months. Internationally it may take 6 – 8 months.

Manish Goyal You have introduced 8 new products in the up to 30 MW range. What are the major improvements and technologically how good they are as compared to competition?

Nikhil Sawhney Cost reliability and efficiency improvements.

Dhruv Sawhney There are some places where customer requirement had an adaptation of the model we had earlier. The way they were loaded in terms of front loading or actual loading. We have adapted our machines to the market requirements. This is mainly internationally because we were 3 years ago concentrating more on the domestic market. Secondly, we have opened new sectors. We introduced new product in the palm oil industry which has been much more competitive than the competitors' products for efficiencies. We are now having the best product range in this market. It's a smaller turbine but we are gaining good market share. The other ones are efficiency improvements through blade technology which is at the forefront of everything. The current products are being given more flexibility, better efficiencies, and all the customers look at this efficiency over a long cycle.

Moderator The next question is from Bhavin Vithlani of Axis Capital.

Bhavin Vithlani What was the market size at the peak of the cycle up to 1,000 MW and up to 100 MW and which sectors are seeing enquiries currently and where orders could start getting announced or finalized in this current fiscal?

Nikhil Sawhney Back in 2009 – 10 was the last peak we had in the capex cycle, where the entire market was 0 – 100 MW was approximately, this is the highest peak, 4,000 MW is about 2,000 MW equally split below 30 MW and above 30 MW, about 1,800 MW at that point.

Bhavin Vithlani Up to 30 MW was 1,800 and up to 100 MW was 4,000 megawatt?



Nikhil Sawhney No, it was about 2,200 MW.

Dhruv Sawhney The market really came down over 50%.

Bhavin Vithlani Which sectors are you seeing enquiries or what is the quantum of your enquiry pattern?

Dhruv Sawhney In the process co-generation, in cement, steel, rubber, sugar which this is domestic. Internationally we are seeing lot of traction in biomass because many countries are trying to get the percentage of generation from renewable and biomass up and in many sectors they actually lag behind what we have done domestically in the technology in these sectors. That's high pressure and higher temperature, which we give better efficiency for the whole power plant. Secondly, the sectors that we are having in Indian roads are surviving well overseas in the steel or cement sector. We are finding that in our focus market we are reproducing what is happening in India. There are some IPPs also coming up in the joint venture range domestically which we did not track in 2009 – 10 when we did not have the joint venture.

Moderator The next question is from Deepak Agrawala of Elara Capital.

Deepak Agrawala What is the order execution time frame in both domestic and export market and are you seeing expansion or reduction in this execution cycle?

Dhruv Sawhney Because of the lack of orders in the last year, we reduced our execution cycle to better in competition. In all ranges, there are different execution cycles for under 10 MW, up to 20 MW and 20 – 30 MW. It varies, but we have lot of scope, we can keep to good execution cycle with the rapid expansion in turnover. We don't need to actually go out too much except in 1 – 2 odd cases.

Nikhil Sawhney The main issue is in terms of customer acceptance. It is his willingness, when he places the order to be able to accept the product and commission it and therefore his cash flow. Which is ultimately driven by his sentiment and his financials at that point in time.

Dhruv Sawhney His site preparations and various things like that. It has taken longer in last year. But with the revived economic situation, he would like to get his projects completed quickly.

Deepak Agrawala Is it fair enough to say that ₹ 580 crore order book would be more or less completed in FY15?

Dhruv Sawhney Yes.

Deepak Agrawala You would need a substantial jump in order inflow to maintain a 35 – 40% guidance?

Dhruv Sawhney We are encouraged by the order we received in Q1 of this year. That is why I am able to say what I did.

Deepak Agrawala What is the expected margins and overall contribution to Triveni Turbine in the next 1 – 2 years from the ₹ 180 crore order book of GETL JV?



- Dhruv Sawhney** The orders we have internationally are just being engineered. They naturally have a time span which goes over because they are larger orders. It takes larger time span compared to the under 30 MW range. There are some orders that will go into FY16. The margin profile can be looked at what it is in the current year and what is in the next year. To get a better idea of this, we need to go through the engineering of these products. But in these ranges, because GETL is really taking products from Triveni and balance it is buying from others, so it is not a manufacturing entity. It is a project execution and technology entity. Its margins are not the same as Triveni Turbines.
- Deepak Agrawala** On the profitability, how much do we need for breakeven for this kind of JV?
- Nikhil Sawhney** It is not a very capital intensive or overhead intensive enterprise. The partners contribute significantly to a lot of functioning of the joint venture. As the Chairman said, the margin structure of the joint venture is not as good as TTL, partly driven by the fact that the new products introductions and as they mature, the cost cycle will become better over time. But also from a Company perspective, there is no aftermarket to that business and so obviously it cannot actually rely on that part of it. Unfortunately it can't be too specific because this is a venture which of course is governed by other considerations such non-disclosure agreement, etc., and confidentiality with our joint venture partner but of course you should be able to see the results as they do come out.
- Dhruv Sawhney** To give you comfort, we definitely don't expect to be in a negative space like we have been earlier in FY15.
- Deepak Agrawala** On the order inflow, what could be a spoilsport, do you see pricing pressure because many players are trying for the similar pie and expecting capex recovery.
- Nikhil Sawhney** It has been the reverse. Over the last couple of years where you have seen contraction of the market and idle capacity with all players and we could say that our capacity utilization was probably one of the best in the industry in India at least if not globally, you had a significant pressure on pricing versus competition. If at all we would assume that may get little bit eased but we have to wait and see.
- Dhruv Sawhney** That is why I am not giving figures for FY16 now, is exactly when will these domestic ones get finalized. We all know that the indications are very good, but is it, till we find very good visibility happening in the next 3 months to that point, we wouldn't like to say that this is exactly the growth, same growth in FY16. One could say right now that it looks extremely good. But then we are starting from a higher base from FY15 for FY16. Taking both things into account, to me right now it is pretty encouraging. There is no spoilsport in terms of either technology or having the right product and the other thing is there are not too many players either domestically or internationally in this space. This is limited and there is very little chance for new entrants. We know the players internationally and in India and there is not much import competition domestically in our space and almost none.
- Deepak Agrawala** As you mentioned, exports will grow and will be a key driver as we go forward. As a strategy, what kind of ideal mix are you targeting in next 2 – 3 years?
- Nikhil Sawhney** Over 50% of order intake.
- Deepak Agrawala** Naturally it will fall to revenue.



Dhruv Sawhney Over a period of time. Our target is definitely to be an export oriented Company. Not just domestic a Company, so we would be primarily more in exports in domestics. I am talking about TTL.

Moderator The next question is from Amit Mahawar of Edelweiss Securities.

Amit Mahawar On active and passive enquiries over the last 1.5 years things are slow moving. What is the current outstanding enquiry pipeline in 0 – 100 MW range according you in the country across all segments and how much growth is it versus last year?

Nikhil Sawhney Let us just split it into 2 segments 0 – 30 MW and 30 – 100 MW. In the 0 – 30 MW range, the market was flat between FY13 to FY14, minimal to minimal growth of a percent or so but nothing significant to talk about. In this current year, we began the year with an expectation of about 10% growth in the order booking in the current year which we think may actually exceed that to 25 – 30%, all for 0 – 30 MW segment.

Dhruv Sawhney The budgetary enquiry is huge. They are going to gigawatt but we won't take them as enquiry unless they become very active.

Amit Mahawar As things are changing over the next 6 – 8 months, you might see lot of corporate going back to the drawing board and reviewing and putting the project on fast track because steel and cement is still passive in nature in the last one year.

Dhruv Sawhney That's exactly right. But if you look data, that's an extraordinary figure. But I don't want to put figures out because if we are to look at where we have made offers to then it will be 3x as much.

Amit Mahawar If the new government in the next one-year time is able to revive the private sector capex. Perhaps half of the current budgetary awards might happen and that number is huge as indicated.

Dhruv Sawhney We have been so badly hit by the slow down for so long that we do not want to take that optimistic view. If you go by the sheer fact of what budgetary offers, it's larger than what the markets were at the peak.

Amit Mahawar What is the target utilization you have in mind for this JV and which are the key export markets you will be targeting for this utilization for FY16 – 17?

Dhruv Sawhney The JV we are really looking at South East Asia and parts of Africa as a key focus countries. The sectors are clear, besides the sector of IPP, bio mass. It is the oil and gas sector where GE is very prominent and now with this track record of having sold some turbines, that's also a newer sector. The oil and gas sector domestically except for one big customer, you can't hang your hat on it right now. There is a larger spread of sectors internationally. We are not going all over the world in the JV so that we are able to concentrate our efforts in the sector and there are people are on it. In India, the infrastructure sectors which are being very dormant and some captive power in our range will revive quickly.

Amit Mahawar Referring to the palm oil in Thailand and other South East Asian countries. Is it right to assume that just like your current exports scenario where large parts of your business from export markets comes from non-coal, will the JV also have non-coal based business?

Dhruv Sawhney No they do not have biomass in those sizes. That is mainly coal and Indonesia and where we are present is okay for that.

Nikhil Sawhney It could be coal or a combined cycle as well. But it's difficult to get anything apart from sugar up to that space in biomass.

Dhruv Sawhney GE is very prominent in gas turbine market. It is the market leader. So the potential of people changing open cycle to combined cycle gives the opportunity for steam turbine sales.

Moderator The next question is from Aksh Vora of Praj Financials.

Aksh Vora Is our existing facility producing turbine up to 100 MW? Is the capacity which we are going to expand be for higher megawatt?

Nikhil Sawhney No, it's the same range. It is for doing certain activities that should be done on a sub contracted basis which should now be done in house with the newer facility.

Aksh Vora In current facility, do we produce around 150 turbines?

Dhruv Sawhney We have the capacity to produce 150 turbines.

Aksh Vora What would the capacity after the expansion be?

Dhruv Sawhney This is not a very big capex in those terms. You can add another 20 – 30 turbines, it is an assembly testing facility. But it is giving us the required visibility for customers to accept us in the higher ranges in more sectors.

Moderator The next question is from Deepak Narnolia of Elara Capital.

Deepak Narnolia There is significant decline in sales but there is significant savings in Raw Material Cost. Could you please throw some light on that?

Nikhil Sawhney There are 2 factors to this. Generally the margins have come down because of undercover overheads, etc. But the raw material percentage has come down because spares as a percentage of the turnover has gone up.

Deepak Narnolia It is more of product mix?

Nikhil Sawhney Product mix as well as rationalization in value engineering of the product.

Deepak Narnolia What is the proportion of spares in your sales vis-à-vis last year?

Nikhil Sawhney It has gone up from 19 to 22%.

Dhruv Sawhney That is aftermarket and not spares only.

Moderator The next question is from Gaurav Maheshwari of Unilazer Ventures.

Gaurav Maheshwari Inventory has increased, is there any delay delivery?

- Dhruv Sawhney** This inventory increase is to execute the orders that were booked in the last 3 – 6 months. This is all work-in-progress and components coming in. It's very small part is delayed delivery. It is mainly because of the increase turnover that we are going to be achieving in the first half.
- Gaurav Maheshwari** As mentioned, margins would be maintained at the same levels. Since the scale would go up now with a healthy order book, shouldn't the margins actually go up or is it that we will be following some penetrative pricing policy in GETL JV part which will lead to similar margins?
- Nikhil Sawhney** We have aimed to maintain margins at least at current levels. So let's wait and see what happens and we should have more visibility in October.
- Dhruv Sawhney** We also talk about the execution of FY15 orders that were booked in the market which was quite competitive.
- Gaurav Maheshwari** ₹ 50 crore of the order book is from refurbishment order.
- Dhruv Sawhney** Aftermarket.
- Gaurav Maheshwari** That's the entire aftermarket, which was almost ₹ 100 crore in FY14? That is approximately 22% of a turnover of ₹ 500 crore. Should we at least maintain that kind of number for the full year in FY15?
- Dhruv Sawhney** Difficult to say, but we should be there.
- Gaurav Maheshwari** Growth as you mentioned in the domestic segment is coming in from steel, cement, and rubber, are you seeing some sugar policy changes in couple of states, is that leading to higher demand?
- Nikhil Sawhney** Sugar cogeneration makes sense and there is adequate funding available for it.
- Dhruv Sawhney** The basic driver for sugar cogeneration going forward is reduction in tariff that is happening in many states. For example in UP, they are thinking of raising the tariff by co-generators and we are also co-generators by over 10%.
- Gaurav Maheshwari** Going ahead in the GETL JV, you mentioned that you are comfortable with your products being accepted. Do you see margins going up because you are well established now and you might not need to look into a competitive pricing strategy?
- Dhruv Sawhney** We definitely are looking for upward revision in margins going forward in the JV product range.
- Gaurav Maheshwari** On the oil and gas, GE is already present and he is the obviously market leader. Why are you focusing on oil and gas?
- Dhruv Sawhney** We are also focusing on product range in the oil and gas sector Internationally.
- Gaurav Maheshwari** Wouldn't that mean we are competing with GE?
- Dhruv Sawhney** We are talking about the turbine range.
- Moderator** The next question is from Gaurav Malik of Locus.



Gaurav Malik The market size at the peak of the cycle from 0 – 30 MW was roughly about 1,800 MW and 0 – 100 MW then was roughly 4,000 MW or 2,200 MW?

Dhruv Sawhney 4,000 MW from 0 – 100 MW.

Gaurav Malik Were we evenly split between 0 – 30 MW and 30 – 100 MW?

Dhruv Sawhney Yes approximately.

Moderator The next question is from Chirag Muchhala of Nirmal Bang Securities.

Chirag Muchhala We have received orders in the JV during Q4, what is the megawatt rating?

Dhruv Sawhney There are 2 orders of 55 MW and 1 order of 35 MW.

Chirag Muchhala Is one order of 35 MW in Q3?

Dhruv Sawhney Q4 and Q3 also.

Nikhil Sawhney There were totally 3 international orders booked by GETL in the financial FY14 out of which 2 were in the last quarter.

Chirag Muchhala Those 2 were at 55 MW.

Dhruv Sawhney Yes.

Chirag Muchhala Is our realization in the international market significantly higher than 50 – 55 MW that we get in domestic market?

Dhruv Sawhney The scope of it is not really on megawatt because the scopes are different. You cannot do a megawatt to sale comparison. The scope is entirely different. The customer has a very different type of specification. That is also happening in Triveni Turbine, when you go in the higher ranges 20 – 30 MW, it is very difficult to go megawatt by megawatt. It is easy to talk in megawatts for an analyst but the customers depending on the sector and depending on where they want to now do their engineering. They may want to give more to one set, different from what they were doing earlier.

Chirag Muchhala But is it a general practice in international market to have a higher non-turbine BOP scope along with the orders, in international markets particularly.

Nikhil Sawhney Yes. It is a trend you can see in India also.

Moderator Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments.

Dhruv Sawhney Thank you everybody and we were happy to share our thoughts on the future and what we believe is an exciting growth time for Triveni Turbine and our joint venture GE Triveni Limited, not just in FY15 but going forward to FY16 at least. And in subsequent calls, this visibility and confidence will only grow and we have done well to come out of the last year which has been one of major contractions in market, India has had for a long time. Well we are much stronger with an increased product portfolio, concentration on higher market and higher margin and bigger



spread in international market and facilities that can match this growth. We are confident of our projections of around 35 – 40% increase in FY 15 and we have got good visibility and traction for FY16. It's been an encouraging start of the year. We will keep you informed as we go along during the year. Thank you very much for joining.

Moderator

Thank you. Ladies and gentlemen on behalf of Triveni Turbine Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

