# Triveni Turbine Limited

## Q2 & H1FY14 Earnings Conference Call Transcript
## November 8, 2013

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**Moderator** Ladies and gentlemen good day and welcome to the Triveni Turbine Limited Q2 & H1 FY14 Earnings Conference Call. As a reminder all participants' 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 '*' and 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** Thank you Inba and good day everyone. A warm welcome to all of you participating in the Q2 & H1 FY14 Earnings Call of Triveni Turbines. We have with us today on the call Mr. Nikhil Sawhney – Vice-Chairman and Managing Director; Mr. Suresh Taneja – the Group CFO along with 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 has been included in the Conference Call Invite which was mailed to everybody earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcast or reproduced in any form or manner.

We would like to start this conference with opening remarks from the management followed by an interactive Q&A session wherein you can discuss your views and key issues. I would now like to hand over to Mr. Nikhil Sawhney to share some perspective with you with regards to the company's operation and the results for the quarter under review. Over to you, Mr. Nikhil Sawhney.

**Nikhil Sawhney** Good afternoon everybody and welcome to the Triveni Turbines H1FY14 Conference Call. As you have seen from the results brief that may have been mailed to all of you, the net sales for the first half has been lower by about 20% coming in at about ₹ 2.34 billion with an EBITDA of ₹489 million and a margin of 20.9%.The PBT came in at ₹ 421 million with a margin of 18% resulting in a PAT of ₹ 284 million with an EPS of ₹ 0.86 per share. For the quarter, the net sales were lower at about ₹1.23 billion with an EBITDA of ₹ 259 million and a margin of 21.1%.The profit before tax at ₹ 226 million with a margin of 18.4% was also lower than what it was in the similar quarter last year.

To take you through these results I would like to give you an idea of where our turnover stands and where our margins lie at a current point in time. The margins have come down from the previous quarter due to unabsorbed overheads which was on account of the the decline in the turnover. Our expectation is to maintain it at approximately 23% . Other factors such as rise in other expenditure is largely due to this factor but also marginally due to an increase in foreign travel which is something that we are pushing towards very aggressively for expansion of our export markets. There has also been an impact of foreign currency hedging accounts as well as mark-to-market. For the current quarter, there has been no mark-to-market accounting. I'll be happy to take you through that as any questions arise. While the turnover for the first quarter in the current year was in line with last year, second quarters turnover was lower by 32% largely on account of a lower order book as well as a deferment / postponement of orders from the customers end. We have an order book which currently stands at ₹ 448 crore compared to ₹ 481 crore in the previous quarter. This decline in order book was due to an order acceptance of only ₹ 54 crore in the previous quarter compared with the ₹ 85 crore in the quarter before. These two factors have led us to reduce our outlook on the turnover for this current year due to a decline in the book and bill. Having said that our optimism is considerably higher at this point in time having gone through the month of October where we have secured orders in excess of ₹1.1billion, predominantly about 70% of it being in the export side and we believe that we will end this current year with a higher order intake than we did for the full year in FY13. Therefore we see Q3 and Q4 considerably adding to the order book position for the following year. At the same time we are optimistic that our current order book in hand will increase our turnover for this current quarter as well as the next quarter which would further absorb our overheads and therefore in totality result in an increase in margins for the full-year from our current position.

In our balance sheet, we have had an increase in Other Current Liabilities largely driven by a high degree of advances with a lower degree of turnover as well as our current investments and cash at hand has now gone up to over ₹ 22 crore.

I would like to give you an outlook on what happened in the previous quarter. While there has been deterioration in the domestic market size. In Q2FY14, saw a decline of 38% in market size from 180 MW to about 110 MW and a decline of 32% to about 263 MW from about 390 MW for the half-year. Having said that, in October itself we have seen about 200 MW of order finalization, where Triveni has maintained its dominant market share. We believe that finalizations have largely been deferred despite the overall market slowdown and therefore that would be reflected in order intake of the domestic market in the next couple of quarters. On the export front we have been pushing very aggressively and have increased our enquiry book by over 7 GW which we believe is quite commendable and at the same time there has been a slowdown or deferment of orders principally driven by large currency volatility which happened on a global scale over the last three months. This factor has led to a deferment of orders but we are optimistic that a degree of confidence and stability has returned to the markets in terms of those orders which were due for placement will now come to fruition. The business has performed well on the liquidity front. As you would see our developments on technology and further R&D is more impressive, the company now has over 100 patents and IPs which have been filed / registered and we continue to focus aggressively on product development both in terms of size and application to the market. In the export market, we now have coverage in over 59 countries with sales in over 45 countries to date. We have received good response from these markets and we aim to further expand our presence in the future. The increase in enquiry book has been over 40% on a year-on-year basis. Our spares and aftermarket business have also gained traction not only on the domestic front but on the export side. The aftermarket spare sales during the quarter have been slightly muted due to slowdown and uncertainty in the sugar industry in India which is a large captive customer base for the Company.

GE Triveni has increased its market presence in India in the first half of the fiscal year. Of the five orders that have been placed, two orders have come to GETL giving us a market share of approximately 40%; we are extremely optimistic on this line and have established ourselves as a true market force in the domestic market in this segment. Of the five orders, one lumpy order was Reliance Industries which has not been included as part of the market. On the export front for GE Triveni, we have made headway and are close and have received an order but not advance for an order which is extremely lucrative for the business which will allow us to gain greater traction in the export market.

With that I would like to open the floor for questions.

**Moderator** Our first question is from Sonaal Kohli of Elara Capital.

**Sonaal Kohli** Firstly, are you seeing any payment delays from any of the vendors on the part of the order that you are supplying? Secondly, some of the other capital goods companies in the last few days in their conference calls mentioned that cost of money is leading to delay in the order book execution, even their order books are not converting with the same pace, are you seeing similar trends? And thirdly can you give some broad revenue guidance for this year?

**Nikhil Sawhney** For payment issues we have a very concrete commercial terms at the time of accepting orders, we only put orders into our order book once we have received advances, therefore payment issues from order execution perspective is a factor where we have full confidence of recovery. Having said that, I mentioned that there has been a degree of turnover slippage due to deferment of orders because we sit on orders which may be between 20% to 30% advance and we are confident that these orders will get executed and we will receive full money on dispatch. We cannot push our customers to such a great extent that they actually accept the turbine if we are not confident that they are ready to accept it and therefore the payment would be due. On the cost of money issue, I explained earlier that there is a factor which has led to a sentiment problem in terms of order booking. I believe that the entire market in India is down for this current year and will be lower than what it was last year, having said that it is more lumpy and skewed towards Q3 and Q4. And your last question was on the revenue guidance. When we guided two quarters back in the FY13 conference call, we were optimistic on showing a little bit of growth which turned in terms of guidance to sort of stable revenues from year to year and that was driven primarily by an expectation that our order book in Q1 and the beginning of Q2 would lead to a considerable amount of book and bill. Due to sentimental factors which were not solely driven by cost of money, they were largely driven by sentimental factors in terms of currency volatility and general pessimism, there was a deferment of these orders which we are seeing now coming to fruition, so while we do expect a lower revenue, I do not think it would be appropriate for me to give you an exact number. I do not think that we have drastic revenue decline as we have seen in terms of H1FY14 versus H1FY13, we would have a significant make-up in the next two quarters.

**Sonaal Kohli** In terms of your execution cycle and domestic versus export market, does the order book to forward sales have similar kind of ratio, does it take similar time to execute, how do we read your order book vis-à-vis past because your exports order book has increased?

**Nikhil Sawhney** From an order book perspective, our delivery cycle is between 8 to 12 months at maximum. We have delivered turbines for some customers in a short time also like five months. The order delivery cycle takes approximately 9 months, because these are unique orders. An accumulation of more than 80 to 90 orders, you will find that there may be slippage which is very difficult to read into the order book number by itself.

**Sonaal Kohli** Is there a big difference between the domestic order book execution cycle and export execution cycle?

**Nikhil Sawhney** It would be a difference of one month purely based on transport.

**Sonaal Kohli** The press release mentions that there was currency volatility impacting demand, which major countries do you export to and did these countries also face currency depreciation or were you able to benefit on account of currency depreciation?

**Nikhil Sawhney** It is a bit of both actually, we had enquiries from over 55 to 60 countries and the currency volatility led to a deferment of orders mainly from a stability prospect. There were countries in the basket which included depreciation along with the rupee but we typically quote in Dollars or Euros depending on the country that we export to. Our competitors based in countries which have seen currency depreciation such as Japan and Europe have not, so it is a mix in terms of how the margins will look as we go forward.

**Sonaal Kohli** Do you have competition in China, Africa or any other emerging markets?

**Nikhil Sawhney** Our competition is largely European and Japanese players.

**Sonaal Kohli** Could you name top five countries you exports to?

**Nikhil Sawhney** There is no single country that has more than 10% market share of our order book but at this current point of time they point to South-East Asia and SAARC and we also have orders coming in from East Africa, Sub-Saharan Africa, Europe and some parts of Central America.

**Moderator** Next question is from Piyush Mittal from Franklin Templeton Investments.

**Piyush Mittal** What is the size of the export market under 100 MW and under 30 MW because that is where the focus will be going forward?

**Nikhil Sawhney** Our enquiry book for below 30 MW currently stands at 7 GW, these would include orders which are more than just enquiry, they are somewhere in between either consultant that have started work in terms of detailing of specification and may be before a tender or RFQ may be floated and somewhere between that and order finalization and placement. The 7 GW is definitely not a market size for one year applicable to us. We are very precise in terms of what the market size is in India because we analyze every order that is placed. On the export market, unfortunately we are not able to actually gather that information to that degree of confidence to place an absolute number, what we believe is that if I look at the process between enquiry generation to enquiry to order placement and order finalization at three steps, if we can get a large enough enquiry book and work towards order placement and finalization as a process step, we could actually move towards a greater participation in the export markets but you currently see a 7 GW market even if you believe 30% of that would be finalized in a given year, it is quite considerable.

**Piyush Mittal** Of this 7 GW, what is specific to Triveni Turbines which is under 30 MW?

**Nikhil Sawhney** This is below 30 MW. I am not talking about anything between 30 and 100 MW.

**Piyush Mittal** What would it for 30 to 100 MW?

**Nikhil Sawhney** If I look at India as a proxy, we find that the market is really a split between above and below 30 MW.

**Piyush Mittal** There are some Indian competitors who mushroomed over in the last two or three years, for example Arani Power; is there an offshoot of Triveni which is making some noise?

**Nikhil Sawhney** Let me take you through the competitive analysis. We benchmark ourselves versus global leader in this field which have very strong presence in India well and when we look at the market share and data, there is always going to be a single turbine manufacturer which gets orders from customers for whatever requirement it may be, I cannot go into decision-making structures as you must understand that industrial turbine users are distinct from utility users and an industrial turbines user needs a great deal of confidence, robustness and reliability of the product and also service as a backup. We believe that we have correct and appropriate organizational structure and the product to be able to cater to all of that and that is why we have the market share of ~ 55%and total market share between us and Siemens in the below 30 MW category is at least 90%. But there will always be a single turbine user which is the same as we treat them, the same as a Chinese import, they are equally ad hoc and sparse in terms of market standards.

**Piyush Mittal** How different is it a steam turbine from a gas turbine?

**Nikhil Sawhney** They are fundamentally different, from a rotating equipment perspective they are similar, they follow similar thermodynamics and fluid dynamics in terms of design. Only the metallurgy of the components is completely different and expansion between stages is different because different gases are passing through respective blades.

**Moderator** Next question is from Sandeep Tulsiyan of JM Financial.

**Sandeep Tulsiyan** Historically we have always been operating at negative working capital, why has there been a sharp jump in other current assets?

**Nikhil Sawhney** Inventories during the current quarter have gone up from about ₹ 66 crore to ₹ 94 crore and driven by optimism in terms of increase in turnover in the current quarter and out of this we are sitting on approximately over ₹ 23 crore to ₹ 25 crore of finished goods which will be dispatched within this quarter which existed at the end of the last quarter. Of course there is a rise in current investments which has led to an increase in the total assets.

**Sandeep Tulsiyan** My question is also pertaining to other current assets?

**Nikhil Sawhney** Other current assets have increased from about ₹ 14 crore to about ₹ 46 crore. As mentioned in the previous conference calls, we have product sales as well as solution sales and as we have a solution sales, we have certain extended scope which is supplied to the customers and you would see that the billing of that would be progressively done over this current quarter and is reflected in this line item of other current assets. We believe that this is well under control if you look at our receivables which is our cash position; this is a method of revenue accounting.

**Sandeep Tulsiyan** Is the revenue billed but not collected under that head?

**Nikhil Sawhney** Exactly.

**Sandeep Tulsiyan** Which are the large orders currently in the market which you would like to highlight, we know of one Reliance order?

**Nikhil Sawhney** The Reliance order was of 700 MW. These orders do not typically come up, in the below 30 MW, they never consolidate to such a large extent and about 30 MW where they may be either large industrial or utility scale purchases. Apart from other Reliance orders which will come up next year, there does not seem to be any large single buyout there.

**Sandeep Tulsiyan** What is the absolute order inflow numbers for the quarter?

**Nikhil Sawhney** The absolute order inflow for the quarter was ₹ 54 crore, it comes to around ₹ 115 crore which we got in October itself and our optimism for Q3 and Q4 would end up at a higher order book for the full-year FY14. We would have a higher order intake than FY13. We have ₹85 crore in Q1, ₹54 crore in Q2 and now this is what has largely led to slow down / a decline in turnover for the financial year and our expectations were actually that we would get a higher order book in these two quarters which we believe would get made up in Q3 and Q4.

**Moderator** Next question is from Ashutosh Garud of Dalal and Broacha.

**Ashutosh Garud** From working capital point of view, you seem confident on improving cash balances going ahead because your cash balance is very thin as of now and the way inventory and most of the other current assets have gone up,

**Nikhil Sawhney** Our business model is not a capital intensive business model neither does it actually requires cash. We are optimistic with our order inflow that we would actually be exceeding a turnover in the next couple of quarters, but we will have an increase in advances coming in and therefore our cash position should increase. Though you have to keep in mind the fact that as turbines are dispatched we have full payment protection on our sales either in terms of full money on dispatch or LC with defined dates on commissioning. There may be quarterly movement in the figures themselves but you are correct about the trajectory.

**Ashutosh Garud** On a yearly basis, are you confident of maintaining negative working capital?

**Nikhil Sawhney** It changes from year to year, but if we look at it from a broader perspective yes, I do not know what will it look like exactly at the end of March 2014.

**Ashutosh Garud** We used to report around 23% to 25% of margins?

**Nikhil Sawhney** All our products that we are selling both in the domestic and the export front have similar margins to what we have had in the past and I'm not looking at it versus our hedging account which may be separate. But from a product sale perspectives and product margins they are pretty much coming to the same margins that what we have had, when this is translated into the P&L account, when we you look at the lower turnover and therefore the unabsorbed overheads it has no impact in terms of total PBT margins which has come down from about 23% to if you take out the mark-to-market is about 19%. Now that 4% difference can be explained by about 2.5% based on unabsorbed overheads, about 0.5% in terms of increased expenditures on other factors and maybe 1% on Forex.

**Ashutosh Garud** You seem better placed for Q3 and Q4, do you see any improvement in the margins on Q-o-Q basis in such a scenario?

**Nikhil Sawhney** Yes, we see it rising for Q3 and Q4 and therefore for the full-year to do considerably better than what we have right now in H1.

**Ashutosh Garud** We have formed this JV for more than a year now. How are things moving from the 30 to 100 MW on the export front? I believe that would be a significant trigger and the values are not reflected in the top line till now, so what has been the progress on that front?

**Nikhil Sawhney** Our partner General Electric is a world leader in rotating equipment's and has presence in over 100 countries around the world. Firstly from the domestic market perspective, you have to see from a short term perspective with a very well entrenched competition of Siemens and BHEL, we have been able to capture an extremely high market share. Internationally, we have taken a more focused approach towards marketing and have targeted certain geographies and industries and we believe that we would be successful. A certain success rate is underway which unfortunately will be able to disclose as and when it comes into our order book, once advances are received. you are right when you say that not only is the market significantly larger on the export front than it is domestically but margins and values are also higher.

**Moderator** Next question is from Divyata Dalal of East India Securities.

**Divyata Dalal** What is the breakup of revenue in terms of products and aftermarket for this quarter?

**Nikhil Sawhney** 23% of the turnover was aftermarket and this is reflected from our raw material as a percentage of sales has actually gone down to 52-53% which is visible from the sales side.

**Divyata Dalal** And within aftermarket would it be predominantly domestic or export?

**Nikhil Sawhney** Predominantly domestic.

**Divyata Dalal** Where are these aftermarket revenues been driven from and which industries generally go for aftermarket?

**Nikhil Sawhney** No, these are all by our turbines, we have over 2500 turbines which are in installation, we service more than 900 turbines ourselves, these are our captive users.

**Divyata Dalal** Some of these must have come from other make turbines?

**Nikhil Sawhney** Yes, but it is predominantly driven by our spares, we break our aftermarket into three categories which are servicing, spares, and refurbishment. Refurbishment is for third-party product users and that business is picking up scale and growing at very high percentage on a year-on-year basis but at this point in time this whole aftermarket is still predominately skewed towards our Triveni Turbine installed base.

**Divyata Dalal** Will we continue to see similar levels in sales for the full year or you can exceed 23% in aftermarket business?

**Nikhil Sawhney** No, it will come down because we see a growth in turnover for the next couple of quarters.

**Divyata Dalal** In terms of product business?

**Nikhil Sawhney** Yes.

**Divyata Dalal** How have margins in aftermarket businesses moved, are they on the similar level as they use to bag earlier?

**Nikhil Sawhney** All the margins on a contribution perspective are the same as they have always been. We have not seen any decline. There is a certain competitiveness that is out there from the domestic market on a product basis because there has been a decline in the market by 32% to 38% between Q2 and H1 and that has put pressure on margins from the domestic side but those will get compensated by the export market over a period of time.

**Divyata Dalal** We mentioned that our next best competitor in the domestic market is Siemens, are they also present in the up to 30 MW space or they are more into 10 MW turbines?

**Nikhil Sawhney** No, Siemens is present in every market and in every range.

**Divyata Dalal** Have we booked any mark-to-market loss or gain this quarter?

**Nikhil Sawhney** This quarter was not significant.

**Divyata Dalal** Okay, because of the advances?

**Nikhil Sawhney** No, because of our positions.

**Moderator** Next question is from Manish Goyal of Enam Holdings.

**Manish Goyal** Can you clarify if this order inflow number includes the order which you would have got from the JV?

**Nikhil Sawhney** No, it includes whatever we have taken to the order book and which is due to be manufactured by Triveni Turbines, but I have not talked about these international orders.

**Manish Goyal** Has the JV got two orders?

**Nikhil Sawhney** Yes, it included the turbine portion which is approximately ₹18 crore.

**Manish Goyal** ₹18 crore in Q2?

**Nikhil Sawhney** Now, in H1 plus October.

**Manish Goyal** And about the order inflow in the month of October, can you clarify what was that number?

**Nikhil Sawhney** It is about ₹ 115 crore not including aftermarket.

**Manish Goyal** So in October itself you received ₹115 crore order?

**Nikhil Sawhney** Yes.

**Manish Goyal** Can you give us a split between your outstanding order book for export and domestic?

**Nikhil Sawhney** Its about 26% and 74%.

**Manish Goyal** Is 26% in export and 74% is domestic?

**Nikhil Sawhney** That is for the Q2 closing numbers but if you look at in terms of what happened in October, we have seen that approximately over 65% of orders that have been taken are on the export side. So this will move from quarter-to-quarter, the focus of course is the fact that you are not seeing any strong revival in the domestic market, we believe that there has been a lot of deferment of orders which is now taking place, so we see October being considerably better than what it could have been and there should be an order that could have been placed in the month of June-July but having said that our focus is still on the export market and to expand our reach and presence.

**Manish Goyal** Would it be possible to give the revenue breakup for domestic and international for the quarter and the half-year?

**Nikhil Sawhney** In the product mix itself, we have had domestic sales of about 69% and exports of 31% in H1.

**Manish Goyal** Spares as a percentage of revenue has gone up and initial remarks mentioned that there has been some slowdown, so do you see spares sales picking up in the second half?

**Nikhil Sawhney** On an absolute level there will be growth as the percentage of sales, there will be higher product sales that will also go out and therefore there may be some movement downwards in that but it will still be higher than last year.

**Manish Goyal** You mentioned that in the second half you expect very strong order inflow. Last year you had an order inflow of ₹ 450 crore and in first half you have just got ₹ 139 crore, does it mean that you will receive ₹ 300 crore of order inflow in the second half, out of which ₹ 115 crore came in October?

**Nikhil Sawhney** We should exceed last year's numbers.

**Manish Goyal** Is this optimism based on exports because in October 65% of order inflow was from exports?

**Nikhil Sawhney** Yeah, you are right.

**Manish Goyal** So large part of this optimism is from the export market?

**Nikhil Sawhney** It is a mix of both, while we actually strive and compete on every order that we actually bid for, it is difficult to say which particular order you are going to get because this entire order book would be split over 50-60 turbines, 50-60 orders and therefore to say how this mix would change is a little bit dynamic but it would be predominantly led by from the export side.

**Manish Goyal** How are you seeing competition in domestic markets?

**Nikhil Sawhney** It is very intensive.

**Manish Goyal** One is Siemens but are there other players from where you are seeing competition?

**Nikhil Sawhney** We primarily see it from that one source. They are one of the competition that we find from smaller manufacturers as well as some imports but it all depends on the type of customers. If the customer who is purely going on a upfront cost versus life-cycle cost, then you have different discretion of criteria. You have people that have other ethical practices which we don't encourage, so order are lost based on many criteria.

**Manish Goyal** Did we also participate in the Reliance order bid?

**Nikhil Sawhney** Yes, we did, unfortunately we were not competitive there.

**Manish Goyal** Was it 7x90 MW?

**Nikhil Sawhney** It was 95 MW.

**Manish Goyal** So the JV would have bid for it?

**Nikhil Sawhney** Exactly.

**Manish Goyal** So was it only on the pricing term or was there other criteria?

**Nikhil Sawhney** Only pricing.

**Manish Goyal** How many competitors were there?

**Nikhil Sawhney** Four competitors.

**Moderator** Next question is from Jay Kakkad of Standard Chartered Securities.

**Jay Kakkad** 200 MW for market finalization that you talked about in October, was it primarily, domestic market?

**Nikhil Sawhney** It is only domestic market, we do not have the market size figures for the export market but you have to weigh this 200 MW finalization in October versus 263 MW of finalization in full after six months of April to October.

**Jay Kakkad** What is the reason for the sudden pickup, what would you attribute it to?

**Nikhil Sawhney** It is not a cost of capital matter because these turbines get used in industrial processes and therefore the payback is actually quite good. It is a question of sentiment and I do not know if it is a question of saying that the sentiment is back or not, but these have been orders that have been due for finalization for quite a period of time. So they were looking for a period of stability rather than saying that the sentiment is improved that is what I would attribute it to.

**Jay Kakkad** Would this be Opex driven and efficiency driven orders?

**Nikhil Sawhney** Some sugar co-generation is also timing dependent in terms of season because you would need it up before October next year.

**Jay Kakkad** Seasonally, this is a strong quarter from order finalization point of view or a one-off?

**Nikhil Sawhney** The first is from year-to-year and industry-to-industry, different industries have different Capex cycles and different Opex cycles.

**Moderator** Next question is from Mithun Soni of GeeCee Investments.

**Mithun Soni** Is the contribution in the domestic and export same for product?

**Nikhil Sawhney** Same as the past, there is a big difference in the margins between the export and domestic by themselves.

**Mithun Soni** Should the export market contribution in terms of the percentage be higher?

**Nikhil Sawhney** Significantly higher.

**Mithun Soni** Have we seen competitiveness come down because of this currency volatility?

**Nikhil Sawhney** We have fully indigenized products and all our supplies are domestic. Actually the currency works in our favor, so there is no adverse impact, if anything there should be a positive impact over a period of time. We follow a progressive hedging policy and therefore we would only take exposures with an underlying as and when they are part of our order book. Our order book is actually being quite weak in Q1-Q2.

**Mithun Soni** What was the rupee dollar rate while bidding for international orders in Q1-Q2?

**Nikhil Sawhney** No, we cannot do that, they are significantly below the spot market and we have a current regime of about 8% of forward premium on contracts.

**Mithun Soni** Are 65% orders coming from export markets out of the 115 MW order that was received in October?

**Nikhil Sawhney** Yes, exactly.

**Mithun Soni** Did you make changes in your pricing?

**Nikhil Sawhney** We don't have a standard margin philosophy, our margins differ from customer-to-customer and competitiveness. If there are five people competing on a turbine it would be a different margins structure because of the competitiveness there versus if there are only two people competing or it is just us. It differs from customer-to-customer, region-to-region, industry-to-industry and it is difficult to generalize and say that this type of customer would give you this margin or this country would give you certain margins but what you can say is that definitively that there is a factor difference between the margins that we find in the domestic market versus the export market.

**Mithun Soni** Have you seen some more levers because of the currency benefit to take some more sales in the export market?

**Nikhil Sawhney** We have changed our strategy from being a cost plus seller to a price discount, so we don't play with price any more as a lever to get orders, we actually do not lose orders based on prices.

**Mithun Soni** What would be the price differential versus the next best competitor in the export market?

**Nikhil Sawhney** It does not work that way, there is no open market for this. We believe that we are the most competitive turbine manufacturers globally without understanding China fully.

**Mithun Soni** 200 MW of order finalization happened in the domestic market, so out of that we would have got only 35% of the 115, that would be about 35 MW-40 MW, is that the right way to look at?

**Nikhil Sawhney** No, you cannot break it up into megawatts per crore because that would just confuse matters, we have maintained our market share which is over 50%.

**Mithun Soni** Do we hedge the full order once we receive the advances?

**Nikhil Sawhney** Yes, you are right. We have no naked contracts, we have no synthetic, no speculative, it is a simple forward with a premium.

**Moderator** Next question is from Sonaal Kohli of Elara Capital.

**Sonaal Kohli** What was the net cash balances at the end of this quarter?

**Nikhil Sawhney** Marginally over ₹ 22 crore. We have a cash balance of ₹ 1.0 crore in the current investments which is a liquid instrument of about ₹ 21 crore.

**Sonaal Kohli** Is the total ₹ 21 crore?

**Nikhil Sawhney** ₹ 22 crore.

**Sonaal Kohli** Do current assets have unbilled debtors?

**Nikhil Sawhney** It is an offering to the market where we offer an extended service which includes certain extended scope and accounting practices of that is through an accounting norm called AS7 which has a component known as bills receivable and this is something that would get billed in a very short period of time and our net cash position could help understand that fully.

**Sonaal Kohli** What would be the quantum of this?

**Nikhil Sawhney** About ₹ 30 crore.

**Sonaal Kohli** And best of your debtors would be captured under the heading debtors, there would be no other item under loan and advances?

**Nikhil Sawhney** No.

**Moderator** Next question is from Manish Goyal of Enam Holdings.

**Manish Goyal** You mentioned that order inflow in Q1 was ₹ 85 crore, as per our last call we have the order inflow number at ₹120 crore?

**Nikhil Sawhney** Yes you are right, that includes aftermarket, I am not including aftermarket in that number and the over ₹115 crore does not includes aftermarket.

**Manish Goyal** So this ₹ 54 crore for Q2 is only product?

**Nikhil Sawhney** Correct.

**Manish Goyal** How much would it be including spares?

**Nikhil Sawhney** ₹ 82 crore.

**Manish Goyal** ₹ 82 crore including spares?

**Nikhil Sawhney** Yes.

**Moderator** Next question is from Ashutosh Garud of Dalal and Broacha.

**Ashutosh Garud** On the JV front, can you throw some light on the number of employees and what kind of a structure we have and how was it working?

**Nikhil Sawhney** The model of the JV is to be asset light and therefore to actually leverage the competency of the partners and in all manners but at the same time it is the legal entity which will actually accept orders and will execute the order for clients. Therefore it needs capabilities not only from an application engineering, supply chain function and general management and finance, it is a very light overhead structure and should be considered to be small. It has ambitions to grow larger, as and when the business becomes larger. The manufacturing of the product is done on a cost to cost basis by Triveni Turbines, so that takes care of that and the marketing itself is handled in India by Triveni Turbines while internationally it is handled by General Electric, so if you take out the personnel that is required to those two functions what you get left with is about 10 to 12 people.

**Ashutosh Garud** What is the quantum of orders which we have got from the JV?

**Nikhil Sawhney** We are currently executing four orders and we have executed one order already.

**Ashutosh Garud** What is the value for these four orders?

**Nikhil Sawhney** The Triveni Turbines portion of the manufacture was somewhere in the region of about ₹ 38 crore for these four orders that we are currently executing for the turbine portion.

**Ashutosh Garud** Is this the order book for Triveni Turbines?

**Nikhil Sawhney** Yes.

**Ashutosh Garud** What would these be in megawatt terms?

**Nikhil Sawhney** They are within the range of 35 MW to 45 MW.

**Ashutosh Garud** Is there any process where we have to get prequalified for higher megawatts manufacturing?

**Nikhil Sawhney** Most of the clients are industrial clients and they don't look at the process of pre-qualification, they look at capabilities and the process of going through capabilities as well as assessing the installed base and we have significantly overcome that issue by itself.

**Moderator** Next question is from Ravi Shenoy of Motilal Oswal.

**Ravi Shenoy** Could you breakup our order inflow, order backlog and revenues that we used to give on domestic and international?

**CN Narayanan** The order backlog is 26% for exports and 74% for domestic and for H1 it is 69% domestic and 31% exports in terms of revenue.

**Ravi Shenoy** How much would that be for the quarter?

**CN Narayanan** It is on the same lines.

**Ravi Shenoy** Could give some idea of about the product sales for the quarter?

**CN Narayanan** H1 product sales was 77% and 23% in aftermarket.

**Ravi Shenoy** Thank you for the dividend.

**Nikhil Sawhney** **I** forgot to mention that we offered a dividend of ₹ 0.20 per share.

**Moderator** Next question is from Piyush Mittal of Franklin Templeton.

**Piyush Mittal** As you see order finalization within your expectations the way it is today, by the end of the order book, what will the composition be between exports and domestic?

**Nikhil Sawhney** Because of the delay in order booking in Q1 and Q2 while we were optimistic that we would end at a higher order intake for the year than we did for the previous year in terms of products, it would be more for the aftermarket, On the export front, while there will be a growth, it will not be the growth that we would have assumed it to be.

**Piyush Mittal** So composition should not change from here on?

**Nikhil Sawhney** It will change a little bit.

**Piyush Mittal** On a longer-term question in 3 to 5 years, what portion of the revenue would international be?

**Nikhil Sawhney** We are not catering for revival in domestic Capex for another year or so, so our outlook is that focus is all towards the export market in both geography and industries that we have strength in.

**Piyush Mittal** Should it become a bigger portion going forward?

**Nikhil Sawhney** Yes.

**Piyush Mittal** It is a cost-plus arrangement based on which the manufacturing is being given by TTL for GETL, is it possible to quantify that cost plus, is it like 15%-20%?

**Nikhil Sawhney** It is a healthy margin and something that we are very willing to accept.

**Piyush Mittal** Does it becomes the bigger portion of your work, is it going to dilute?

**Nikhil Sawhney** On a consolidated basis it won't.

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

**Nikhil Sawhney** Thank you very much ladies and gentlemen for attending the H1 conference call of Triveni Turbines. I have forgotten to mention in the beginning that Board of Directors of Triveni Turbines has taken a decision to give a dividend of ₹ 0.20 per share and with that we hope to give a degree of confidence to our investors that we are optimistic on future. We are positioned well for both in the domestic and the export markets as we go forward and I believe our endeavors on the research and development front as well as technology adoption and in corporation will pay dividends to the company in the future. Thank you very much and look forward to speaking to you again in the next quarter.

**Moderator** 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.