Triveni Turbine Ltd. Q1 FY15

Conference Call Transcript
August 12, 2014

Moderator

Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited Q1 FY15 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 the 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

Thank you Inba. Good day everyone. A warm welcome to all of you participating in this Q1 FY2015 Triveni Turbine Ltd. Earnings call. We have with us on the call today Mr. Dhruv Sawhney – The Chairman and Managing Director and 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 while this call is open to all invitees, it may not be broadcasted 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 the company's operations and outlook for the year ahead. Over to you sir.

Dhruv Sawhney

Thank you very much Gavin. Welcome everybody to the Q1 FY15 conference call. I'd just like to make a few remarks before we open it up. The first quarter of FY15 has seen a strong order booking of ₹ 1.41 billion during this quarter and this is 21% higher than what we achieved in the quarter of last year. Q1 had a growth of 9% in turnover and profits over the corresponding period of last year and most importantly there are improved sentiments and the expectations of a strong order booking in the coming quarter. The consolidated order book position is strong at ₹ 7.6 - billion which is growth of 7% from the previous quarter.

EBITDA is ₹ 254 million with a margin of 21% and PBT at ₹ 212 million and a margin of 17.5%. I will comment on this in a minute. The EPS is ₹ 0.43 per share on a non-annualized basis. The turnover and profitability of the Company in the first quarter has been in line with our expectations as we had a very sluggish first-half order booking in

FY14 and the first quarter performance is a result of those orders and the bookings that came in last year in H1.

In the next few quarters, we expect much improved turnover and the figures that I gave in the last conference call after the FY14 results still stand. We expect very good growth in the current year in both turnover and profitability but more importantly, we are seeing very good visibility in FY16 and we expect the same sort of percentage growth rate to continue in FY16 on a consolidated basis.

The signs of revival in the capital goods sector domestically are little slower than we thought, they have not really picked-up to the extent, enquiries are there, people are calling us for talk but I think it will be a few quarters before we start seeing revived order inflow of levels that were there in FY13 and FY14.

In Q1FY15, the market was lower by 42% domestically, the domestic market has gone down from 165 MW to 94 MW which is the lowest ever, but our market share went up from 60% to 81%. That is why we were able to still have this good order booking at total figures.

Internationally, we have had a much better order booking. We have picked-up substantial orders in the JV and it looks good for different parts of the world, not just in South East Asia. The revival of the overseas markets are in separate places, the orders that we received are from Turkey, which has turned out much better than we thought initially and in Latin America (LatAm), both in Central and South America, as well as some parts of South Asia, we have got good orders from there.

In South East Asia, the competition is a little stiff but the JV picked up a substantial order in the first quarter from South East Asia. We have continued our efforts on R&D and engineering and we are happy to note that we filed 30 new IPs in Q1 and we have a total of 156 filings now, both in India and overseas and the strong R&D has brought about quite a few new models and variance and this is what is keeping us close to the customer and seeing a different spread of products going into different parts of the world. We have now been able to tailor our product mix to what is the customer requirements which are different in LatAm to what they are in India and what they are in Europe. This is really what gives us the confidence in the order bookings that we are expecting in the quarters to come and for the turnover of FY15.

The export order booking was double of the domestic order booking for the quarter. Our current order book position is ₹ 7.6 billion, we have a strong GETL share which has also increased and the Triveni share is about ₹ 6.0 billion and the balance is for the JV. We have had lesser turnover from our spares and exports in the first quarter because this is just a question of how you take the orders and what they were booked in H1 last year, we expect much higher turnover and we were pretty sure of that in the second quarter and going on. That will change the margins obviously because the margins are much higher in the refurbishment & spares and in the export. We expect to get back to the margins or slightly higher than what we achieved last year.

The raw material mix also changes depending on what the turnover is in that particular quarter, there may be more bought outs, there maybe more products going into certain markets and not less of the after sales, that is the reason for looking at it and that is why we always suggest not to look at only one quarter but to look at the cumulative results because of the Capex type of business that we are in.

The growth rate is incumbent on strong product portfolio in the international market for the JV as well as our own product. Our servicing teams are now much more adapted with the customer in South Asia as well as South Africa. We are looking at few new markets, the South African market is looking up and some of them also in Latin

America, so with the increased spread we hope to pick-up substantial orders for the balance three quarters in the current year and that is why we feel that we will have the same growth in FY16 to what we are having in FY15. Now that FY16 growth is coming on the higher base of FY15, which is a very encouraging trend for Triveni Turbines as a whole.

I would now like to open up the floor to questions. And just one small point, some of you might have noticed the changes in the Company's Act 2013 has affected us in terms of depreciation by about ₹ 78 lacs, some of the slight dips in margins are also because of accounting issues that have come in with the new Company's Act. Our position is extremely comfortable, we have no problem, there were some customers who had asked for delayed payment earlier that's all being collected now. We are in a very strong position there and we do not foresee any problems with the orders in the future or all the customers in the future because the general economy is looking up from that point of view. That is a much better situation then it was at this time last year.

Moderator Ladies and gentlemen we will now begin with the question and answer session. The first question is from Nirav Shah of GeeCee Investments.

Nirav Shah Was there ₹ 144 crore order inflows on a standalone basis?

Dhruv Sawhney Yes, it is in terms of standalone basis plus the component of the JV that is manufactured by GETL.

Nirav Shah What was the inflow for the JV?

Dhruv Sawhney There is a bit of double counting but the inflow for the JV was ₹ 50 crore.

Nirav Shah You mentioned that the JV received the order from South East Asia, can you give further details and what is the size of the order?

Dhruv Sawhney In terms of the customer, it is a strong entity, as you know GE has already put out a press release on this in Philippines and it is on IPP.

Nirav Shah Can you give any guidance on the inflow for FY15? Last year, on a standalone basis, we received ₹ 563 crore orders.

Dhruv Sawhney I do not want to give guidance but I have said we expected around 35% growth and we are still targeting give or take a percent or two around the same figure.

Nirav Shah Despite very healthy say from aftermarkets are 25%, our margins are the lowest in terms of what we have been reporting since the Company has been separately listed. Is it purely because of change in the scope of work and are we maintaining the product wise margins like domestic production export and aftermarket?

Dhruv Sawhney Absolutely, that is why I can say that this will correct itself as quickly as the H1 results. This correction will happen in the second quarter with increased turnover with different product mix, some of the refurbishment orders are going to be dispatched in the second quarter rather than the first quarter. For some of the export orders also, the dispatch will happen really when the customer wants them. Our view of the year, which is most important on margin, is the same as we gave before.

Nirav Shah Can you give a break-up between domestic and export revenues for products during the quarter? Aftermarket is 25% and what is the break-up between the balance 75% between domestic and exports?

Nikhil Sawhney 50% was domestic and 25% was export. And we believe that this will get corrected over the course.

Dhruv Sawhney That is why margins will be higher in the second and third quarter.

Nikhil Sawhney There are two factors, one is from an absolute basis, you may be looking at the percentage of aftermarket as a percentage of turnover. Turnover in general at ₹ 120 crore has a bit of unabsorbed overhead; as that increases we will actually have better absorption of overhead and therefore general margins improve. Besides that the product mix between dispatches of export versus domestic sales will also change and that will have an impact on margin.

Moderator The next question is from Kamlesh Kotak of Asian Market Securities.

Kamlesh Kotak Can you give the break-up of order intake and order book from exports, domestic and aftermarket?

Nikhil Sawhney Approximately, 65% of our order inflow is from the export market for this quarter.

Kamlesh Kotak Does our order inflow also include aftermarket?

Dhruv Sawhney Nominal. But, what gives us the confidence of FY15 and FY16 is the strong product order intake from exports and we see that continuing, going forward.

Kamlesh Kotak What is the order book break-up?

Nikhil Sawhney About 50% of our order book is domestic and approximately 35% is export.

Dhruv Sawhney And we see this changing as time goes on with more export orders coming in and the domestic market pick-up is not as quick as the expansion of our export business which is very good.

Kamlesh Kotak In terms of the profitability, how will the two businesses shape up, do exports also have similar margins as domestic, what kind of scope of work do we have there, is it compatible, does it have higher or lower margins?

Dhruv Sawhney The margins are better than they are domestically, if they are of EPC, the margins are slightly higher than domestic otherwise they are substantially higher.

Nikhil Sawhney There are two aspects to this, one is that in general the product margins are higher; it depends on which geography and depends on the strategy of that geography as to how the product margins lie. On top of this, we had further margins in terms of export benefits, in terms of duty draw back in focus market, focus product schemes because we follow a fully hedge policy and forward rates in the dollar also give us certain margins. These all contribute to a much healthier export margin than on the domestic product.

Dhruv Sawhney And one thing for the future, our export business has grown in the last one and half years. In the years to come, when the spares from exports start, it would be a very substantial kicker to the margins and there export spares are given on a fairly consistent basis. But, because the products have just got in, they take two to three years before you start getting substantial spares.

Moderator The next question comes from Pawan Parakh of Dolat Capital.

Pawan Parakh In the last couple of years, domestic order inflow on annual basis is about ₹ 400 crore to ₹ 425 crore, while we are not seeing domestic market revive, do we expect this number to stay flat or will there be any decline this year? What is your expectation in the domestic order inflow for FY15?

Dhruv Sawhney We expect it to be a little higher, we do not expect it to decline. I think the bottom has already been reached, we expect a slight increase over what happens. Unfortunately, the first quarter was bad on domestic.

Nikhil Sawhney The first quarter was a 42% decline over the market size domestically quarter-on-quarter, this could be attributed to a number of reasons, one is the month of April and all of May was taken up in terms of election, that may not be truly indicative but we are giving you exactly what the position stands at. There is an increased traction in terms of people asking us to come in for discussions and therefore there is pick-up in the activeness of the enquiry levels which leads us to believe that Q3 and Q4 would be much better in terms of finalizations, but on year-on-year basis we believe that there will be certain growth, it will not be substantial growth though in terms of domestic market.

Dhruv Sawhney But we do not see overall decline from last year, the pick-up will compensate for the first quarter and second quarter and that is why we are feeling that some part of the latter part of the orders which we expect to pick up will be giving this visibility of growth rate in FY16 as well, so we are having two things coming - increased exports and the increased domestic base for FY15.

Pawan Parakh What is the captive order book in terms of orders on GETL? What proportion of the current standalone order book of the order book of about ₹ 6 billion?

Nikhil Sawhney About 10%.

Pawan Parakh We have got about five to six turbines in the plus 30 MW category, how is the execution going on and are there any challenges?

Dhruv Sawhney No, one of the turbines has already commissioned and the others are due to be commissioned in the next few months. We have no problem at all, sometimes there has been a slight delay from the client side on fully getting it up to steam because of his own work, but that is only a delay of a few months and getting the turbine up to speed, there will be no problem in the dispatches or in the collections and all the projects are going pretty well. The crucial thing is that, in FY15 we will have dispatched our first export order from the JV. Now that is a tremendous thing, once you have a track record of something working internationally, that is big, the next is that we have got orders domestically from very vital sectors, the steel sector which is already commissioned, the sugar and cement sector. In FY15, we'll have dispatched turbines to these three sectors because now we will be able to show future customers an actual installation and this matters a lot for our overseas business because they want us to know that while you have this very strong technology from GE, where exactly is it working. The three vital sectors globally are biomass, cement, steel and other process industry, these are the sectors where we feel we can become more prominent globally in the years to come and the tremendous support that we are having from GE both for the JV and on the sales side augers well and we have the whole GE system working on the international marketing for the JV product. So we have the benefit of very extensive customer relationship base and sales force.

Pawan Parakh Including the order that we got in this quarter, how many turbines does that make for the plus 30 MW category till date?

Nikhil Sawhney There are 6 in the current order book plus 3 that have already gone.

Dhruv Sawhney Including what is gone and what is there is 9.

Nikhil Sawhney Plus, the order book we will get in Q2.

Pawan Parakh Right.

Dhruv Sawhney We look at a substantial increase in the turnover of the JV in FY16.

Pawan Parakh If I am not wrong, you mentioned about 30-35% revenue growth for FY15 and a similar growth number for FY16?

Dhruv Sawhney We have a substantial growth in FY15 that was on smaller base of FY14 which you all have in the published results. But I am giving more of the future of when we are doing the order bookings and what will turn into dispatches in FY16.

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

Manish Goel On exports, you expect the strong growth of the order inflow, can you give us some insights from which sector are we seeing inflows and which countries and what is driving there?

Nikhil Sawhney Yes, I can give you some but you will realize that going into too much detail is not good for marketing. The broad trends of the industry are the following. It is biomass which includes sugar co-generation, waste to energy as well as other biomass based IPP, the other sectors are combined cycle and waste heat recovery. This is largely from a renewable prospective as far as fuel goes and cement as well. Some orders have come from the SAARC region, some orders have come from developing Europe as well as developed Europe and Central and South America. As you know, we have installed base in over 40 countries and I think our supply is to over 48 countries and we keep expanding that, the geographies will change depending on demand but we seem to have hit certain traction in certain markets and customer acceptability is better.

Dhruv Sawhney The really encouraging thing was the order that we received from LatAm, because one is that we feel that we can be competitive as far away as there, compared to other South American manufactures and European manufactures and we can match the delivery requirements of the customer that includes getting it through our ports and longer shipping time and that is really crux. Now once these installations are there, working, it depends on which quarter but I am giving a more long-term perspective, we expect the substantial increase in the active inquires and orders. The reception has been quite okay, quite a lot of these customers are visiting Bangalore, that is the first step and that is what really changes it after they come here and they look and see the facilities and the backing of GE on the higher ranges of course is very good.

Manish Goel The press release also mentions that you have received certain large sized orders which are probably going to be encouraging for future. When you say large sized, would it mean more than 10 MW?

Nikhil Sawhney Yes, we have got orders now for above 50 MW.

Manish Goel Did you mention 600 crore standalone order book includes refurbishment, so excluding refurbishment how much would it be?

Dhruv Sawhney It is about ₹ 550 odd crore.

Manish Goel Can you give the absolute number for outstanding order book in domestic and international?

Nikhil Sawhney The domestic order book outstanding is ₹ 274 crore, the outstanding order book on exports is ₹ 212 crore.

Manish Goel Can you give similar numbers for revenue of Q1? Also, these two totals up to only ₹ 486 crore, i.e. ₹ 274 crore plus ₹ 212 crore

Nikhil Sawhney There is about ₹ 66 crore of order book from the joint venture to TTL which is not market specific.

Manish Goel Should we now account that separately?

Dhruv Sawhney It is part of the TTL turnover. Just to clarify things, the joint venture places the orders on Triveni for the turbine so that gets part in the TTL results. But when we consolidate, you cannot take the turnover of the JV and add it to the turnover of TTL, you have to knock out the turbine part which is what was given to Triveni. So, to take the two figures separately is different, but you cannot add them for the consolidation.

Manish Goel What is the revenue breakup for domestic and international?

Nikhil Sawhney The domestic revenue was about ₹ 68 crore, export was about ₹ 25 crore.

Manish Goel Spare sales aftermarket is ₹ 30 crore?

Nikhil Sawhney Exactly.

Manish Goel I was going through the annual report, we see that we have revenue which is booked as turbine extended scope which is roughly ₹ 79 crore last year, so now this project which we have been doing for couple of years, has it got over and then for FY15 we will not have the repeat order?

Dhruv Sawhney No, we are expecting further orders in the extended scope in Q2-Q3 and there will be some dispatches from that but less than what they were in FY14 for the extended scope. But some part of ordering on that as the customers are wanting a little more extended scope, this is happening internationally as well where it is not just a turbine island, it is good for us because it differentiates us from others and it also adds to the revenue and order book.

Manish Goel My worry was that if I exclude this ₹ 79 crore revenue for last full year revenues of ₹ 504 crore, then on that ₹ 425 crore balance project, the core business orders that we have and revenue we had, what kind of growth would we be able to see?

Dhruv Sawhney No, it is not our core business.

Nikhil Sawhney That is not correct because the turbine, TG Island is part of the scope. It is a fact that the turbine order is extended by maybe another 30% to include other supplies.

Manish Goel Does that include generator?

Nikhil Sawhney Always includes generator.

Dhruv Sawhney All turbine orders include the generator.

Manish Goel Will you continue to see some kind of extended scope of work?

Dhruv Sawhney Exactly, I would take that all as one, I would not start making differentials of that because we do not even do that internally, we are looking at revenue growth, margins, everything as a whole.

Manish Goel Okay. Do you expect the JV to be profitable from the current year?

Dhruv Sawhney Yes.

Manish Goel And then you mentioned that FY16….

Dhruv Sawhney That we expect to breakeven.

Manish Goel FY15 breakeven and FY16 you will see profits because you expect strong tractions on revenues?

Dhruv Sawhney Right.

Moderator The next question is from Devam Modi of Equirus Securities.

Devam Modi What is your cash balance and debt levels at the end of the fourth quarter.

Management The Company is currently to be debt free and the cash balance would be within ₹ 15 crore to ₹ 20 crore on June 30, 2014.

Devam Modi We see that from the GETL consol order is ₹ 230 crore while the corresponding side for the engineering arm is ₹ 160 crore. Can we constitute that ₹ 70 crore is the margin of the JV towards which there will be marketing and other expenses and the other overheads of the JV?

Dhruv Sawhney No.

Nikhil Sawhney There is two distinct scope of supplies – there is the flange-to-flange turbine order which is manufactured by Triveni, there is other balance of plant which includes a generator, oil lube systems, and which is part of the BOP which is done directly by the JV. There is two distinct scope of supplies, you cannot determine anything on the margins from the products breakup between the supply from TTL to GETL.

Devam Modi Yes, the net number excluding whatever other margins would be there, this is the engineering order of ₹ 230 crore?

Dhruv Sawhney No please, it is not excluding. You have a Turbine Island and you have its blended scope. Let's take a product under 30 MW, this is all dispatched by Triveni, the turbines. When you go above the 30 MW range, you have similar type of order specs. The turbine part is in the TTL turnover and the balance is in the JV, is handled by the JV. So it is not a question of engineering or things they supply, the supplies, the directions, the commissioning is all done by the JV separate from the supply of the bare turbine from Triveni.

Devam Modi What is the level of sales we require to ensure zero level of unabsorbed overheads and what kind of margins would that imply?

Nikhil Sawhney No, at about ₹ 150 crore of turnover with the regular product mix or through revenue should get us a PBT level at about 20%.

Devam Modi Regular product mix would mean something like 50% to 20% aftermarket and around 35% to 40% exports?

Nikhil Sawhney You are right.

Devam Modi What would be our capacity utilization and how much annual sales can our existing capacities do assuming a similar level of pricing to what we are getting right now?

Nikhil Sawhney Our capacity is somewhere in the region of above 150 turbines and currently our capacity utilization is in the region of about 60%-65%, but that depends on quarter-to-quarter basis. Our turnover was lower for Q1 therefore our dispatches were also lower and capacity utilization for Q1 was lower. In Q2, we are anticipating a much higher capacity utilization. But to answer your question, the capacities are multiple different level, there is manufacturing capacity, there is assembly capacity, engineering capacity and we have the capacity to manufacture more and we do not find that as a constraint .

Devam Modi Would you say that ₹ 150 crore corresponds to 60% capacity?

Dhruv Sawhney No, when we are looking at the growth rate of FY15-FY16 it is nowhere near to full capacity utilization.

Devam Modi Correct. Would we want to put a number to how much capacity utilization would be there?

Nikhil Sawhney It does not work that way.

Dhruv Sawhney It depends on the type of product you get and it is not a standardized product firstly. So it is really not easy to start saying what you are going to forecast in the future and what the product mix will be and what type of scopes of supply. So in megawatts or in terms of value in rupees, it is difficult to put a capacity. But as we mentioned about the number of turbines, now when we say 150 turbines, it obviously is not going to be 150 large turbines and it will be very small turbines, it will be even more than 150. So it is difficult to say, but what we can very confidently say that when I am talking about the growth rate of FY15 and FY16, that we are not coming close to the full capacity utilization.

Devam Modi Do we see any chance of a tremendous order booking in this quarter, do we feel any chances of substantial book and bill in this year?

Dhruv Sawhney The types of orders you get to deliver in six to eight months are very difficult to forecast and at the moment it probably will not happen. It may happen in Q1 of FY16.

Nikhil Sawhney You can say that it is something which will be more correlated with the domestic market revival.

Dhruv Sawhney Yes. you know if a customer says seven months and then he takes it three weeks later and you are dispatching it in March, we have very strict accounting norms for revenue recognition, and it goes into April then it becomes next year. But these are the things that happen when you are dealing with the capital goods.

Devam Modi We see a slightly high level of personnel expense, can we expect that this to continue since what we have deployed more marketing efforts and all those sort of things.

Dhruv Sawhney No, because when the turnover goes up, you will find the percentage will come down. But there is slight increase in the administrative cost.

Nikhil Sawhney Personnel cost has gone up by 3% only quarter-on-quarter

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

Deepak Agarwal The domestic market did not turn out to be the way you expected and it is growing much slower and it would take several quarters, can you elaborate because we have seen in the overall economy, suddenly we have entered in the phase of exuberance?

Dhruv Sawhney Yes. So let me reconcile the two things for you. We are in a capital goods space where people have to do either brown field expansions or new projects. They obviously take some time in coming because our customers are looking for their own market to be consistent before they spend this money. If you are seeing good growth in enquiries, it does not mean that you can translate that to turbine sales immediately because once the construction sector picks up, then someone looks at a brownfield expansion, say for cement plant. But by the time the cement plant gets ready to order equipments it takes a few quarters as the projects have to get cleared by the financial institutions. We are seeing much better activity in our enquiries and the discussions but I do not want to start forecasting closing and we only take as an order into account after we get the advance. So we are quite conservative on when we want to recognize the order. I am saying it is a few more quarters before we actually receive the order in our own order execution. But again, while that may not help me in order booking for the first half, we do expect a change in the second half of this year and certainly in FY16.

Deepak Agarwal If we have a market size of about 95 MW in this quarter, assuming, for the full year you end up at about 500 MW, what kind of growth do you see in FY16?

Dhruv Sawhney No, we may even end up at 550 MW this month but if I give you a figure for the market in FY11, it will shock you, it was 1,500 MW. Where do you want me to go, I will be happy with 1,000 but we don't want to just sound too optimistic till the things start moving. The good part is, the earlier question on the capacity, so we have tremendous capacity still there, now that will be good for FY16 and then FY17,but there is no reason for India in the next two-three years not to get back to 1300, 1400, 1500 MW where it was in FY11-12.

Deepak Agarwal When you are expecting a revenue guidance of 30%-35% in FY16, what is the implicit number that you are assuming that the market would grow to?

Dhruv Sawhney Well, we are quite conservative. We are saying that we are not looking at any more orders coming in for delivery this year. Its FY16 where I am looking at some traction going up to the figure of 500 – 550 MW from the current year, but more so is the export drive, export bookings in the next three quarters both for Triveni Turbine and for the JV is giving confidence in FY16 figures now.

Deepak Agarwal Would you like to make any comment on the pricing situation?

Dhruv Sawhney You must be following a lot of other companies in this space, it has become extremely competitive and if it wasn't for very good R&D, value engineering, and supply chain, we would have been under pressure. But we have gone through the worse in terms of the drop in the market and we are still able to preserve our numbers and that is a good achievement. We do not expect any further pressure and in the next five to six months it should start easing.

Moderator The next question is from Chirag Muchala from Nirmal Bang Equities

Chirag Muchala Sir in the preceding two quarters we had some finished product inventory being built because some customers had deferred the acceptance of deliveries, has that entire backlog cleared out, can you let us know the finished product turbines inventory position at the end of Q1 FY15?

Dhruv Sawhney Majority of the finished product have gone, there are one or two left but we do not have any problems there, most of it has gone off in the first quarter and the balance will be in Q2 and we do not expect that there will be very much of those coming in Q2.

Chirag Muchala What are our Capex plans for FY15, are we looking to scale up our new proposed factory that is coming up at Dobespet?

Dhruv Sawhney Yes, we have taken possession of the land and we are going to very shortly start the boundary wall and we will be looking at a plan of putting up of one bay in the next year. Some part of the Capex this year, but it is very small. The figures are about ₹ 50 crore and we are all planning it from the internal resources, we do not need any outside financing. That would give us an even bigger capacity range but more importantly will allow us to cater to the larger turbines.

Nikhil Sawhney This has given us confidence of what we have seen in the last quarter actually. We have accelerated our plans a little bit by about two three quarters in setting this up, given our optimism as well as visibility into FY16. But this will happen in a phased manner and it is not very large Capex, it is something that will always meet through internal accruals.

Dhruv Sawhney We are looking at something starting off in FY16.

Chirag Muchala This ₹ 50 crore would be spread out between FY15 and FY16.

Nikhil Sawhney Yes.

Chirag Muchala How many turbines will the factory at Dobespet be able to manufacture initially since you are looking to start it up in FY15?

Dhruv Sawhney We have got enough capacity, we have already prepared a master plan for going up to 2020 and in 2020 we can take up to another 300 to 400 turbines.

Chirag Muchala Collectively at both the places?

Dhruv Sawhney Only there.

Dhruv Sawhney But in the future.

Chirag Muchala In terms of the international order that we have received in the GE Triveni JV worth ₹ 50 crore, can you disclose the size in terms of megawatt?

Nikhil Sawhney 55 MW.

Moderator The next question is from Swarnim Maheshwari of Edelweiss.

Swarnim Maheshwari Was there any Forex gain or loss during the quarter?

Management Yes, there was a Forex gain of over about ₹ 1.5 crore this quarter.

Swarnim Maheshwari Is it a part of the other income?

Management It is part of other income.

Swarnim Maheshwari A year back, the exports market was around US$2 billion, is that market constant or what it the scenario at this point in time?

Nikhil Sawhney We never give a figure in terms of value because our visibility is in terms of megawatt which is our enquiry book, but having said that we have added substantially to our enquiry book in Q1. But if I take you back a year ago, finalizations just did not happen last year and that is why you could actually see in terms of our total order intake for FY14, the export market was truly disappointed in our results both from an order intake as well as from revenues. The level of activity in finalization that we are seeing now has increased considerably and that is what is giving us some visibility. While there is ample market that we are targeting on a focused basis, that is what you should take away rather than say it is a $2 billion market, it may very well be that or maybe more or less, it is different. Our current enquiry book for the export market is somewhere in the region of 4 GW.

Dhruv Sawhney You cannot go on market share on those figures, people might be sending in enquiry just as that. An encouraging thing is, we are now exhibiting in most of the major fairs all over the world in Power Gen we are getting enquires from places we have never thought of. So it is a good visibility that is coming into both Triveni and GE-Triveni.

Swarnim Maheshwari I was looking at the consolidated cash flows in the Annual Report, on this purchase of fixed assets, there was this amount of ₹ 50 crore, however, this does not tell you actually the gross block addition, because we haven't spent ₹ 50 crore of Capex in FY14?

Nikhil Sawhney That was basically land, the major part was the land advance which we had paid and we got the possession of the land in this quarter.

Nikhil Sawhney The land was actually showed as an advance, while it is being paid, the formalities of signing had not happened until this quarter but you will see in the half year that that advance would have been converted into fixed asset.

Swarnim Maheshwari Would you see that kind of gross block addition in FY15?

Dhruv Sawhney Yes.

Moderator The next question is from Charanjeet Singh of Axis Capital.

Charanjeet Singh What are the larger order prospects we could see coming from the domestic market in the second half of FY15 or FY16 in different sectors for example steel and cement? We have now supplied for sugar, steel and cement sectors and oil and gas also remains one of the largest sectors where we can see more and more prospect coming through. What is your perspective on that?

Dhruv Sawhney You will find that the cement definitely and maybe steel coming up in the next few quarters, with this forecast of construction activity that we all hear about and it has to happen, some part of it will happen for sure, a lot of projects are getting de-clogged. It is a little more difficult to forecast for the oil and gas sector but there is activity, some activity in the sugar sector as well out of Maharashtra and Karnataka. And the process industry will also start having requirement. To certain sectors which are low, which do not require that much power are still active and have been active over the last couple of years which is sort of the food processing and food industry as well as certain pharma and certain consumer staple processing industries. From large requirements in terms of steel, we do not see that actually picking up immediately, you have certain requirement coming in from rubber and paper though.

Charanjeet Singh In terms of megawatt, how much will it be for these sectors in FY15 and how can it move in FY16?

Dhruv Sawhney This is very difficult because these companies do not share their full plans and so you cannot really forecast from an enquiry basis what they are going to be doing. We have tried ourselves to try and market it but in a quarter or two there will be firming up more, we would be more sure of how it is going to look once they are able to take the calls themselves.

Moderator Thank you sir. Yes, that was the last question.

Dhruv Sawhney Well, thank you very much for being on the Q1 FY15 investor call. I'd just like to end by saying that we are happy that our position in the international market is getting more and more consolidated both for Triveni Turbines and for the joint-venture, I think we have seen the bottom on the domestic market. Going forward we are now seeing very good visibility for FY16 both in terms of order booking and dispatches. We are in the situation now of good growth for two years to come that is the current year and the next year and there is no reason why this should not accelerate even beyond that. We are very well-placed now, we have gone through a little tough patch in the last 18 months or so and it is good that the clouds have all disappeared now.

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.