

Q&A WITH THE VICE CHAIRMAN & MD

Nikhil Sawhney



Q How do you rate the Company's performance during FY 16? Was it at par with your expectations?

A It has been quite a satisfying year for the Company, with some excellent numbers. Despite a sluggish global and domestic economic environment, we sustained our growth to report increase in consolidated income of 22% over the previous fiscal, with exports and aftermarket services performing exceptionally well. At the net profit level, the growth for the year stood at 19% on consolidated basis, underlining the robustness of our business model. The business achieved a strong consolidated EBITDA margin of 23% for FY 16. In terms of the order intake, a 53% increase in the consolidated product exports order intake, backed by 27% increase in the aftermarket order intake, gave a strong fillip to these segments, taking the total order book size to ₹ 8.03 billion on a consolidated basis and ₹ 6.64 billion on a standalone basis. Most importantly, we have crystallised our plan for export market penetration and have realised the enormous potential of advanced technical services with respect to steam turbines. We believe that we have the requisite capabilities which we hope to market effectively in the coming years.

Q What were the key factors that contributed to the Company's growth in the face of a challenging macroeconomic environment?

A Our strategic focus on brand building, especially in the international markets, played a critical role in facilitating our exports business, which was a key contributor to our growth during the year. Our aftermarket business also continued to benefit from

our strategic shift towards the global markets, with our service proposition in this segment extending to turbines of other makes apart from our own products. During the year under review, we consolidated our service business in the existing regions of our presence, while foraying into new markets of potential growth. We also continued to strengthen our delivery network through our subsidiary offices which we opened in London and Dubai during the previous fiscal. These initiatives have brought us several steps closer to engaging more effectively with our customers in key markets.

Q How has your subsidiary, GE Triveni Limited, performed during the year? What are the growth prospects for GETL going forward?

A The business showed good growth and we despatched one of the largest turbines during the year. Further, the pipeline of orders to be delivered is also good which gives us a good visibility for the coming year as well. The year under review also saw the JV getting a high value order for a growing segment which is a positive break and shows the strong growth potential of GETL. I see this achievement translating into more milestones of success in the coming years. The excellent quality and reliability, backed by superior efficiencies that GETL provides to its customers, promises new vistas of value delivery from this business going forward. The JV, in fact, has a good pipeline of enquiries which should translate into an impressive order intake in FY 17 in both the global and domestic markets.



Q The aftermarket business had shown significant growth potential in the past. Was this potential translated into tangible value creation on the ground during FY 16?

A Yes, definitely. As mentioned earlier, the aftermarket segment has emerged as a strong pillar of our growth, not just in India but globally. During the year, we despatched a large number of turbines to different parts of the world, with sustained focus on quality and timely delivery. Not only were these turbines successfully commissioned by our service team to the full satisfaction of our customers, but they set the foundation for building sustained and life-long relationships with these customers. The growth potential in this business segment is far from reaching its saturation point and we see many more opportunities in the coming years. We also expect our refurbishment services to significantly contribute to aftermarket business, especially in international markets. The consolidated aftermarket business order booking grew by 20% during the year, with an increased turnover of ₹ 1.59 billion. Further the exports aftermarket order booking has gone up by 27% during FY 16.

Q What is your outlook for the Company going forward?

A The opportunity landscape ahead for us is wide and attractive. On the domestic front, the Government initiatives to boost the economic sentiment are expected to yield positive benefits for the Company. We

further expect some increase in demand from process co-generation industries, which your Company is well placed to leverage to its advantage. The prospect of growth in industrial production also augurs well for our domestic business.

On the international front, we see significant potential for expansion through our global subsidiaries. Our continued emphasis on growing our service business is also expected to augment our global business. With our focussed brand building initiatives, we are optimistic about leveraging various business opportunities to boost order intake in the international market. Our thrust in the global market will be on biomass, waste to energy, paper, palm oil and process co-generation segments.

With a strong carry-forward consolidated order book of ₹ 8.03 billion, with 59% of exports, we believe the outlook is positive and we are confident of reaching out across new boundaries of growth.