



Triveni Turbine Limited

Q2 H1 FY13 Results Conference Call Transcript

October 30, 2012

- Moderator** Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited's Q2 and H1 FY13 results conference call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you sir.
- Rishab Barar** Good day everyone and a warm welcome to all of you participating in the Q2 and H1 FY13 results conference call of Triveni Turbine Limited. We have with us today on the call Mr. Dhruv M. Sawhney, Chairman and Managing Director, Mr. Nikhil Sawhney, Joint Managing Director, Mr. Arun Mote – Executive Director, Triveni Turbine Limited along with other members of the senior management team. I 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 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 with opening remarks from the management followed by an interactive question and answer session where you can discuss your views and key issues. I would now like to hand over the call to Mr. Dhruv M. Sawhney, to share some perspective with you with regards to the company's operations and results for the quarter under review. Over to you Mr. Sawhney.
- Dhruv M. Sawhney** Thank you Rishab. Good morning everybody and welcome to the Q2 & H1FY13 conference call. I am happy to report a good quarter for Triveni Turbines. Our H1 turnover versus last year is now only lower by 15%. In the Q1 this was lower by 31%. So we have substantially covered the gap in Q2. We expect to bridge this by Q3 and achieve a single digit growth in turnover versus last year. With our EBITDA of ₹ 756 million at a margin of about 26%, there has been an increase of about 3.4% in this margin and the profit before tax at ₹ 673 million has a margin of 23.1% which is an increase of 3.5%. This is quite substantial. I think we are among the foremost turbine manufacturers globally today with such a margin on a continuing basis. Our profit after tax for the half year is at the same level as last year even though turnover is 15% down. So we have an EPS on a non annualized basis at ₹1.38 per equity share. The board of directors have been very pleased to announce an interim dividend of 25% on equity shares and the outstanding order book we have right now is slightly over ₹5 billion. Now just like to go into these a little more in detail, I am sure all of you are interested to know the reasons for the improved margins and what we feel is our outlook in the coming quarters. The mix of domestic and export sales in H1 has changed from 87% domestic and 13% exports last year and is now 73% domestic and 27% exports. So there has been a

shift of our sales from domestic to exports and our margins are substantially better in the export sales. Now a lot of this has been due to our continuous R&D effort which we have been doing over the past 3 years but really very substantially in the last 18 months. To give you an idea, we have introduced almost 12–15 new models and variants in that time and about 4 of them have come in just last 6 months. This is catering to a variety of demand for high efficiency and much better value for money to the customer in the international market. Unfortunately our domestic market has not picked up as you are well aware in the capital goods space but the international varied market across all the geographies from South East Asia to Africa to Europe have been one of the substantial reason for our increased sales. Our sales are doing well in the export market because we mainly cater to the renewable and biomass area. And this is something that has not been affected so much by the sort of recession and the slow growth in the western and other countries. This is a market which we expect to increase actually in the next few quarters and our having orders in various countries - in London from waste to energy and other biomass fuels in Europe, in South East Asia, is one of the reasons for the increase in exports. The mix between our product sales and our after market sales has also changed. And as you know after market sales has a better profit margin than the product sale. So this was 85:15 last year and now in H1 one it is changed to 80:20. So there has been a 5% increase in the percent of after - market sales to product sales in the first half of the year. Our order in take has catered to many sectors from the process Cogen to the sugar Cogen to IPP and as I was mentioning our exports in the biomass and waste to energy area are very substantial. We have been fortunate in a very strong cash flow and as you would have seen in the balance sheet, we have a sort of a net negative debt in fact of ₹ 24 crore. We expect to be completely debt free by the end of the third quarter. So this is a little quicker than we had expected. So our order inflow with advances is keeping us in good shape. One of the crucial parts that I might say is that our capacity utilization right now is still low only because of the expansions we have done in last year and a half, only 50 – 60%. So there is a plenty of space for very rapid growth with no CAPEX in Triveni Turbines in Bangalore and this is to cater to the new turbines that were launched and to the new market specification of customers all over the world. So when we have change in the domestic market we expect very rapid growth, possibly in FY14. Indicative of this , is our strong enquiry book. We have almost 4,000 megawatts of enquiry domestically. But more importantly than that, our export enquiry book which is larger now than the domestic enquiry book is double of what it was at the same time last year. So the enquiries are very good and if you know enquiry to order takes sometimes 3 to 8 - 9 months. So the strong enquiry book is very good. When we mention our orders on hand, we do not include slow moving orders, because we removed that. There are many customers who we feel will activate these orders in various sectors in India today. But we don't like to take it in hand unless we are going to be producing it immediately. So this is actually not taking the slow moving orders into account and without that our figure is of ₹5 billion. The order intake in H1FY13 was ₹ 2.4 billion against ₹ 1.83 billion last year. So we had an increase in the order intake in the H1 of the current year. Now about the future, we expect Q3 and Q4 to be better and this will auger well for our sales in FY14. We expect to have a better sale and preserve our margins. We find no reason for any change in the situation with the enquiry book and what we are quoting. The shift that we are seeing towards after market higher on sales is due to the fact that we are now producing and selling a higher megawatt turbines and these sales of higher megawatt turbines are to sophisticated customers and have a much better after-market in spares and also later on in refurbishment and in the servicing contract. So all in all, the efforts that the company has taken in R&D and catering to the global customer requirements in the small power in the upto 30 megawatt section is bearing fruits. I would like to end with talking about our joint venture with GE, GE Triveni Limited. Its first turbine has gone through successful trials and we expect to dispatch it in November. This has been a very successful foray for the joint venture. We are very actively looking at getting some further orders before the end of the calendar year before December which would be in fact more substantial than the one we just delivered. So that is very good. But the encouraging point is the active enquiries

internationally. These are being marketed as you know by GE and they have a very strong marketing network all the way from Kuala Lumpur to the United States to Florence and we are looking at markets from as far away as Mexico, all the way to South East Asia and in Europe as well. So we find that in FY14, there will be a very strong take off of this joint venture, GE Triveni Limited. The markets are again looking at both process cogen and the bio mass area and are very fairly similar to the markets that we are catering to the under 30 megawatt range and these are markets are again not so susceptible to the economic problems in the various countries. So I feel we are in an extremely good segment of the market which is in a way little recession proof. We have made good in roads in getting orders in these markets and once we have some orders, they are very good for future clients because they want to know if you actually got any orders in regions near them. About the domestic markets, I think we had our worst in the last quarter of last year and possibly in the sales in the first quarter of this year. That's why it was 30% low. I think we have turned the corner and while I can't say about the various industries in India like cement steel and others and process Cogen but way the enquiries are now getting activated, I feel in Q3 and Q4 the domestic order intake should also improve slightly. But I think we will have a better idea of it by December end. The measures that government has taken in the economic reforms possibly with shifting around portfolios, will probably inspire confidence for many of our customers who had planned for brown field expansion but had put them on hold to now go ahead and activate them. And I don't think in our range we are very dependant on credit policy or the interest rate. It's more on demand and that is a psychological barrier which we feel has pretty much changed now, this is the feedback we have from our sales staff. I would like to stop there and open the floor for questions.

- Moderator** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from Devang Patel from Avendus, please go ahead.
- Devang Patel** Can we have the order inflows for this quarter?
- Dhruv M. Sawhney** Yes. The order inflow, I have the figure for the half year. ₹ 120 crore.
- Devang Patel** As compared to ₹141 crore in the first quarter?
- Dhruv M. Sawhney** No it is ₹ 120 crore in the first quarter and ₹ 120 crore in the second quarter. Its ₹ 241 crore for the half year.
- Devang Patel** And any significant orders in this quarter that you would like to highlight?
- Dhruv M. Sawhney** No not really. They are from a variety of customers. There is no significant orders. These are pretty much the spread of orders that we had in the last year.
- Devang Patel** On the collection side we have not seen any stress on the receivables however the bigger players are facing some heat. So do you think in our industry again the receivables also will be recession proof or do you see some stress around the corner?
- Dhruv M. Sawhney** No in our line we don't see any stress on receivables. There are very few orders and those also are with the letters of credit where we don't get our payments on dispatch. There are very few of them, some possibility to the navy and others which are all in the contract. So we are not seeing any stress on payment. We don't actually start the turbine manufacturing, so that's why we don't put it in orders on hand unless we feel that the customer is really going to be taking it.
- Devang Patel** What would be the proportion of such active orders which is not accounted in the order book?

Dhruv M. Sawhney That's something, that's a conjuncture really. I think you take the active order book which is the figure I gave to you.

Moderator Thank you. Our next question is from Nirav Vasa of SBI Cap securities, please go ahead.

Nirav Vasa My query pertains to the sector specifically related to the order inflow that you are getting from domestic customers. I wanted to understand from which other sectors are you getting maximum enquiries and what is the level of confidence that you have in terms of conversion of them into firm orders?

Dhruv M. Sawhney I think in the domestic sector, it is from the process Cogen, from IPP, from sugar cogen, these are the sectors we are getting lot of enquiries domestically. And these are going to continue.

Nirav Vasa Sir specifically coming to sugar cogen, this sugar cogen demand is coming from private sector players or is it from the cooperatives?

Dhruv M. Sawhney Both.

Nirav Vasa Then how do you plan to manage the risk with specifically the sugar cooperatives because at this point of time as per my understanding there financial health is not that great.

Dhruv M. Sawhney No, but as I told you our orders are with letters of credit or they have payment on dispatch. So if the cooperative actually places an order, then he has already committed quite a lot of money. We have a substantial advance, they were all go through it. This is not such a huge capital expenditure and the return is fairly high. ROI is very good. So please look at the fact that even with our current sugar production forecast for the next year we find that there is pretty good scope for people to go in for process and sugar Cogen.

Nirav Vasa And in the IPP that you just spoke about are these mainly the captive power plants or is it utility? As per my understanding product portfolio is not into utility.

Arun Mote You see most of these IPP are around 10 megawatt and they are biomass based. These are not utility.

Moderator Our next question is from Bhavin Vithlani of Axis capital, please go ahead.

Bhavin Vithlani One comment which you made was quite heartening saying that the enquiry book for the domestic is as large as about 4,000 megawatt and if you can give us some perspective, you said domestic cogen sugar and IPP is of 10 megawatt, these segments because these are about 10 megawatt, 30 megawatt power projects, these cumulatively make up to 4000 megawatt of enquiries or these are cement or other sectors also.

Dhruv M. Sawhney They are all in it. There is no point going in too much into the sectorial break up of this. I think the take away is that it's a fairly substantial one. When I am saying enquiry book, where there is a specification attached. So its not just in the air. Now what I am saying is that the moment the economy starts slightly, people will be more confident, , because they are for CPPs they are not for utilities, this is for their own power generation and little bit of export to the grid, why shouldn't they go in for it? But there is a variety of sectors that we have had in the last 2 years.

Bhavin Vithlani If you can give us some perspective what was the ballpark size of the enquiry book which you are running?

- Dhruv M. Sawhney** It varies from 5 megawatt to 30 megawatt.
- Bhavin Vithlani** No the cumulative size of the enquiry, how were it 6 months ago and how was it 1 year ago? I want a rate of change. Because this number seems to be fairly large as I understand in market size, ballpark 1,500 megawatt, I read in one of your press releases.
- Dhruv M. Sawhney** You know as I mentioned the export enquiry base has doubled but that's because we are making more, our reach is more, people are getting better responses. If I limit my answer now to the domestic, the enquiry base was fairly good also when the markets had gone down. So we haven't seen too much increase in that. May be 500 megawatt or something but it was always fairly high whether it was people who are not keen on doing it, the enquiry base was fairly, normally as you know it is 1.5 – 2 times the market.
- Bhavin Vithlani** So the take away is like the enquiry which you are running of about 4,000 megawatt, you feel that these are all serious companies where over the next 2 years you will see they materialize as orders, may or may not be to Triveni.
- Dhruv M. Sawhney** And there may be some 30 – 40% of people who may not go in for the project but more than a majority of them, over the next 2 years would be the market whether it comes to us or someone else.
- Bhavin Vithlani** Continuing with the same question, you said the peak of the market in F11 was about 1,500 megawatt which fell to about 500 – 600 megawatt last year, what do you see as the market size in terms of order placements this year as we have already seen pick up in order flows in the first half. And you are speaking about H2 being better than H1.
- Dhruv M. Sawhney** You see when I said H2 being better than H1, I am not putting too much increase in the domestic market in that. So our domestic market is fairly much on the same level as it was last year around 400 megawatt but we expect a better inflow from exports in H2 to H1, so that is where I am seeing the growth.
- Bhavin Vithlani** So the domestic market for the current year will be in that ball park of 800 megawatt?
- Dhruv M. Sawhney** 800 megawatt. You see I don't want to start being so optimistic on it till I actually see people who have been with us giving enquiries for the last 6 months, 8 months or 12 months saying okay now come and let us finalize the order and we are going to give you the advance. I would rather be a little conservative on the domestic market even though it might pick up till it actually starts happening. While on the exports we have the results for the first half. Because it is a varied market. It is not just one country that's why and mainly because the sector is good. The sector is not recession prone.
- Bhavin Vithlani** And in the domestic, just to clarify, you are speaking about turbines up to 30 megawatt or 100 megawatt?
- Dhruv M. Sawhney** No I am speaking up to 30 megawatt.
- Bhavin Vithlani** And what would be the market size up to 100 megawatt turbines?
- Dhruv M. Sawhney** From 30 to 100 it is 1.5 times. But at the moment it's come down to the same or may be even little less than the last quarter.
- Bhavin Vithlani** Okay so up to 100 it is about a ballpark of 1,500 odd megawatt? Is that fair?

Dhruv M. Sawhney May be at the moment a little less in that.

Bhavin Vithlani Okay and in the export, what is the quantum of enquiries, if you can help us in terms of megawatt?

Dhruv M. Sawhney I said we have enquiries right now, it is about 4,500 megawatt.

Bhavin Vithlani 4500 megawatt for the exports?

Dhruv M. Sawhney Yes it is little higher than domestic enquiry. And it is double what it was last year at the same time.

Bhavin Vithlani Okay. And exports are largely you are looking at up to 30 megawatt size or 30 - 100 MW size?

Dhruv M. Sawhney Up to 30 megawatt size.

Bhavin Vithlani And pricing is better versus the domestic market?

Dhruv M. Sawhney Yes much better.

Bhavin Vithlani Who would be the competitors typically in the export markets, one obviously would be Siemens but beside Siemens who else would be competitors?

Dhruv M. Sawhney Now we have a Japanese Shin Nippon.

Bhavin Vithlani That's it?

Dhruv M. Sawhney Then there are from Brazil, and there is also from South East Asia, Chinese manufacturers. Not so much in Europe or in Africa.

Bhavin Vithlani The end market you are targeting is Africa, Middle East?

Dhruv M. Sawhney No not Middle East. There is not much steam. We are targeting South East Asia. I didn't mention that in the opening remark very substantial gain in the Palm oil sector for small turbines. That's increasing very rapidly which is very good. Indonesia, Malaysia. That's a good sector for us, very good growth.

Moderator Our next question is from Ashutosh Garud of Dalal & Broacha, please go ahead.

Ashutosh Garud What was the order book last year in the middle of the year, last year?

Dhruv M. Sawhney ₹ 469 crore.

Ashutosh Garud You mentioned in the opening remarks that through Q3 and Q4 you are aiming to have a single digit growth on the top-line front, so just wanted to know do you see it?

Dhruv M. Sawhney No what I am meant is that by Q4 by this year, right now our sales of H1 is 15% less than what it was last year. So to be clear on this we expect to substantially make this up by Q3 and by Q4, have a growth of single digit over last year, year-on-year.

Ashutosh Garud So this is only for the quarter or are you speaking for the full year?

Dhruv M. Sawhney For the full year cumulative.

Ashutosh Garud That is what I mentioned, for the cumulative full year you are expecting a single digit growth. For that actually we would have to do around 25 – 28% of top-line growth in the H2FY13. So how are you expecting these kind of sales?

Dhruv M. Sawhney These are the orders in hand we have right now, the active orders that we are processing.

Ashutosh Garud The reason why I am asking because the order book we had last year as you mentioned ₹ 470 crore versus, now we have around ₹ 500 crore. So with that sort of growth in order book you are confident enough on achieving 25 – 30% in the second half?

Dhruv M. Sawhney These things depend on the deliveries. You could have an order book last year and the deliveries may be coming 9 months from now. A lot of these orders are being executed in H2. That's the reason for it.

Ashutosh Garud Fair enough. And on the margin front, can you comment on the raw material prices easing out, how that has benefited and other than that I wanted to know if you want the other expenses segment where actually on the absolute terms it has de-grown year-on-year as well as Q-on-Q?

Dhruv M. Sawhney Actually the margin is not so much on raw materials and expenses, if you are able to do R&D, new variants and new designs have actually reduced the cost of production. That's more on those spaces rather than going on any decrease in raw material and component pricing.

Ashutosh Garud So is this the prime reason where if we look at the last 3 quarters or almost 4 quarters now, we have been struggling on the top-line front apart from the Q2 that is the present quarter but even in that case we have had very good margins of 24%, 28%, 25%, in previous 3 quarters?

Dhruv M. Sawhney Top-line is basically the domestic market which collapsed. That's something that was a substantial part of our sales in the past and that's what affected degrowth in the top-line. While, even if we have the domestic orders, our mix of orders is giving us the margins of 23%, net margin that we have PBT margin is really because of the mix of after sales exports and domestic orders.

Ashutosh Garud And you basically expect this 25% EBITDA margins which you have done in the first half to continue.

Moderator Thank you. Our next question is from Abhijith Vara of Equirus Securities, please go ahead.

Abhijith Vara What is hedging policy right now on the foreign exchange?

Mr. D. Bagchi We are normally hedging our cash flows to meet our costing rates, most of our exposures are in receivables. So receivables are hedged up to about 54% and on a net basis we have left certain exposures in the payables unhedged, because they provide a natural hedge against the unhedged receivables. So we generally maintain at least 30% hedging. Going forward we are normally hedging short term receivables.

Abhijith Vara Short term receivables about 50% or entire receivables?

Mr. D. Bagchi Of the entire receivables.

Abhijith Vara And out of this current order book which you have, about ₹ 500 crore roughly, what portion would be carried out in FY14. How much might be booked in second half of this year and what portion would be carried forward?

Arun Mote We would be doing order booking in the next 6 months. So that would get added on to this. And some part of this would be executed in the second half. So we expect to have a substantial and a good order booking, carry forward for t, 1st of April, 2013.

Abhijith Vara How is the order booking in October this month?

Dhruv M. Sawhney October has been alright. It has been more or less as per the trend which was expected in the last 6 months.

Abhijith Vara And the GE Triveni Turbine which is getting manufactured that would be done in the parent company, so in the current quarter, does the revenue include some portion of the manufacturer?

Dhruv M. Sawhney No, not as yet. That would be booked in Q3.

Abhijith Vara Because we wanted to understand the margin profile.

Dhruv M. Sawhney No, That hasn't come into the results as yet.

Moderator Our next question is from Ashutosh Garud of Dalal and Broacha, please go ahead.

Ashutosh Garud Can you throw some light on the space where you mentioned the new 12 – 15 new models which have actually helped you on the export front, what exactly is different?

Dhruv M. Sawhney These are things that are fairly technical. But these are variants and models which meet the customer's requirements they help in lowering of cost of production, they improve efficiency levels, they are catering to high pressure, high temperature efficiency requirements of customers. And this is a mix of both value engineering and efficiency improvement and meeting the customer's specific requirements. It's difficult to go into more on the call now.

Ashutosh Garud On the exports front you mentioned the enquiry size of around 4,500 megawatt which was predominantly up to 30 megawatt size. But given the fact that we are already in a JV with GE for some time now so what sort of enquiries are you witnessing from the 30 – 100 megawatt internationally because that is one segment which would actually give us a very decent delta on a top-line as well as obviously that would boil down to our bottom line as well.

Dhruv M. Sawhney The enquiry base is increasing in the 30 to 100 megawatt. By the next few quarters we should be able to start looking at serious enquiries and non serious enquiries. It's more in a catching up mode right now. But the enquiry spread is good. It's coming from various parts of the world and various sectors. So the same trend that we saw in the export under 30 megawatt may be a few quarters ago is what is happening to the 30 – 100 now. So we are very optimistic. It is fairly synergistic. So what was happening to us a few quarters ago, we see that same thing coming into the GETL range. Certainly the range up to 50 – 60 megawatt, about 30 in the next few quarters.

Ashutosh Garud Correct me if I am wrong, is this because we are already a very well established player in up to 30 megawatt segment and its only recently that we have gone into 30 and 100 megawatt, that is one of the reasons why the lag is there and may be the pre-qualifications might be one of the case.

Dhruv M. Sawhney That's right.

Ashutosh Garud And on the domestic side you mentioned in your press release you are just about to get one of the orders and it would be bigger than the earlier order on JV front, earlier, if I am correct was for 35 megawatt?

Dhruv M. Sawhney Yes.

Ashutosh Garud And what was the value for that particular order?

Dhruv M. Sawhney About ₹ 17 crore.

Moderator Thank you. Our next question is from Madan Gopal of Sundaram Mutual Fund, please go ahead.

Madan Gopal I just wanted the breakup of ₹ 500 crore order book domestic and export?

Dhruv M. Sawhney It is ₹ 380 crore – ₹ 120 crore

Madan Gopal ₹ 380 crore domestic, ₹ 120 crore exports.

Dhruv M. Sawhney Yes.

Madan Gopal So much of the roughly ₹ 400 crore that you will execute in the second half would be more towards domestic, so the mix would again move back to domestic in the second half?

Dhruv M. Sawhney It is about the same.

CN Narayanan And secondly these order books are only for product. When we book the sales it has got an aftermarket also which as you have seen in the first half, 20% is coming from the after - market. So that trend should continue in the second half as well.

Madan Gopal Then to start next year with the same kind of order book level we need to book ₹ 400 crore kind of order intake for the next 6 months. Do you see them coming in equally between exports and domestic?

Arun Mote No it won't be ₹ 400 crore, it would be much different, we expect that we will be able to get the required order book to go for; as our Chairman has indicated the kind of growth we are looking for in FY14.

Dhruv M. Sawhney And also as I mentioned that the mix of order booking in the first half of domestic and exports that is what is giving us the confidence of projecting end of the year order booking position.

Madan Gopal So how much was the first half mix?

Dhruv M. Sawhney I said the order booking that we did in the first half. See there are 2 parts one is order on hand and one is order booking. The order booking is something solid we had in the first half, there is a 50 - 50 mix in domestic and exports. We expect this to be at least 50 - 50 if not little more swinging towards exports in H2.

Madan Gopal Okay got it. So next year whatever sales that we do, whatever growth that comes in the product sales, that is most probably going to be 50 – 50 between domestic and exports.

Dhruv M. Sawhney I can't say that because the catch up is taking time. It's still 80 – 20. So you still have domestic sales coming in but going forward that mix of sales in the order booking of 50 – 50 will slowly start translating into sales getting more and more export oriented.

Madan Gopal Got it. And margins traditionally used to be much higher in exports. So we have the orders being booked at those margins only, they are not being reduced in any way right?

Dhruv M. Sawhney No they are not being reduced, healthy margins.

Moderator Thank you. Our next question is from Ashwini Agarwal of Ashmore India, please go ahead.

Ashwini Agarwal I had one question on your opening comments regarding GE, you mentioned that the first turbine will be dispatched in November and you are expecting a new order before the calendar year end, and you mentioned calendar Year '13, is it Calendar '13 or the current calendar that you were referring to?

Dhruv M. Sawhney Calendar '12, good question. I meant December '12. I mentioned in the next few months. That's a good point. That's a good clarification for everybody.

Moderator Thank you. Our next question is from Sandeep Tulsian of JM Financials, please go ahead

Sandeep Tulsian I would just like to know in the employee cost, is there some one time expense because it has seen a significant jump both on QoQ and YoY basis?

Arun Mote As you rightly said there is a slight increase. The increase is mainly because we are paying the arrears for the last year. We have had an agreement with the union for which now the things are due. So that's the reason why the employee cost is higher but its expected to even out in the year and I must say that over the next few years our cost will be well under control.

Sandeep Tulsian So what is this one-time expense?

Dhruv M. Sawhney We are in long term agreement which is being negotiated and is almost finished now and this is applicable one year, the last agreement had expired year ago.

Sandeep Tulsian No what would be the normalized expense if we exclude this one-time payment?

Nikhil Sawhney As a percentage of turnover you will see employee cost actually may come down a little bit on a year-on-year basis in the future.

Sandeep Tulsian And what would be your CAPEX target in terms of rupees crore, how much are you planning?

Dhruv M. Sawhney We have no plan on any CAPEX right now. As I said CAPEX that we did, has really increased our capacity so that we have about 30 – 40% growth without any CAPEX possibility.

Sandeep Tulsian What is the current utilization rate?

Dhruv M. Sawhney About 60% currently.

Moderator Thank you very much. We have a question from Ashwini Agarwal of Ashmore India, please go ahead.

- Ashwini Agarwal** Just one follow up question on per megawatt realization, I had asked this last time as well, does the per megawatt realization on an average, change as you scale up the business from 0 – 30 megawatt as you move out to 30 - 100 megawatt or does it kind remain in similar ballpark?
- Dhruv M. Sawhney** You can't generalize on this. It depends on the sector and it depends on the particular customer, one order may have a different scope. It is a very customer specific and sector specific and there is also a variety of turbines. There are extractions condensing turbines. There are extraction back pressure turbines, there are back pressure turbines. So while all of you get consolidated figures, there is no easy answer to that. And sometimes it may go up, it may go slightly down depending on the megawatt but this generalization of that sort is a little dangerous because it is fairly customer specific.
- Ashwini Agarwal** And similarly when you look at sort of domestic order book of 4,000 megawatts versus exports enquiry 4,500 megawatt, again there is no conclusion we can draw in terms of what is the revenue potential in exports versus revenue potential in domestic?
- Dhruv M. Sawhney** You mean as a comparative thing, I don't think that except to go on what we actually achieved in margins on H1. We rather go on what we have actually achieved and say looking at the active enquiries if we can project that in future. So we use that as an indicator and that is showing quite good for the exports, active enquiries that we have on now.
- Moderator** Thank you our next question is from Keshav Harlalka of BHH securities, please go ahead.
- Keshav Harlalka** Our margins have gone up by 200 basis points over last year. Earlier last year it was around 13.5% this year we are doing (+15.5%) over the September quarter and June quarter. So do you see this trend of margins of (+15.5%) sustaining?
- Dhruv M. Sawhney** Yes, around this figure we are expecting them to sustain.
- Keshav Harlalka** Okay. And our sales have gone up 60%, is the second quarter the best quarter for the company?
- Dhruv M. Sawhney** No it hasn't been. Second quarter is almost flat on last year.
- Keshav Harlalka** But if you are looking at the full year where do you see the top-line and bottom line , can you give us some indications?
- Dhruv M. Sawhney** I just said that for the full year I expect the single digit growth for both top-line and bottom line, a little more on bottom line growth than top-line.
- Moderator** Thank you. Our next question is from the Sudhanshu Bhuvalka of Macquarie Capital, please go ahead.
- Sudhanshu Bhuvalka** You mentioned that you expect ordering from captive users. Do you expect this to be existing in industrial units or more led by sort of brown field capacity additions. And also some more color on that would be very much appreciated and just to clarify you mentioned that the domestic enquiry is up to 4,000 megawatts and a similar size on exports market.
- Dhruv M. Sawhney** Yes that's correct. The domestic and exports markets as you said, the enquiries that we are having now are for captive generation of brownfield expansion

- Arun Mote** You see whenever it comes to the process cogeneration it is related with the industrial activity and it is an essential part of the production. So it gets into a capacity increase as a Brownfield and that's where most of the enquiries are coming and wherever there is a recovery and efficiency increase we are getting more enquiries. Now in the IPP of course it would always be independent and it will be a green field.
- Sudhanshu Bhuvalka** So to check are you seeing any enquiries from existing units who want to implement cost saving measures?
- Dhruv M. Sawhney** No as Mr. Mote said there are quite a lot of enquiries and some order also from people who are wanting an efficiency improvement. You know the power rates are not getting any better. So a lot of people ROIs coming in from replacing old turbines and the whole system is a fairly good ROI for these industries for efficiency improvement. And sometimes when they do that they also want to now export a little bit to the grid. So they look at that connection. So we are having those enquiries as well.
- Sudhanshu Bhuvalka** You mentioned that there is fairly good ROI, in a very rough estimate what would your sense on the ROI be?
- Dhruv M. Sawhney** Fairly good.
- Sudhanshu Bhuvalka** Of your enquiry base, what percentage would be from efficiency gains versus Brownfield, in rough numbers obviously?
- Dhruv M. Sawhney** I haven't done that analysis of splitting in from the enquiry base but in the orders that we are collecting its both, may be equal, its difficult and there is no point projecting it because in one quarter it may be more expansion, other may be efficiency but they are both drivers.
- Moderator** Thank you. Our next question is from Savatri Singh of Sushil Finance, please go ahead?
- Savatri Singh** I have one question that your product and aftermarket services have improved to 80% - 20% from current quarter. Would it remain the same for the FY14 or is there any further improvement in that?
- Dhruv M. Sawhney** We expect this trend to go up and there will be further improvement in FY14. Because our mix of sales is of a higher megawatt capacity where the potential for aftermarket is better. So, that is the reason I am putting the strength to go up a little bit.
- Moderator** Ladies and gentlemen that was the last question. I would now like to hand the conference back to the management team for closing comments.
- Dhruv M. Sawhney** Thank you everybody for these questions. I would like to end by saying that I am happy the way we got a good set of numbers for Q2 and H1 and as you all asked and I said in my answers and in the opening statement, we are very encouraged by our export performance and order booking in H1. And the good enquiry book and the spread of enquiries from various parts of the world and the fact that this is really for the biomass and waste energy to heat sectors is encouraging us to forecast that we would be getting good export orders in the next few quarters and certainly a very good year in FY14, is because these sectors are fairly recession proof and the incentives and ROIs of these user industries are pretty good and these are sectors that are green and alternate energy both in India and overseas. We do feel that once the domestic sector picks up, the fact that we have a 30 – 40% capacity utilization with no CAPEX will really see a spurt happening. Now whether that

happens early in FY14 or later, we certainly expect that to be in FY14. And thank you very much everybody.

Moderator

Thank you very much sir. Ladies and gentlemen, on behalf of Triveni Turbines Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.