



Triveni Turbine Limited

Q3 & 9MFY14 Earnings Conference Call

January 24, 2014

- Moderator** Ladies and gentlemen good day and welcome to the Triveni Turbine Limited Q3 & 9MFY14 Earnings Conference call. As a reminder all participants' line will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * followed by 0 on your Touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, sir.
- Gavin Desa** Good day everyone. A warm welcome to all of you participating in this Q3 & 9M FY14 Triveni Turbine earnings call. We have with us on the call today Mr. Dhruv Sawhney – the Chairman and Managing Director; Mr. Nikhil Sawhney – the Vice Chairman & Managing Director and Mr. Arun Mote – the Executive Director along with other members of the senior management team.
- We would like to mention before we begin that some statements made in today's discussions may be forward-looking in nature and a statement to this effect has been included in the conference call invite which has been mailed to you earlier. We would also like to emphasize that though 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 call with the 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 handover to Mr. Sawhney to share some perspectives with you with regard to the Company's operations and the results for the quarter under review. Over to you, sir.
- Dhruv Sawhney** Thank you very much Gavin. Good morning everybody welcome to the Q3 conference call. We have ended the December year in a much better shape than we were after our first half, as we have said then that we expected Q3 to be much better in terms of order booking and performance and that has happened. We expect the same situation to continue in Q4 and much more so in FY15. Our nine months' net sales are at ₹ 3.74 billion with the PBT of ₹ 722 million and a PAT of ₹ 492 million. Q3 Product Order booking was 25% more than H1FY14. Domestic demand continues to be sluggish and there is a large time delay in people taking decisions after sending fairly active inquiries. This situation is expected to continue for at least a quarter after the elections and we are adjusting according to it, emphasizing on exports and Aftermarket. That is how we see the situations on the domestic side.

International orders have been affected in selective countries owing to currency movement and delay in global economic revival, especially in Southeast Asia and Europe. Turkey and other such countries have had a little bit of a domestic upheaval. However, our outstanding order book is at ₹ 5.2 billion and our JV with GE, GE Triveni Limited has made a breakthrough. It has received first international order from a Southeast Asian customer. We have almost completed the negotiations and we should be getting further orders in the international markets in JV range for even higher capacities and another one is expected in the domestic market in the coming quarters.Q4. This is a good breakthrough which we have been expecting for quite some time. With this in our bag, we look at the JV's order booking in FY15 taking off quite well in the international market.

Domestic market as mentioned earlier is subject to the conditions like sluggish economic activities. Our focus on the export markets has accelerated a lot in the last nine months. Our products are available in 50 countries and we have inquiries from another 20 countries. Our international spread is expanding, we have been well received in the 71 countries that we are approaching and they range from South and Central America to Southeast Asia, the Far East, Africa and Europe. In UK, we have made good breakthroughs in waste to energy and some breakthroughs in Scandinavia in district heating segment. The competition there is very fierce but margins are extremely good.

The domestic slowdown has given us an opportunity to focus on international markets. Most of these customers and consultants have either visited Bangalore and have been extremely pleased with our facilities or are planning to visit in the New Year. Order finalization is taking time as is part of the steam turbine market and because it is to do with in many cases captive generation and they have other capital goods which they want to order. However, we have a slight inventory buildup domestically; customers have given 25% advance and are asking us to postpone the delivery of the turbines, which are ready, by a few months.

We have no control over this because we do not like to dispatch orders without getting full payment. I believe they have not been influenced by the interest rate, it is due to the economic activity as a whole which happened in Q1 and has been pushed over to Q2 and little bit further down. In FY15, we see growth in turnover and profits over FY14. FY14 slowdown is expected to correct to an appreciable degree in FY15, with good growth in topline and bottomline. Q3 has given us more confidence and we are expecting this to continue in Q4 because of active inquiries. We have booked some orders in the first three weeks of the current month both internationally and domestically, we have two orders internationally in the GE range which are very much for finalization right now. Domestically, there are about 8-9 orders which we expect to finish in the next two months in the TTL range.

In our Aftermarket business, we have established some centers internationally in our refurbishment segment, especially in Africa and that is helping us. This is our first international foray and this will take time. We have started the exports only recently. We expect the Aftermarket sales to pick up internationally in FY15 and FY16. Domestic orders are being postponed due to the economic slowdown; People are indicating that they will be ordering a percentage of what they used to order before, by doing this they are taking more risk by not ordering what we consider as essential spares. Our contracts with them are through our servicing team, which as you know is one of the largest in steam turbines globally. We are confident that this revival will come, if not in Q4, definitely in FY15. Thus, we are expecting growth in FY15 in Aftermarket in both turnover and bottom line.

With that, I just like to say that where we all see our balance sheet is healthy and we have a good control on working capital. So I am ready to take any questions.

Moderator The first question is from the line of Nirav Vasa from Motilal Oswal Securities.

Nirav Vasa Please help me with the order inflow number for the quarter and break up in terms of domestic and export?

Arun Mote Order intake stood at ₹ 175 crore for product orders, out of which ₹ 98 crore is from export market and ₹ 76 crore from domestic market.

Nirav Vasa Can I get the breakup of revenues in terms of equipment and after sales in Q3?

Dhruv Sawhney 21% of revenues from Aftermarket.

Nirav Vasa Certain customers were postponing delivery, did it also impact our net sales for the quarter. Would it be possible for you to give some color as to what is the quantum orders which are stuck or where customers are not taking any delivery?

Nikhil Sawhney Not going into specifics, I will give you an idea from our balance sheet. We have a net positive working capital of ₹ 18 crore approximately and we have complete finished goods inventory of around five turbines sitting with about ₹ 22 crore. This should give you an idea. These orders have over 25% advances already and we will get the full payment before the dispatch.

Dhruv Sawhney We are not changing our terms of revenue recognition or payment terms. We are quite comfortable in cash flow,

Nirav Vasa Can I get the order book breakup in terms of domestic and export of ₹ 5.2 billion?

Arun Mote Out of ₹ 5.2 billion, around 55% is domestic, 10% is Aftermarket and the balance is exports.

Nirav Vasa The Company is working on a very healthy margin and the brand equity that you have with GE also should not be diluted. In order to get the first order, did we compromise on margins or your EBITDA margin would still be about 20%?

Dhruv Sawhney This is confidential in terms of our JV and market perception and GE does not give this information out.

Moderator The next question is from the line of Kamlesh Kotak from Asian Markets Securities.

Kamlesh Kotak Could you further breakup the order book of ₹ 520 crore, does it also include Aftermarket?

Dhruv Sawhney Yes, it does.

Kamlesh Kotak So, the breakup is for products, GE and Aftermarkets?

Nikhil Sawhney GE is not included, about 55% is from the domestic market, 10% from Aftermarket and the rest are exports. This is all in the below 30 MW range and does include the segment of the turbine - flange to flange component which is manufactured by Triveni Turbine Limited on standalone capacity for the joint venture GETL.

Kamlesh Kotak Is that part included in this?

Nikhil Sawhney Only the turbine part.

Dhruv Sawhney Included in the segment whichever market it is.

Kamlesh Kotak You have mentioned in the press release that there is some competitive intensity which has increased in the domestic markets and there are some orders you mentioned about Indian EPC companies going abroad. How is the margin panning out on those orders?

Dhruv Sawhney They are not the same margins as we get in our normal international orders, we have taken them because they are breakthroughs in those countries. They are very prestigious clients and our EPCs have also done it with that sort of philosophy. It is to get a turbine working in those countries, which for us is a very critical point for future business, they have been received and in fact they are a part of some good consultants in those countries. In Central America, we have got further orders from those consultants directly, while the margins of the EPCs may not have been the same as our normal international margins. We still are keen on these orders, especially in the countries where we want to make a presence.

Kamlesh Kotak Should we assume that they are better than the domestic margins or a notch below?

Nikhil Sawhney Take them as domestic margins.

Kamlesh Kotak How is the competitive intensity and the margins panning out in domestic markets because we understand some of the bidders have turned aggressive, is there any take on the margin because we maintain our market share?

Dhruv Sawhney On an average it is about the same. Some are up and some are down but on an average it is about the same.

Nikhil Sawhney The market size has not changed on a year-on-year basis. Quarter-on-quarter they changed depending on how the order gets finalized, but I do not think that this is supposed not to appropriate to look at. From the perspective of competition, there is a significant under-utilization of capacity for pretty much everyone and there are certain pricing competitions in the market. We have a consistent policy of taking out cost from our models. While there may be pressure on pricing that is at times met by actual reduction in cost on the models themselves. The price for megawatt may come down, the margins remain stable.

Dhruv Sawhney We have been executing last year under these difficult conditions quite well, so we actually improved the margin to what it was when we took the order. We have not been aggressive in marketing that they have to lower the margins when the final product is delivered. Our philosophy is actually to be conservative and come out with a better margin. We are quite proud that in the JV range domestically we have got a much better market share than we thought we would achieve in the first couple of years of existence. Internationally we expect another one from a different country in the next month for a higher megawatt in our JV range. That will also help us in terms of references.

Kamlesh Kotak Could you give the breakup of products for export order intake for the nine months period?

C N Narayanan Domestic products is about ₹ 176 crore.

Kamlesh Kotak Is it for the third quarter?

C N Narayanan No total. And the total export is ₹ 135 crore.

Moderator The next question is from the line of Sagar Karkhanis from Nirmal Bang.

Sagar Karkhanis What is our main USP on export markets which is very competitive, is it lowest cost, our brand or after sales service?

Dhruv Sawhney In the international market, we give a very good value to the customer. GE itself is a very prominent brand and has a very strong relationship. You cannot say that we are in one area or another area, it is across the board that we are competitive in terms of efficiencies, pricing & deliveries. Delivery is a very big thing now. Internationally even though it is far away market like South America and Central America, we have been able to cut our deliveries to make up with a longer transport time versus our Brazilian competitors and the longer time at our Indian port. We were able to compete on all these factors internationally.

Moderator The next question is from the line of Hardik Shah from ICICI Securities.

Hardik Shah In the domestic market, the demand environment is still weak and the clients are delaying product delivery. Which are the sectors which are facing weak demand environment and which are doing well?

Dhruv Sawhney It is across the board. I would say that it is not targeting some particular sector, these customers are not that they do not want to take it they, have already committed large resources and the projects are there. That is why our range of growth is where it is. They just delay in their own execution of the projects.

Hardik Shah Would you like to name a few sectors which have strong presence in sugar, steel, biomass and paper?

Arun Mote It is practically across all the segments in the industry. We are catering to anyone who uses steam in their processes. It is very difficult to say any specific sector because we have been experiencing it in all the industries.

Moderator The next question is from the line of Ravi Shenoy from Motilal Oswal Securities.

Ravi Shenoy At the end of last year, we had an order backlog of about ₹ 468 crore of which we had excluded some slow moving orders, what would be the status of those orders?

Dhruv Sawhney The net effect is, some may have come back but some may have gone, it is pretty much the same.

Ravi Shenoy How has the JV performance in terms of backlog?

Dhruv Sawhney As we mentioned, we are executing five orders now and one is already been commissioned, in addition to the commissioned one we are executing five orders now, which will be in FY14 and FY15.

Ravi Shenoy In terms of numbers how large would these five orders be?

Dhruv Sawhney It is in our JV right now, so we are not publicizing those figures..

Ravi Shenoy Are these orders being executed by the JV separately, these orders are not in our books?

Dhruv Sawhney We only have the turbines flange to flangetaken in our book.

Nikhil Sawhney Upward of 50% to 60% of the order is not in the Triveni Turbine standalone order book.

Dhruv Sawhney It is not in the figure that you are quoting.

Ravi Shenoy In terms of our order intake currently, is any specific segment driving these orders?

Dhruv Sawhney The same segments as last year are driving these orders.

Nikhil Sawhney We have some steel requirement as well in the domestic market and some waste recovery.

Arun Mote We have been getting from the process industry the sugar industry and some from the steel industry. Biomass independent power plants have not been doing so well. So these are the sectors that have come up in the recent months.

Moderator The next question is from the line of Ashutosh Garud from Dalal & Broacha.

Ashutosh Garud Can you share the value of this 38 MW international orders?

Dhruv Sawhney We will not be disclosing that exact detail. But it is a good order.

Ashutosh Garud How is the sharing done between Triveni Turbine standalone and GE on the JV front?

Dhruv Sawhney We have an agreement to do the manufacture of the Turbine for GETL in our Bangalore works and the project is executed by the JV.

Nikhil Sawhney And the balance components are sourced directly by the JV which is somewhere in excess of 50%.

Ashutosh Garud You have mentioned 40% to 50% of the value approximately comes into the standalone books?

Dhruv Sawhney Yes exactly.

Nikhil Sawhney It varies from order to order in case of the JV.

Dhruv Sawhney And in some cases the JV may be having more than 60%.

Ashutosh Garud The presentation mentioned that international market has gone down by 35%, can you share on the absolute front, what kind of total market is this and what exactly is the scenario on the competition front in the international market?

Dhruv Sawhney I do not think anyone said anything about the international market. These figures are not very easily available and as you know in international market, we are now talking to 71 countries. Domestic market in the above 30 MW range has contracted by 35%.

Ashutosh Garud Can you share some information on international competition, how is that shaping up?

Dhruv Sawhney The competition there is the same and there are no new players and no players have dropped out. We have different competitors in different markets and different sectors.

Ashutosh Garud Who would be your key competitors apart from Siemens?

Dhruv Sawhney There are some Japanese, Brazilian and European companies.

Moderator The next question is from the line of Vinit Sambre from DSP Black Rock Mutual Fund

Vinit Sambre You indicated that fourth quarter is better and FY15 is also looking better given the current state of affairs. Is this optimism more from your international market and what are you assuming for domestic market and then are you assuming some improvement in the domestic market as well in FY15? Is it driven by the GE JV on the back of these references that you are likely to win more orders?

Dhruv Sawhney There are three to four factors. The first is that our order booking and the response we have got in the third quarter in the international market has been quite good. Our dialogue in these countries is quite positive. We expect some more conversions of active inquiries which will be executed in FY15. That is why we can feel that we are going to be much more positive in FY15 on the international side. Secondly, our Aftermarket which had also slowed down in terms of order finalization domestically, we expect to pick up in orders intake in Q3 and Q4. We expect higher execution in FY15. On the domestic side, we are not looking at great increase in the domestic market, there will be a small increase but we are not taking great increase because the delivery period, we are not expecting any change in the market upto Q3 next year which will take the execution in FY16. It is mainly on Aftermarket and the international market. There is an element of more execution for our JV in GETL as well.

Vinit Sambre Let us say that international moves up and the execution is more from the JV front. How will that impact margins? You mentioned that profits will grow but will margins remain intact?

Dhruv Sawhney Yes, margins in the current year will remain intact.

Nikhil Sawhney Between different segments they will change but for the Company overall they will vary.

Vinit Sambre You mentioned that two orders will get finalized in the JV and six to seven orders in the domestic market. I just wanted to get a clarification?

Dhruv Sawhney Let me clarify that. We are executing five orders in the JV right now and we expect two further orders; one in domestic and one in the international market to get finalized in the next month or two.

Vinit Sambre You have also mentioned something about six to seven other orders?

Nikhil Sawhney We are optimistic that the JV will take this momentum forward into next year.

Dhruv Sawhney It is the total of what we will be having for execution in FY15 with further two orders coming in now.

Vinit Sambre Are these domestic market or international?

Dhruv Sawhney Including both.

Moderator The next question is from the line of Sandeep Tulsian from JM Financial

Sandeep Tulsian What would be the installed base of machines currently because most of Aftermarket caters to the Indian installed machines and your annual report speaks of 2,500 plus machines but in what is it terms of MW that you cater for the Aftermarket opportunity?

Dhruv Sawhney It is around 15,000 MW and some sectors where the machines have been replaced and some new sectors which are coming in so it varies.

Sandeep Tulsian If you supply an equipment, what kind of Aftermarket opportunity does it give you? In two years of commissioning or five years of commissioning, how does this work?

Nikhil Sawhney Turbines are built in a very robust manner that is why we are actually favored in not only in different industries but different markets. Majority of our Aftermarket requirements come from operator errors which are client errors. It is difficult to tell because we do not plan and make machines which actually require spares. So to break it down into a model wise basis is difficult.

Dhruv Sawhney And some customers buy spares with their main order. So some coverage of one year or they take it as a package and they wanted for offers made on that way. That is why our international Aftermarket will start picking up a few years after our base difference.

Sandeep Tulsian Currently international Aftermarket is zero, we will be starting it from now on?

Dhruv Sawhney It is not zero, it is small.

Sandeep Tulsian You have mentioned that ₹ 175 crore of inflows on the product side, what is the total inflow for the standalone Company?

C N Narayanan It is over ₹ 200 crore.

Moderator The next question is from the line of Pawan Parekh from Dolat Capital

Pawan Parekh The press release said that Aftermarket business has also been affected to a lesser extent. Could you throw some light on this?

Nikhil Swahney Our customers, as you would appreciate, are under the same stress due to a difficult macro environment. So to the extent that unless this is extremely critical and has broken down, customers in certain segments have tried to defer these orders and preserve cash. But we believe that this is not a sustainable strategy. They will come back in the next couple of quarters when cash flow positions improve. And as you know the order intakes for spares in Q1 and Q2, were not the best economic times for the country.

Pawan Parekh What would be the nine month growth in order intake in the Aftermarket segment?

Dhruv Sawhney It is almost flat.

Pawan Parekh Are there any slow moving orders right now in the reported order book of ₹ 520 crore?

Dhruv Sawhney No.

Pawan Parekh Is it completely out from the order book?

Dhruv Sawhney Yes.

Pawan Parekh You said that, whatever orders the GETL JV gets, only turbine order has been placed on Triveni Turbines' standalone and only till that extent the order book has GETL part of orders?

Dhruv Sawhney Yes, only that part.

Pawan Parekh Are we executing some five orders in GETL?

Dhruv Sawhney Yes.

Moderator The next question is from the line of Devam Modi from Equirus Securities

Devam Modi Firstly, you mentioned that you have inventories of five machines of roughly ₹ 22 crore, should we look at it as something like that you had product orders of ₹ 447 crore three quarters ago and you had executed ₹ 190 crore in the last three quarters on the product side. There is that backlog of ₹ 30 crore and probably inventory of ₹ 22 crore is there and another ₹ 8 crore orders which would be slow moving. Is that correct?

Dhruv Sawhney No, not really because there were some opening stock of orders that may also have changed.

Devam Modi There are no order cancellation?

Dhruv Sawhney At the moment, No.

Devam Modi In the last three quarters there has been no order cancellations?

Nikhil Swahney There are some other cancellations which were active. We only put an order into the order book once you have an advance. From a client perspective also they never give up the order because the advances are paid and it is a high advance.

Dhruv Swahney That is why we talk about deferments, we are fairly committed and if his project is taking longer, we just have to live with that. It does not become a default situation.

Devam Modi What part of the order book would be wherein orders would have been deferred because typically that was not?

Nikhil Swahney These are matters which are going to be deferred to months or a quarter. These are not long term. If they were slow moving orders they would have been actually put on hold at a much earlier stage of production.

Devam Modi When we say that we have got ₹ 22 crore of finished inventory, you would have received majority of the cash towards that order?

Dhruv Sawhney Yes, this is a matter of two, three months or may be some weeks in one case.

Devam Modi From a perspective of FY15 top-line and profitability, whatever we book in orders till Q1FY15, that is till June this year?

Dhruv Sawhney Yes.

Devam Modi If we are able to maintain this momentum of ₹ 170 crore order inflow plus another ₹ 30 crore to ₹ 40 crore probably on this side. Would it be prudent to say that we can maintain this ₹ 200 crore order inflow for the next two quarters?

Dhruv Sawhney It is not a bad assumption for next year.

Devam Modi What are the cash and working capital levels and especially the inventory and receivable levels this quarter?

C N Narayanan total inventory at this level is about ₹ 95 crore which includes finished goods of ₹ 22 crore. The total working capital will be around ₹ 18 crore on the positive side which also includes ₹ 22 crore of finished goods.

Devam Modi Does this working capital include the cash balance?

C N Narayanan Working capital includes the cash balance.

Devam Modi And the cash balance would be?

C N Narayanan Cash balance is ₹ 7 lakhs to ₹ 8 lakhs only.

Devam Modi What would be the receivables level?

C N Narayanan Receivables is about ₹ 115 crore.

Dhruv Sawhney We had large cash last quarter, we bought about 24 acres of land about 40 kilometers down the road in Peenya where we are going to expand our work and we have paid full money for it. We expect to take possession in Q4. So that will be fully paid for without any term loan.

Devam Modi How much would this land would be worth?

Nikhil Sawhney It is ₹ 40 crore.

Devam Modi Is this basically for your manufacturing facility that we are looking to setup?

Dhruv Sawhney That is right.

Devam Modi What Capex would this whole capacity involve?

Dhruv Sawhney We are going to take call on that in the next few quarters.

Devam Modi Very mild requirement with some debt probably?

Dhruv Sawhney This capacity will be very synergistic with our current operations and the investment is minimal, all of which will be funded internally.

Devam Modi Okay, will you be looking to fund it internally?

Nikhil Sawhney Yes.

Moderator The next question is from the line of Deepak Narnolia from Elara Capital

Deepak Narnolia Your press release mentioned that you have been able to maintain 55% market share but that will have an impact on profitability also. Just wanted to know that the drop in your EBITDA margin is purely due to operating leverage?

Nikhil Sawhney From a contribution level our margins are the same. The point is that because of lower turnover our overheads led to a lower EBITDA.

Deepak Narnolia Is it due to operating leverage or due to competition and shrinking market?

Nikhil Sawhney The margin from order to order differs as you would understand but on a net basis, it is about the same as last year, so there is no difference.

Deepak Narnolia On net basis profit margins is same as in the last year or did the market shrink?

Nikhil Sawhney From a contribution basis they are contributing the same amount.

Dhruv Sawhney Last year the market was higher.

Dhruv Sawhney Yes, last year we had a very good turnover, on the order book of FY12.

Deepak Narnolia No, I was comparing it with your historical margin of FY11-12 when the market was very high. In FY13 market came down to 670 MW only so that is what I was trying to gauge, what could be your EBITDA margin going forward?

Dhruv Sawhney We expect FY15 turnover to rise and our margins will be flat, but the total will still be going up.

Deepak Narnolia In comparison to FY14 margins?

Dhruv Sawhney We will have much higher bottom lines with that increase in turnover.

Deepak Narnolia What could be prospect of your refurbishment business in international market and what you are expecting?

Dhruv Sawhney We have got a small breakthrough in one country in Africa, this will take time but we are well on the way because we have now got a breakthrough in a country and we are slowly going to be setting up our partner service centers in various countries overseas and this will help in both refurbishment business and be a platform for product orders.

Deepak Narnolia Size of this market?

Dhruv Sawhney That is very difficult at this stage.

Moderator The next question is from the line of Manish Goyal from Enam Holdings

Manish Goyal We have bought a land worth ₹ 40 crore?

Dhruv Sawhney Yes.

Manish Goyal What is the size of the land?

Dhruv Sawhney 24 acres.

Manish Goyal This would be for new facility and what would be the Capex and when do you intend to start this Capex?

Dhruv Sawhney We will come back to you in a few quarters, not right now. We are not planning to do anything at the moment.

Manish Goyal And what would be our current capacity utilization?

Nikhil Sawhney About 55% to 60%.

Manish Goyal Is there any significant Capex at the current facility?

Dhruv Sawhney No.

Manish Goyal Please provide the revenue breakup between domestic and exports for the current quarter and for nine months?

Arun Mote Current quarter exports is ₹ 40 crore and the balance is domestic.

Manish Goyal What is it for nine months?

Arun Mote ₹ 113 crore is exports and domestic is ₹ 260 crore. In nine months 30% is exports and balance is domestic.

Manish Goyal On the export side we are seeing currency movement at both at our ends as well as the clients or the countries where we probably look to export. How has it been in terms of experience that in certain cases where the currency depreciation would have been much more than what we have seen in our space. Is it really challenging to get orders from such countries and how do we price our product, do we compromise on margins?

Dhruv Sawhney No, we priced our products in Dollar or Euro so the local currency fluctuations do not affect us. Actually we have a very good hedging policy and so we are mainly in Dollars and Euros.

Nikhil Sawhney You are right, there has been a lot of currency volatility in a lot of developing countries where we export. Any decline in their currency and the competitiveness has been to a large extent made up by forward premium on dollar as well as other fiscal incentives that are given for exports from the Government which to the extent right now totaled somewhere in the region of about 10%.

Dhruv Sawhney This currency movement in our export market is more in terms of order finalization in those countries. They can be little unstable in where they were want to finalize orders so the market gets affected, not our margins.

Manish Goyal Are we seeing any stress or delay in payments and on the advances of the orders, what is the quantum we get and do we get for all the orders?

Dhruv Sawhney Yes we get 10% to 20%.

Manish Goyal Are we seeing any stress on payments?

Dhruv Sawhney We will give you the goods that we have because we do not have any stress. It is just a slight postponement.

Manish Goyal On the technology front, are we seeing any technology development in terms of the way turbines are built and is there any significant change?

Dhruv Sawhney Yes, we have got a very strong R&D Department that is keeping up with the customer sense and we are continually introducing models and variants to cater to greater efficiencies and cost reductions. That is how we were managing to preserve our market share and preserve our margins. This is a very strong activity and we have now filed over 100 patents in various international countries and in India on our own products. We have the third generation of blades being manufactured now. It is a very strong program and without this in a competitive technology field like ours, you cannot sustain. That is a very good point and we are very much part of it. We have a strong R&D expenditure.

Manish Goyal What is the order inflow for nine months and the breakup of that in domestic and exports?

C N Narayanan We have ₹ 178 crore of orders from the domestic market and ₹ 125 crore of orders from the international market.

Moderator Thank you. We have the next question from the line of Mithun Soni from GeeCee Investments. Please go ahead.

Mithun Soni Just one data point on our other operating cost quarter-on-quarter it has come down like last time we had mentioned that because of our foray in exports there will be some higher spends. How should we look at it from here?

Nikhil Sawhney The other expenditure other income what did you say exactly?

Mithun Soni Other operating expenses.

Dhruv Sawhney I am not clear but you could take it with our CFO offline.

Nikhil Sawhney This is part of the reported statements.

Nikhil Soni Yeah, in the quarterly statement the operating expense has come down to ₹ 12.4 crore from ₹ 18 crore in the second quarter?

Dhruv Sawhney Would you take it offline with our CFO we will clarify this?

Mithun Soni Sure, no problem.

Moderator The next question is from the line of Charanjit Singh from Axis Capital

Charanjit Singh You mentioned that consultants are now visiting our factory, what positives come out from this in terms of getting pre-qualified with certain customers or getting stronger presence in certain regions?

Dhruv Sawhney Yes, you hit the nail on the head. Our main foray when we go to these international markets is getting them to visit India and visit our facilities. Some of them have pre-conceived notions about supply of goods from here and whether we can do a product for such a sophisticated market which is crucial to their whole setup. After they are satisfied with our facilities, R&D facilities, quality, delivery and service it is

up to them to get pre-qualified and send us enquiries. That is why it takes a while to get those credentials accepted and now when I am saying that we are taking orders from different sites in different markets, once these orders are commissioned in these countries, we expect a very substantial growth. The moment we have turbines operating, the whole perception changes in that country towards us.

- Charanjit Singh** When do we see that turning point in terms of turbines?
- Dhruv Sawhney** FY15 we have good orders in hand. For my vision, in FY16 and FY17 we can see some extremely rapid growth. Coupled with that in FY16 and FY17 if we expect the Indian market to go back to something like where it was in FY9 or FY10, we will be a hugely different Company. And we have the capacities and facilities for expansion at a very low cost.
- Charanjit Singh** Which regions will we see this growth post these pre-qualification requirements getting closed?
- Nikhil Sawhney** We have enquiries and we have quoted in over 71 countries. That is around the globe, it is not specific. Our attempts are to capture presence and dominance in certain markets and sectors and we have the strategy to do that. It is to have the greatest chance of success in sale of turbines in the quickest time possible.
- Charanjit Singh** Everyone is talking about entering in to the services business in the overseas market and there will be the players who would have supplied turbines in those markets and they would like to service those machines. What will be the trigger for Triveni Turbine to get those orders in terms of the Aftermarket service? What is the value proposition which we are bringing on board?
- Nikhil Sawhney** No, the clients only buy from OEMs, they do not buy from others.
- Charanjit Singh** For the Aftermarket services?
- Nikhil Sawhney** The spares are only bought from OEMs. If OEMs cannot provide a viable robust offering other people may come in.
- Charanjit Singh** What will be the terms in these service, do we have to show efficiency improvements?
- Dhruv Sawhney** What you are talking about is different. That is the refurbishment and that is different from that.
- Nikhil Sawhney** That only comes where the product is quite matured and quite old.
- Dhruv Sawhney** Though we are doing more here and we have just started overseas. We are more on the products and spare parts.
- Charanjit Singh** How do we see products and spare parts business going ahead?
- Dhruv Sawhney** We are expecting good growth in FY15 based on our performance of order intake in Q3 rolling onto Q4.
- Charanjit Singh** What kind of margin uptick can we see in FY16 and F17 when significantly ramp up starts happening?

- Dhruv Sawhney** It is difficult to say on the margin side but you will definitely have a substantial increase in the total bottom-line and top-line.
- Moderator** The next question is from the line of Divyata Dalal from East India Securities
- Divyata Dalal** What would be the order enquiry in terms of MW in export markets?
- Dhruv Sawhney** It is much stable. It is not a very big jump but we are having the same enquiry rate as last quarter.
- Divyata Dalal** You stated that the domestic market size would be similar in Q4. What is the outlook in export market for Q4, will deliveries pick up in export market?
- Nikhil Sawhney** From the order placement side we are optimistic about Q4 as well. January has been decent till now but we obviously have to see how the quarter ends. We will be able to speak more about it after the quarter.
- Moderator** Thank you participants. That was the last question. I now hand the floor back to the management of Triveni Turbines for closing comments. Thank you and over to you.
- Dhruv Sawhney** Thank you very much everybody for this Q3 conference call. As I said in my opening remarks we are happy that Q3 has met our expectations in terms of a substantial improvement over what happened in the first half of the year and we are obviously looking forward to an increase in our top and bottom-line markets in FY15 and we do feel that the Company is on a very solid growth trajectory with its breakthroughs in the joint venture markets internationally and in India and with our new technologic developments in the domestic market. So while FY14 has not been quite up to our expectations, we find that we will be looking forward to a good growth in FY15 in turnover and profits.
- Moderator** Thank you, sir. Ladies and gentlemen on behalf of Triveni Turbine Limited that concludes this conference call. Thank you for joining us, you may now disconnect your lines.