Q&A WITH THE VICE CHAIRMAN & MANAGING DIRECTOR

Nikhil Sawhney
Vice Chairman & MD

Q How would you rate the Company's performance for the year under review?

A We are happy with the current year's performance, especially considering the muted domestic market for steam turbines under 30 MW size, and also the geo-political uncertainties in many of our global markets, particularly in Europe. In the Indian market, the demonetisation also hit the business to some extent. Yet, we have continued to receive orders from our key segments, namely Sugar Co-generation, Process Co-generation and Metals. We have, in fact, closed the year with a strong carry-forward order book and a healthy pipeline of enquiries. The exports market also witnessed a slowdown, though the order booking in the renewable segment and Oil & Gas segment has provided a boost to the business. Also, with the aftermarket sales, which continue to show an upward trend, and through our focused diversification across segments and geographies, we have managed to moderate ourselves from the external turbulence. Our foray into the Oil & Gas segment in the Middle East has opened new avenue for future growth. In terms of financial numbers on a consolidated basis, we have reported net income from operations at ₹ 7.45 billion – a growth of 4%, with PAT at ₹ 1.24 billion, marking a growth of 9% with a strong margin of 17%. We have ended the year with a strong order book of ₹ 6.32 billion and an extremely robust global enquiry pipeline of 6.6 GW which we expect to translate into concrete orders over the next few months and quarters.

Q Can you list out the major strengths that have helped the Company's growth in the past and the key growth drivers for the Company, going forward?

A The innovative thrust of the Company with its customer-centric service orientation is in my opinion, the major propellers of our growth. Our focus on delivering customised solutions has enabled us to remain on the growth track even in an adverse external environment. And this has been possible because of our robust Design & Development programme, which is backed by a committed and empowered team to steer the Company's customer-focused growth plans. Our high-end manufacturing facilities are also a key strength we have developed over the years to enable us to cater seamlessly to our customer needs within and outside India. The focus on maintaining International quality benchmarks for our products and competitive cost which we sustain at our plants, also makes significant contribution in retaining existing customers and securing new ones. Our design capabilities are geared for product diversification, which enables us to address the dynamic industrial power generation market. Other engines of our growth include a robust supply chain management system, cost control, quality, timely delivery, working capital management, and overall consistency and transparency in all our business operations.

Q Please elaborate on the Company's growth plans for the coming year, with special focus on opportunities in India and other countries, and the Company's preparedness to capitalise on them.

A With economic activity projected to pick up during 2017 and 2018, particularly in the emerging markets and developing economies, our outlook for the coming financial year is quite optimistic. Even advanced economies are expected to post moderate recovery in the coming year. With our strategic exports plan already in place, we find the opportunity matrix extremely encouraging and shall continue to take our diversification strategy forward, particularly in the international markets, in terms of both geographies and products. Our ability to deliver quality products aligned to client needs positions us ideally to leverage the opportunities that we see ahead. I am confident of more business coming in for the Company from our focus markets, not just in Europe but also the Middle East as well as South Asia, parts of Africa and Latin America, where we are fast expanding our footprint. Our strong carry-forward enquiry pipeline gives us the confidence and we expect order booking to be robust during FY 18, not just in export markets but also some of the sectors that are witnessing revival in the domestic market. Another area of growth is the high-margin Aftermarket business, which continues to boost the Company's business in the regions of its presence.

Q How would you rate the performance of the subsidiary Company, GE Triveni Limited, and what are the strategies for the same in the coming years?

A Record profit and orders on hand are the key takeaways of the business of GE Triveni during the year under review. The subsidiary has reported several breakthrough achievements during the year, the most notable being a large, over 80 MW, turbine order, that has been secured in collaboration with GE Power. One of the orders came through the competitive market of China, underlining GE Triveni's growing brand reputation. The three international turbines – in the Philippines, Vietnam and Indonesia, which are under various stages of commissioning has been another landmark success for the subsidiary Company. GETL is also looking at getting some orders in the domestic market, particularly from the sugar and process co-generation segments. With an encouraging enquiry and order pipeline from the international market, the outlook for GE Triveni is extremely positive. During FY 17, the JV has reported sales of ₹ 1.21 billion, with a net profit of ₹ 102 million. The order intake for the Company during the year is at ₹ 1.66 billion.

Q What would you like to communicate to the shareholders and investors about your outlook for the Company for the next 5 years?

A The potential for scaling up business, particularly in the international markets, is huge. Our concentration on the aftermarket business is likely to give a strong impetus to growth, led by our service centres in Europe, the Middle East, Southeast Asia and SADC region. We also see GE Triveni contributing to our growth. In terms of segmental growth, I see the oil and gas sector, which we forayed into during FY 17, emerging as a potential lever to help us qualify for doing business with all major oil producing countries. This is a market that we hope to harness in a big way in FY 18 and beyond. What makes this segment really attractive is that it is a high margin segment, with limited competition. Going forward, we are confident that the investment climate in the country is set to improve in the coming years which should result in increased capital expenditure. Even currently, we are seeing some good traction in the sugar sector, which could be a source of additional business. The revival of the domestic market is imminent given the focus and various measures being initiated by the Government to inject the stimuli needed to give a fillip to the economy. Given this scenario, I am confident that TTL will continue to enhance its value proposition for its stakeholders, year on year, just as it has been doing in the past.