FINANCIAL REVIEW

The financial results of the Company for the Financial Year 2016-17 compared with the previous year are summarised hereunder:

(₹ in Million)

Description	FY 17	FY 16	Change %
Income from operations (gross)	7,537.2	7,351.0	2.5
Other Income	285.7	215.0	32.9
EBITDA	1,917.4	1,785.5	7.4
EBITDA Margin	25.4%	24.3%	
Depreciation & Amortisation	148.0	152.7	-3.1
PBIT	1,769.4	1,632.8	8.4
PBIT Margin	23.5%	22.2%	
Finance Cost	3.3	3.4	-2.9
PBT	1,766.1	1,629.4	8.4
PBT Margin	23.4%	22.2%	
PAT	1,161.9	1,089.7	6.6
PAT Margin	15.4%	14.8%	
Other Comprehensive Income (net of Tax)	-13.0	2.5	
Total Comprehensive Income	1,148.8	1,092.2	5.2

Applicable Accounting Standards and their impact

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013 and other relevant provisions of the Act. The said Accounting Standards became applicable to the Company with effect from 01.04.2016 with date of transition to Ind AS being April 1, 2015. Based on the revised Accounting Standards, comparative figures of FY 16 have been restated and the Balance Sheet has been compared with the restated position as on 31.03.2016 and 31.03.2015.

The revised Accounting Standards (Ind AS) have not materially affected the financial position of the Company, except due to change in accounting of foreign exchange forward contracts (derivative contract), as could be observed from Note 48 to the Standalone Financial Statements in which reconciliation of profit and equity between previous GAAP and Ind AS has been provided for the Financial Year 2015-16. Adoption of Ind AS has affected financial statements in respect of the following major areas:

1. Under the previous GAAP, the current investments were valued at lower of cost or market value whereas under Ind AS, these financial assets have been fair valued and the change in value has been recognised in profit or loss.

2. Under Ind AS, apart from specific provisioning in major cases, the Company is required to apply expected credit loss model for recognising the allowance for doubtful debts.

3. Under Ind AS, spares, patterns and tools etc, having life of more than one year, comply with the definition of property, plant and equipment (PPE) if these are not in the nature of consumables or regular repair items. In accordance with the aforesaid principles, the item of spares, patterns and tools, which qualify under the definition of PPE, have been capitalised and depreciated based upon their estimated useful lives. Under previous GAAP, these were accounted under inventories and only patterns and tools were amortised over the period of their useful lives.

4. Under the previous GAAP, in respect of foreign exchange forward contracts (forward contracts) relating to firm commitments or highly probable forecast transactions, provision was made for mark to mark losses, if any at the balance sheet date and gains, if any, were not recognised till settlement. Forward contracts (not relating to firm commitments or highly probable forecast transactions and not intended for trading or speculative purposes) were translated at the balance sheet date and any gain or loss on translation or settlement was recognised in profit or loss. Further, the premium or discount on such forward contracts was amortised as expense or income over the life of the contracts. Under Ind AS, all derivatives, including forward contracts, are initially recognised at fair value at the inception date and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

5. Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty whereas under Ind AS, such revenue is presented inclusive of excise duty and the excise duty paid is presented on the face of the profit or loss as part of expenses.

6. Under Ind AS, in respect of Defined Benefit Plans, re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur directly in Other Comprehensive Income (OCI). They are included in retained earnings in the statement of changes in equity and in the Balance sheet. There was no concept of OCI in the previous GAAP

7. Under the previous GAAP, deferred tax accounting was done using income approach whereas Ind AS requires accounting for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

8. Under the previous GAAP, final dividend on equity shares, recommended by the Board of directors after the end of the reporting period but before the financial statements were approved for issue, was recognised in the financial statements as a liability. Under Ind AS, such dividends are recognised only when approved by members in a general meeting.

9. As per the previous GAAP, the results of a subsidiary (GE Triveni Limited) were being consolidated whereas under Ind AS, the said subsidiary has been considered as a jointly controlled entity and accordingly accounted by using equity method while preparing consolidated financial statements.

Performance

Business conditions had been challenging during the year in view of the sluggish domestic market, impact of demonetisation, global macro economic factors, including uncertainties on account of Brexit, which resulted in delayed finalisation of orders. Despite these odds, it is a matter of satisfaction that Revenue from income operations (gross) has increased by 2.5%.

Geographical composition of Net Sales

	Domestic Sales		Export Sales	
	% of Total Sales	₹ Million	% of Total Sales	₹ Million
FY 17	48%	3,531	52%	3,796
FY 16	64%	4,548	36%	2,537
FY 15	58%	3,611	42%	2,644

The quantum of exports, which is steadily increasing, well indicates that the Company has considerably globalised its operations. The strategy of the Company is two-fold – to enter newer markets for market expansion and to have market visibility and customer confidence for its products and services. The Company intends to achieve this objective through its network of foreign subsidiaries and offices and by being close to customers to showcase its capabilities and to gain their confidence. While there is an encouraging potential for export business, the domestic market can also provide incremental business upon resumption of growth in the capital goods industry. The Government is taking all measures to spur growth in the industrial sector which augurs well for the Company's business.

Income from operations (gross) has increased by 2.5% during the year

Aftermarket Business

	Sales (in ₹ Million)	% to Net Sales	Export Component %
FY 17	1,661	23%	35%
FY 16	1,532	22%	34%
FY 15	1,438	23%	31%

It is also the objective of the Company to increase the quantum and proportion of the high margin aftermarket business. Refurbishment of turbines is a focus area and it offers enormous potential for growth. These trends indicate that the Company is well on its way to improve the proportion and has made an effective entry in the export market.

Profitability

During the year, the Company has been able to maintain/ improve all its profitability ratios. It has been made possible due to stringent cost control, higher productivity and value engineering. Increase in Other Income by 33% is primarily due to gains from hedging activities. It is the policy of the Company to substantially hedge the exports exposures with a view to protect the benchmark costing rates and to capture the forward premium so as to improve margins. As hedging margins are considered while quoting to customers, the Company treats such gains as a part of the operating revenue.

Expenses

Raw Material Consumption

(₹ in Million)

Description	FY 17	FY 16	Change %
Raw material consumption and Change in inventory	3,898.2	3,994.3	-2.4
Percentage of sales	51.7%	54.3%	

The Raw material consumption as a percentage to Revenues has improved by 260 basis points, due to higher proportion of high margin export sales and aftermarket business. Further, a series of strategic supply chain initiatives has also helped in the reduction of raw material cost. The long term relationships with vendors, sub contractors and other business partners and their efforts to improve their process of manufacture and control on wastages and rejections, help in rationalising the overall landed cost of raw materials and components. Continual value engineering programmes and development of new cost efficient turbines contributed towards reduction of cost.

Personnel cost, Other Expenses and Depreciation

(₹ in Million)

Description	FY 17	FY 16	Change %
Personnel cost	742.5	635.8	16.8
% to Total Sales	9.9%	8.6%	
Other Expenses	1,048.7	891.4	17.6
% to Total Sales	13.9%	12.1%	
Depreciation & Amortisation	148.0	152.7	-3.1
% to Total Sales	2.0%	2.1%	

Personnel Cost

The increase in personnel cost comprises annual salary increase and additional manpower resources to meet globalisation efforts in sales and marketing as well as in other functional areas to support the overall offerings.

Other Expenses

This comprises Manufacturing expenses, Administrative expenses and Selling expenses. The increase is mainly attributed to expenses incidental to increased exports, increased travel and marketing efforts and to support marketing efforts of the foreign subsidiaries.

Depreciation and Amortisation

There was no significant change in depreciation and amortisation during the year as the major addition to Property Plant and Equipment happened only towards the close of the financial year.

Balance Sheet

Major items, including where significant changes have taken place during the year are being explained hereunder:

Non Current Assets

Property, Plant and Equipment (PPE), Capital work in progress & Intangible assets

PPE is the main component of Non-current assets. The setting up of a new state of the art manufacturing plant at Sompura near Bengaluru has increased the gross block of fixed assets by ₹ 1,068.7 million during the year. The first phase of construction is over and manufacturing at the new plant had started in December 2016, The second phase of construction is under progress and Capital work-in-progress relates to the second phase.

Further, in order to keep pace with the digital advancement, the Company has upgraded its ERP platform to the latest version, which enables faster data processing, data mobility, analytical tools and is fully GST compliant. Further, implementation of upgraded PLM for design and manufacturing, advancement of CRM software and proposed remote monitoring and IOT led to increase in the gross value of tangible and intangible assets.

Non- current Investment

There is no further investment in subsidiaries or joint venture during the year.

Financial Assets

This mainly consists of trade receivables in respect of revenue from license of technical knowhow which is not receivable within 12 months.

Other non- current Assets

This comprises of Capital Advances paid to vendors and contractors towards on-going construction of the second phase of Somapura plant and pending claims for VAT refund which are expected to received beyond 12 months.

Current Assets

Inventories

The inventory has marginally declined due to reduction in finished goods. Necessary allowances are provided for the slow moving inventories.

Financial Assets

The current financial assets majorly comprise trade receivables and cash and cash equivalents. All trade receivables are good and recoverable and export receivables are mostly backed by LC. Apart from specific provisions, an allowance towards expected credit loss has also been made against trade receivables.

Other Current assets

The major component are claims for VAT refund and Export benefit recoverable as per various schemes of Foreign Trade Policy, which are expected to be received within 12 months. Apart from this, Advance paid to vendors for supply of material and components for use in manufacturing are also grouped under this sub head.

Equity

There is no change in equity share capital of the Company during the year. As a result of accretion of profit during the year to the retained earnings, the net worth has increased by 32.5% to ₹ 3,957 million.

Non Current Liabilities

These mainly comprise deferred tax liabilities (net) and certain provisions towards employee benefits and warranty etc.

Current Liabilities

These mainly comprise of trade payable and advances from customer. There have not been any short term borrowings at the yearend in view of comfortable liquidity position.

Consolidated Financial Statements

Consolidated financial statements have been prepared consolidating the results of a wholly owned subsidiary, Triveni Turbines Europe Pvt. Ltd. (TTEPL) and a step down subsidiary, Triveni Turbines DMCC (TTDMCC). Further, the Company has a subsidiary Company GE Triveni Ltd. (GETL) which, in accordance with Ind AS, has been considered as a joint venture and accordingly the said joint venture is accounted by using equity method for preparation of consolidated financial statements.

Headline figures for consolidated financial statements duly compared with standalone are provided here under:

(₹ in Million)

		Financial Statements	
		Consolidated	**Standalone**
1	Revenue from operations (gross)	**7,655.7**	**7,537.2**
2	Profit before tax	**1,802.5**	**1,766.1**
3	Share of income of joint venture	**43.5**	**-**
4	Profit after tax	**1,235.5**	**1,161.9**