Financial Review

The financial results of the Company for the financial year 2018-19, compared with the previous year, are summarised hereunder:

(₹ in Million)

Description	FY 19	FY 18	Change %
Revenue from operations (gross)	**8,287.9**	7,431.4	11.5
Other Income	**161.8**	88.0	83.9
EBITDA	**1,569.2**	1,656.4	(5.3)
EBITDA Margin	**18.9%**	22.3%	
Depreciation & Amortisation	**201.0**	191.1	5.2
PBIT	**1,368.2**	1,465.3	(6.6)
PBIT Margin	**16.5%**	19.7%	
Finance Cost	**11.2**	5.3	111.3
PBT	**1,357.0**	1,460.0	(7.1)
PBT Margin	**16.4%**	19.6%	
PAT	**875.4**	982.3	(10.9)
PAT Margin	**10.6%**	13.2%	
Other Comprehensive Income (net of Tax)	**44.0**	-1.2	3766
Total Comprehensive Income	**919.4**	981.1	(6.3)

The aforesaid summarised financial results are based on the standalone financial statements which have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

During the year, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the modified retrospective approach. The provision of new standard requires recognition of revenue at transaction price, net of variable consideration which was earlier accounted as expense. There is no material impact on the financial result as a result of this adoption.

Financial Performance

During the year, the Company achieved a significant milestone in terms of growth in turnover. The order intake and orders in hand have also improved compared to the previous year. However, in terms of profitability, the performance is lower than previous year in view of initial and one-time development costs incurred towards new products with improved performance and efficiency, mainly during the second half of the year. However, the Company has multiple levels to control and contain such costs and remedial action in this respect has been initiated.

The working capital of the Company improved, compared to the previous year, as a result of which liquidity was comfortable. The Company also undertook Buyback of its equity shares during the year for an aggregate amount of ₹ 1,000 million, under which 2.02% equity shares were bought back at a price of ₹ 150 per equity share of face value of ₹ 1/- each. The Company continues to remain debt-free, barring some instances of availment of working capital borrowings for a short period of time.

Revenue from Operations

The Company achieved its highest revenue during the year with a healthy growth of 11.5% over the previous year. The growth has been achieved in Product as well as in Aftermarket Sales segment as shown below:

(₹ in Million)

Description	FY 19	FY 18	Change %
Product Sales	**6,307.7**	5,543.3	13.8
% to Total Sales	**76.1%**	74.6%	
Aftermarket Sales	**1,980.2**	1,888.1	4.9
% to Total Sales	**23.9%**	25.4%	
Total Sales	**8,287.9**	7,431.4	11.5

With a view to achieving geographical diversification of revenue, the Company successfully improved its International business, leading to increase in Exports. The growth achieved in Domestic and Exports is shown in the table below:

(₹ in Million)

Description	FY 19	FY 18	Change %
Export	**3,827.9**	3,268.6	17.1
% to Total Sales	**46.2%**	44.0%	
Domestic	**4,460.0**	4,162.8	7.1
% to Total Sales	**53.8%**	56.0%	
Total Sales	**8,287.9**	7,431.4	11.5

As can be observed from the above tables, increase in Revenue from Operations has taken place due to improved performance of all business verticals and despite challenging market conditions. Based on present orders under execution and enquiry pipeline, the Company expects that the growth in revenues is sustainable in coming years.

Other Income

Other Income has increased by 83.9% over the previous year. The increase is due to combined results of following: a) Increase in income from current investments of surplus funds, and b) Increase in gains as a result of MTM of derivatives not qualified for hedge accounting.

Expenses

Raw Material consumption

(₹ in Million)

Description	FY 19	FY 18	Change %
Raw material consumption and change in inventories	**4,656.6**	3,853.6	20.8
Percentage of sales	**56.2%**	51.9%	

Increase in Raw Material cost by 20.8% over previous year is mainly due to increase in sales by 11.5%. Further, the raw material cost has been impacted as certain product development costs were incurred during the year on selected range of newly developed turbines with improved efficiency and performance. The introduction of such turbines was in accordance with the Company's business strategic plan to effectively compete, for future sustainable growth, and to meet customer requirements and expectations. After successful development of products competing with the benchmark efficiencies, these development costs will be controlled and contained to preserve normal margins.

Personnel Cost, Other Expenses and Depreciation

(₹ in Million)

Description	FY 19	FY 18	Change %
Employee Cost	**911.7**	796.2	14.5
% to Total Sales	**11.0%**	10.7%	
Other Expenses	**1,307.8**	1,186.1	10.3
% to Total Sales	**15.8%**	16.0%	
Depreciation & Amortisation	**201.0**	191.1	5.2
% to Total Sales	**2.4%**	2.6%	

Employee Cost

During the year, the Company rationalised the employee remuneration structure in accordance with prevailing industry-best practices. Accordingly, annual increments were enhanced to align with the market conditions and to retain talent. This has led to increase in cost by 14.5%. There is no major variation in manpower strength compared to previous year.

Other Expenses

Other expenses include manufacturing expenses, administrative expenses and selling expenses. Manufacturing expenses such as Store, Spares and Tools consumed and Power & Fuel etc. are semi-variable in nature. The increase in manufacturing cost is commensurate with increase in production by ~15%. There is no significant variation in Administrative cost. Selling expenses are higher in view of increased volume of export sales.

Depreciation and Amortisation

Increase in deprecation by 5.2% over previous year is due to capitalisation of High Speed Balancing machine in Somapura. No other major asset has been capitalised.

Balance Sheet

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

Share Capital and Equity

During the year, the Company concluded Buyback of equity shares for an amount of ₹ 1,000 million. Accordingly, equity share capital has reduced by ₹ 6.67 million (corresponding to 6.67 million shares bought back) and equity has been adjusted with ₹ 1,006.15 million (including transaction expenses of ₹ 12.82 million)

Non-Current Assets

Property, Plant and Equipment (PPE), Capital Work-in-Progress & Intangible Assets

There is no major investment in plant and machinery or civil work made during the year. The 1st Phase investment in new Somapura manufacturing facility was over in FY 18, except High Speed Balancing Machine which has been capitalised during the year. Capital work-in-progress includes extension of a civil structure work in Somapura plant to provide enhanced facility of testing of turbines. This will be completed by the first quarter of next year.

Non-Current Investment

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

Current Assets

Inventories

Total inventories have increased by ₹ 360.4 million over the previous year – a) On account of finished goods for ₹ 203.7 million which will be despatched in the first quarter of the next financial year; and b) increase in work-in-progress by ₹ 207.8 million due to increase in manufacturing activities and these relate to despatches planned in the first half of 2019-20. The work-in-progress is linked to the production and sale programme of the subsequent period.

Trade Receivables

Despite increase in revenue from operation by 11.5%, current trade receivables have decreased by ₹ 330.3 million over the previous year due to improved management of working capital and aggressive collection drive. About 33% of Trade receivables are secured against Letter of Credit and about 29% are contractually not due.

Non-current trade receivables, however, remain at same level as the previous year. Such amount is contractually not due for collection in the next 12 months.

Other Financial Assets

Other financials assets have increased by ₹ 115.9 million over the previous year. The major component of other financial assets is recoverable MTM gain of ₹ 100.8 million on derivatives financial instruments. The significant part of corresponding credit is lying in Cash Flow Hedge Reserve under Other Equity, which will be transferred to Profit & Loss account when the related revenue will be recognised, in compliance with hedge accounting policy of the Company.

Other Current Assets

Other current assets have decreased by ₹ 362.8 million over the previous year. Decrease in other current assets is mainly due to refund of unutilised GST input tax credit of ₹ 350.0 million received from GST authorities. Unutilised GST credit had arisen on export transactions. All other items under this head, including Export Incentive receivables from DGFT and advance paid to vendors etc., are normal in nature and fully recoverable.

Non-Current Liabilities

These mainly comprise deferred tax liabilities (net), long-term provisions towards employee benefits, warranty etc. which are made in normal course of business.

Current Liabilities

Current liabilities mainly consist of trade payable for purchase of goods and services, and advances from customers. Trade payable has decreased to ₹ 1,188.1 million from ₹ 1,447.7 million in view of reduction of purchases, particularly in the second half of the year, in a planned manner to bring down inventories and to improve working capital cycle.

The other major components of Current Liability are advances from customers, which have increased by ₹ 294.8 million. This increase is commensurate with the increase in Orders in hand. Customer Advances are disclosed under Other Current Liabilities.

Consolidated Financial Statements

Consolidated financial statements have been prepared consolidating the results of a wholly-owned foreign subsidiary, Triveni Turbines Europe Pvt. Ltd. (TTEPL), UK and the step down subsidiaries, Triveni Turbines DMCC (TTDMCC), Dubai and Triveni Turbines Africa (Pty) Ltd (TTAPL), wholly-owned subsidiary of TTDMCC. The Consolidated Financial Statements are made by combining financial statements of the Parent and the subsidiaries line by line, complying with the relevant provisions of Ind AS. In addition, the Company has a domestic subsidiary company, namely GE Triveni Ltd. (GETL) which, in accordance with Ind AS, been considered as a Joint Venture and accordingly accounted for by using equity method for preparation of consolidated financial statements.

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

(₹ in Million)

		Financial Statements	
		Consolidated	**Standalone**
1	Revenue from operations (gross)	8,399.9	8,287.9
2	Profit before tax	1,462.1	1,357.0
3	Share of income of joint venture	31.7	-
4	Profit after tax	1,002.3	875.4
5.	Total comprehensive income	1,044.2	919.4

Risk Management and Internal Financial Control System

The Company's risk management framework is aligned with ISO 31000. Enterprise Risk Management (ERM) System of the Company supports the organisation's objectives by addressing the full spectrum of its risks and managing the impact of those risks individually or combined as an inter-related risk portfolio. The ERM system aims to develop a 'Risk intelligent culture' within the Company to encourage risk informed business decision-making, as well as resilience to adverse environment, and to create awareness of opportunities in order to enhance the long-term stakeholder value.

The Risk Management Policy is the core of the ERM System, and is reviewed and approved by the Board. The risk management culture has grown and developed in line with the Company's core objectives, and on account of it being aware and cautious about opportunities and threats. This Policy provides guidance for the management of the different business risks, encompassing the strategic risks, emerging risks & operational Risks across the organisation. It focusses on ensuring that the risks are identified, evaluated and treated within a given time frame on a regular basis.

The Risk Management Policy lays down guiding principles, policies, a risk organisation structure and MIS, incorporating the requirements of Corporate Governance, as well as some of the industry-best practices in order to manage risks. Pursuant to this policy, the Company presents an enterprise-wise approach to ensure that key aspects of risks that have an enterprise-wise impact are considered and contained in its conduct of business. This policy document also serves as a guideline for respective components of risks which have a common resonance across the Company.

Market risk, specially in the international space, and risk of technology obsolesces, including technology disruption, are perceived as major risks. In order to counter these, the Company has developed/is developing a range of enhanced efficient model turbines with optimal cost structure which will add value to the customer. Further, the Company is planning digital transformation to keep pace with emerging technology.

In addition, the Company is responsible for designing and implementation of sound Internal Financial Controls over Financial Reporting. The Company has laid down such procedure and periodically assesses its operational effectiveness by conducting reviews of various Risk Control Matrices. The Control System, and review thereof, provides reasonable assurance that the conduct of the business is operating in an orderly and efficient manner, including adherence to Company's policies, safeguarding assets, and prevention and detection of frauds and errors, if any, as well as accuracy and completeness of accounting records and timely preparation of financial information.