Q&A with Vice Chairman & MD

Nikhil Sawhney

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Q Given that the theme of this report is centred on 'challenging the now', what would you describe as the major challenges faced by the Company during the year?

Overall, the market is getting more competitive and demanding, both domestically and internationally. The sectoral demand for turbines is becoming more complex and challenging, particularly with the increasing expectations of customers for higher efficiency at competitive cost.

It is a challenge to stay ahead of the curve in consolidating our presence in existing sectors, such as renewable power, waste-to-energy etc. Also, the specific requirements of businesses are different across regions. The demands and expectations of domestic players are different and distinct from those of international companies in terms of specifications, designs, efficiencies, cutting-edge technology etc. Naturally, this adds to the challenge that we need to address through our innovation-led customer-centric business model.

This, I think, is the biggest challenge as we need to develop a flexible and nimble organisation which is adaptable to changing market dynamics and customer requirements and is capable of moving towards scaling our present capabilities to the next-gen needs for highly customised products, solutions and services. But I am happy to say that with our domain expertise, deep understanding of customer needs and high-end capabilities in terms of R&D, manufacturing prowess, motivated and trained human resources, streamlined processes & systems, as well as our strong quality focus, we are not only keeping pace with the transforming needs of diverse customers but actually exceeding their expectations.

Q Does the financial and operational performance endorse your success in combating those challenges and moving forward towards building the next-level enterprise?

Yes, we have had a satisfying year in terms of our overall performance, including introduction of highly efficient turbine variants. We have performed well in terms of order booking with a marginal growth.

Despite challenging business conditions, including uncertainties due to Brexit and trade disputes, we have done well by achieving 11.5% growth in turnover and 4.4% increase in PAT in our consolidated financial statements. Our profitability was impacted due to one-time development cost including testing facility and we have put all our levers into action to contain the costs. The total order intake grew by 3% to ₹ 8,540 million - Order inflow in the domestic market has shown a 7% increase and product order booking in the domestic sector has been 13% higher over the previous year whereas the international booking has remained at the same level.

In the aftermarket segment, too, we have witnessed good performance, underlined by 13% growth in order booking over FY 18. The total aftermarket sales has gone up by 7%. The aftermarket contribution to total sale is 24%, almost at the same level as in the previous year. Our endeavour is to keep on increasing the aftermarket proportion by cementing our position as a reliable service provider with quick turnaround leveraging our capabilities as the OEM.

The mix of exports in total sales went up from 44% in the previous year to 46% in the current year.

We have also had a successful buyback of ₹ 1 billion, and all the shares which were bought back have been extinguished.

The positive feedback from our customers validates our strategy and inspires us to further improve upon and be responsive to the needs of our customers through innovation and extensive use of technology, and by strengthening our existing portfolio and investing in new products and solutions to address the diverse needs of new business segments and geographies. It gives us the confidence that we are on the right strategic path of expansion and progress for the Company and all our customers, who have faith in our ability to deliver to their needs for efficiency-led growth.

Q Which were the sectors showing maximum traction for your Company and how do you see these segments shaping up in the coming quarters?

The order book for FY 19 is quite well diversified, covering a broad spectrum of operations across all the major end-user segments such as Distillery, Waste-to-energy applications, Cement industry, Food, Chemical, Paper, Steel and Sugar co-generation etc., in the domestic market.

In the international market, the product order intake has been mainly from the Renewable segments, such as MSW incineration, Biomass IPP and Sugar co-generation. As per the international data available with us, TTL has emerged as a global leader in the supplies of steam turbines in the smaller range for the Biomass segment – a feat we are proud to own, and which gives us good reason for much optimism on our next-level growth plans. The Company has currently orders and installations from over 70 countries in this segment and will be focussing on new markets in the coming years. We have also entered into some other fast-growing segments in the global market, such as Combined Cycle, Oil & Gas etc., which are witnessing strong positivity in many countries. Paper, palm oil, process co-generation etc. are also continuing to push our growth in the international arena.

In the domestic sector, we see the current trends to continue in the immediate future, as Government policies within India continue to be focussed on increased investments in Distillery and Waste-to-energy applications for Cement industry. The Cement sector is seeing significant growth which augurs well for the Company, with its stronghold on manufacturing of suitable turbines for this segment. Further, with the Government's growing focus on ethanol blending programme, a significant number of projects have been launched for setting up of new distilleries, which we see translating into more business in this sector. However, there is not much waste-heat recovery market pick-up in Steel and Sponge Iron at the moment.

In the international market, we feel the demand from the Renewables would continue to grow for the time being, as more and more countries look towards optimising energy utilisation from traditional sources in favour of more environment-friendly options. Oil and Gas is another segment we are looking at penetrating more deeply, given the potential for expansion there.

What were the Company's strengths that enabled it to leverage opportunities in these sectors?

Innovation, coupled with domain expertise, are the key drivers for our growth strategy. Our state-of-the-art manufacturing facilities, with their high quality quotient, are also propelling our opportunity-led sector-agnostic growth.

Our value proposition for the customers is rooted in our deep understanding of their needs, not just in terms of products and solutions but also spares, service and refurbishments. The significant increase in our aftermarket customer base in the international market validates this value proposition.

Our ability to deliver to their unique requirements, which we are continuously sharpening through focussed investment in design & development and regular plant upgradations, is the biggest strength enabling our strategic focus to innovate bespoke solutions to meet challenging and complexities of customer needs across sectors. The low-cost efficiencies we are able to provide to our customers further augments the strength of our business model, driving long-term sustainability in terms of growth and profitability.

What is your strategy for the future and how do you plan to take it forward successfully?

We are looking at another strong year ahead in terms of the overall performance of the Company. Our carry forward order book and robust enquiry pipeline give us good reason for optimism, along with our increasing focus on exports and aftermarket businesses, both of which are showing considerable traction. We are also seeing signs of positive results on account of our market penetration into new geographies that promise a more exciting and attractive platform for our next-level growth. This geographical diversification also helps mitigate market volatility and risks to a significant extent by evenly spreading our order book – thus endorsing our ability to challenge the Now effectively and efficaciously.

In the domestic market, the current trend should continue in order finalisation in the near future. We have a good pipeline of enquiries spread across process co-generation, sugar co-generation, which augurs well for the Company's growth in the coming quarters.

Aftermarket, especially exports, is another area that we are looking to bolster our business growth in the next few quarters.

Our innovation edge, of course, will continue to power our growth strategy, going forward, as our dedicated Design and Development team will continue to strengthen our technology prowess to facilitate continuous improvement in product efficiency and cost competitiveness. We are currently in the process of developing new generation blades, profiles and modules, which will support our progression from Now to Next more powerfully than before. Our IPR portfolio is also getting consistently enhanced, indicating a massive enhancement in our innovation capabilities.

Overall, we expect FY 20 to be better than FY 19, in terms of reach and growth, enabling us to maintain our leadership in the Indian market and continuously grow our international and export markets, thus expanding our presence with better scale of operations. We are highly positive about the Company's prospects in the renewable side of steam turbines and our applications there, as far as the global market goes.

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