



Triveni Turbine Limited Q1FY13 Results

'Investor/Analyst Conference Call Transcript July 18, 2012

- Moderator** Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited's Q1 FY13 results conference call. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you sir.
- Rishab Barar** Good day, everyone, and a warm welcome to all of you participating in the Q1 FY13 results conference call of Triveni Turbine Limited. We have with us today on the call Mr. Dhruv M. Sawhney – Chairman & Managing Director and Mr. Nikhil Sawhney – Joint Managing Director, Triveni Turbine Limited along with other members of the senior management team.
- I would like to mention before we begin, that some statements made in today's discussion maybe forward-looking in nature and a statement to this effect has been included in the conference call invite which was mailed to everybody earlier. I would like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We would like to start this conference with opening remarks from the management followed by an interactive question-and-answer session, where you can discuss your views and key issues. I would now like to hand over the call to Mr. Dhruv Sawhney to share some perspectives with you with regards to the company's operations and results for the quarter under review. Over to you Mr. Sawhney.
- Dhruv M. Sawhney** Good afternoon everybody to this Q1FY13 conference call. I would like to start by making some overall comments about the last quarter and our thoughts on the future. As you have seen our income for Q1 was ₹ 1.11 billion and the profit before tax at ₹ 258 million came with a margin of 23.1%. Our PAT margin is also quite good at 15.6%, which is a 2.4% increase on a quarter-to-quarter basis. This has really been achieved in very difficult market conditions but the encouraging fact is that we have a healthy outstanding order book for products. Right now as on the 1st of July order book is at ₹ 5.48 billion which is very encouraging and it has been primarily because of the good order bookings in the 1st Quarter. We were able to get substantial orders from exports much more than we had contemplated and also from the domestic market. The uneven quarterly sales and margins figures really reflect the nature of the capital goods industry and this is something that I have shared with you in the past as well and it is something that one has to just live with.

Between quarters it depends so much on the customers' exact timing of picking up the turbines. These are large capital items and it can be in one week and in another week it goes into the next quarter, there is also a question of when the orders have been booked and those bookings also can come in to one quarter or another quarter. Order finalization especially in these tough market conditions is not something we can forecast very accurately but in the broad yearly context we feel confident of our projections.

The slowdown in the domestic market has been largely offset by higher exports and we expect that to continue for the balance part of FY13. The EBITDA margin as you see is very good at 27% at ₹ 301 million and we have an EPS not annualized of 53 paise per equity share. For the next few quarters, we expect to catch up on our quarter-to-quarter results versus last year and this gap will come down in the 2nd quarter and 3rd quarter and we expect to end the year with about a 10% increase in the turnover versus FY12, that is for FY13 and this will be backed by a sustained order booking and the preservation of our current margins. This is really because of our much sustained marketing efforts. We have put in a lot more resources into export marketing and also strengthened our coverage of the various regions and sectors in the domestic market. But one of the key factors in our success in having these margins and our order booking, is the fact that in the last 12 to 15 months we have come out with 12 new products variants to satisfy the customer and also to meet competition and as you know competition here is quite stiff from large players both in India and overseas, MNCs and others and with fairly substantial resources but we have not only been able to keep up with them but also in some cases actually bring about a better value for money to the customer and that is how we have been able to sustain our orders. We expect the efforts at both the R&D and our value engineering to continue and this will be helping us in both adapting the product further, bringing up new models, as well as cost reduction. By the end of the year, the company will be debt free and we are happy that in the project execution we are very strong, Both in the export field and domestically, our project execution has been going absolutely according to the plan. There are some cases where customers are asking us to delay a little bit so we are adjusting it and taking up other work in its place, so we are having a very flexible production program and our designs and our workshop production planning technology allows us to do this, so while you see a slightly bumpy quarter-to-quarter, in the cumulative period of the next forthcoming quarters would be having a much smoother performance versus last year and as I said earlier we expect to end the year with an increased turnover of around 10%.

Our customer care division is very strong and is well recognized as probably the best in the industry. We have substantially increased our training and development of both design and service personnel and this is one of the things that is carrying us in the international market as well. We have very little competition from the Chinese and the western turbine manufacturers are finding it very difficult to compete on service and offer the same amount of service that we are able to give. And this is a great point that we hope to capitalize on in the future in exports. Our refurbishment is going extremely well. We have been able to get some orders from the utility sector in India, although small, but it is a new sector for doing some refurbishment of their very large turbines. This is over 150-200 megawatt turbines. We are also doing some work for BHEL for their rotors. That just shows you the quality and the facilities that your company has to meet the requirements of even our competition in this line.

As far as our spares are concerned, they are on an upward trend and the same situation is on our servicing contracts. Our subsidiary company, GE Triveni Limited is expecting to book further orders in the current financial year ending 31 March, 2013. It is difficult to say exactly when but we are well placed in some contracts



which we expect to close in the next 3 to 5 months. This has been slow domestically and also internationally. It has been slower than we had contemplated but that is because of the market conditions not just in India but in the developed world and other developing nations, such as our target markets in Southeast Asia, Thailand, Indonesia and also in Africa. We are getting a very prominent position in the markets of the future such as bio-mass, waste heat, and these are sectors which are not so dependent on the economic conditions. The sectors maybe small but they are the sectors of the future and we are gaining a very prominent position. In India we are already well placed, but we are gaining a good position for this in the international sector as well, I am talking about Triveni Turbines. As far as GETL is concerned it is both in the bio-mass sector and also in the IPP sector. So it has a larger canvas internationally and as you know the market internationally for the same range of products is some 8 to 10 times of India. That, of course, is very dispersed from China to Brazil, so we are having a very targeted strategy of countries and in those countries select segments and this marketing for the JV is being done by GE by their oil and gas division and this is a tremendous support and that is why we feel that in time we will be having breakthroughs in these lines.

I would like to end by saying that your company is now quantumly moving in the patent protection line. We have greatly increased filing of IPRs which is a reflection of the maturity of our development efforts and these will accelerate in the future. So the two big points of servicing and our exports along with our R&D efforts and our value engineering efforts, expect us to do well in the year FY13 Thank you.

- Moderator** Ladies and gentlemen we will now begin the question and answer session. The first question is from Devang Patel from Avendus Capital. Please go ahead.
- Devang Patel** The domestic market last year declined by 40%. The Q1 inflows also indicated a decline in domestic orders. How much do you think that the market could shrink further and by when do you think these numbers could stabilize?
- Dhruv M. Sawhney** I do not think the market will shrink anymore from what it is. The question is when will the revival be and when will it start moving from 40% to 30% to 20% versus what it depicts at present. That is a bit slower. In some select sectors it is okay. We had a little revival in the sugar sector domestically but then drought conditions which is okay for the co-gen part, so that is alright, but we do now know how many orders there will be. The metal sector is taking a little longer to come back than we thought it was, but you know the problems of power companies generally because of the coal and other things. Fortunately for us our power plants are small so it is not like the large power projects which are completely idle because they have a lot of fuel supply problems. Here the customer is not so dependent on outside or imported fuel supply to carry out his project. And the export bookings in the last quarter have been 50% of our total bookings so that has also been quite substantial.
- Devang Patel** This municipal waste to energy is one of the focus areas. What is the share of this business in our order book currently?
- Dhruv M. Sawhney** We do not give out the exact sector-wise shares. This is competitive information, but it is growing and it is also in the international sector which is a very key encouraging sign and that is a very difficult sector to get in versus a MNC and to appreciate an Indian product coming into this sector internationally because there is a lot of visibility in this sector and the clients there have Euro incentives, so it is a growing business, if I can say that.



Devang Patel We have been doing well where exports are concerned. Can we maintain this run rate for the rest of the year?

Dhruv Sawhney Yes.

Devang Patel Is this coming from new markets or new segments?

Dhruv M. Sawhney Both.

Moderator The next question is from Renu Baid from B&K Securities. Please go ahead.

Renu Baid You mentioned in the 1st Quarter, we have seen higher inflows driven by export markets. So will it be possible for you to just throw a bit more light in terms of numbers in megawatts? How has the order inflow in the current quarter been? And within the exports which segment of the market in the user industry have you seen these order finalizations happening? And how is the outlook in terms of the order pipeline?

Dhruv M. Sawhney We do not give all this split because this is market sensitive information on a competitive basis. But I do want to help you by saying that we have had more than double our export orders from last year and almost 50% of the orders booked are from exports. We had about ₹ 67 crore of exports order booking in the 1st Quarter. In the markets this time it was from Europe mainly and then a little bit from Africa but next quarter we expect from Southeast Asia and from Africa. So the markets that we are tackling right now are selected countries in Europe, Turkey, some of the EU nations and select countries in Africa.

Renu Baid Are you essentially trying to say that probably the domestic market will still take some more time in terms of getting back with order finalization and awards? In the meanwhile do you continue to focus more on the export market?

Dhruv M. Sawhney Our strategy is not to keep relying on the revival of the domestic market. Our capacity is there, so if the domestic market picks up then we will have a higher growth.

Renu Baid But what is your sense in terms of likelihood or the timing? Will it take about another 6 to 12 months or it could take more time for the domestic market to actually revive?

Nikhil Sawhney Our visibility in our enquiry book is about 3 to 6 months. So our visibility until then is what we have talked about. Following that will depend upon multiple different factors which we really cannot comment on, which are much more macro and it really depends on the user industry, so if your analysis of the steel sector or the cement sector and as a supplier, it's difficult to comment so much on that.

Renu Baid Second question is if you could just throw some more light in terms of how is the execution in the first order GE Triveni is moving? You did mention that the order finalizations there are taking much more time than you were expecting. So how does the status look there?

Dhruv M. Sawhney That is on schedule, on time and we expect the dispatch in the current year.

Renu Baid Will it be possible on what proportion of the order we are already through with in terms of revenue booking?

Dhruv M. Sawhney These things are all done in one go. You dispatch the turbine in one. It is not the work-in-progress. The work-in-progress is in the shop.

Renu Baid Will it be possible for an outlook on GE Triveni?

Dhruv M. Sawhney I think we expect further orders to be booked in the current year for execution next year.

Renu Baid You did mention that overall you have seen better improvement in the position and you are well placed on 3 to 5 key orders.

Dhruv M. Sawhney I did not give a number, I am saying we have got a good enquiry book domestically and by the enquiry book we mean where we feel there will be closure and where we feel we are well placed in domestically and in a few places internationally, so of this we expect some to come in our favor in the current year. I cannot say the numbers.

Renu Baid I wanted some more inputs if you could share on this. You did mention that you are gaining prominence in the bio-mass in the waste heat recovery segment. So would that be a reflection of order flows getting into this segment and better products acceptance by customers for making inroads there?

Dhruv M. Sawhney Yes, exactly.

Renu Baid Is it more pertinent to domestic market or exports here as well?

Dhruv M. Sawhney Primarily exports. In the domestic market we already had that exposure. We have very high market share domestically. My comments were on the export market front where the visibility is much more important to be conceived versus western competitors.

Renu Baid Overall how is the working capital scenario been in the current quarter?

Dhruv M. Sawhney We have a negative working capital scenario and as I said we should be long-term debt free by the end of the financial year.

Moderator The next question is from Rashi Talwar from Ashmore India. Please go ahead.

Rashi Talwar I had a couple of questions on your margins. If you look at the current quarter there has been actually a drop in your employee expenses on a YOY basis. One, I wanted to understand how come that has happened, is that sustainable? And in your opening remarks you also had guided to the fact that margins will be fairly stable. Did you mean over last year or stable as of this quarter? I was a little confused.

Dhruv M. Sawhney Firstly our employee expenses as you see is not a substantial percentage of our sales. So any variations are not really significant in terms of the final bottom line results. But as far as your question on the margins and as to what I am referring, I am really referring to the current margin.

Moderator The next question is from Nirav Vasa from SBI Caps Securities. Please go ahead.

Nirav Vasa My query was related to the pricing which is happening in the industry. Are you seeing any signs of desperation from smaller players who might not have a strong

financial muscle which might be as strong as you and are becoming very desperate to get orders?

- Nikhil Sawhney** In our field because the power equipment is such a key equipment of our customer, a very large majority does not react to just anyone giving him a price because his whole project can be put at risk. So we are not finding any competition there. Ours is really the large public sector BHEL and Siemens and a very little Chinese, some Kirloskar, small, frankly domestically there are really three players.
- Nirav Vasa** Currently we have a confirmed order back log of around ₹ 550 crore. I wanted to know what is the bid pipeline that we have? If you cannot quantify in absolute terms, can you give some data in terms of number of times which the queries are in the pipeline?
- Dhruv M. Sawhney** Four times. It sounds like a very substantial number but when you have to start analyzing it, it can present a fantastically rosy picture but if you want to know the accurate figure, it is around that, that is when I say it is quite encouraging, is because of the size of that.
- Nirav Vasa** My last question, what is kind of demand that you are seeing from sugar sector specifically?
- Dhruv M. Sawhney** Good demand for co-generation.
- Nirav Vasa** Can you quantify in terms of numbers of how many turbines?
- Dhruv M. Sawhney** No, we do not like to give sector information. But I can say that for a sugar complex it is very competitive today to have an integrated project, certainly co-gen and may be distillery and co-gen. So everyone is moving because that is the best way of them having a combined ROI, the ROIs are very good for companies putting up power projects.
- Moderator** The next question is from Pranav Gokhale from Religare AMC. Please go ahead.
- Pranav Gokhale** What could be the aftermarket size which you are currently looking at? You have also highlighted in your outlook that there is about 1,372 gigawatts of thermal market. But what could be your potential aftermarket which you are looking at both domestic and international?
- Dhruv M. Sawhney** International is very difficult at the moment. It is obviously huge. So we are not in a position to estimate that from a bottom up approach except go by some published data which we do not want to keep relying on. In our selective markets where we are targeting our product supplies, that is where we are targeting aftermarket refurbishments and we are looking at that in the next year or so. We are setting up service centers overseas and putting people there because that potential is quite good We have a fairly good installed base domestically, that servicing comes to us as a matter of course and this base is growing every year quite substantially so the spares base is also going up and we are now not facing any competition from small people copying our spares. It used to be five years ago but now the customers are not risking this at all. So that is a good steady base.
- Pranav Gokhale** The reason why I am asking you is from 2006-2012 the CAGR has been 27% in this business but last two years CAGR has been just about 9-10%. So just wanted to understand has this to do that you have reached a particular size domestically

and you are looking at markets outside or you still have a significant chunk to look at in the domestic market itself in the after sales business?

- Dhruv M. Sawhney** The point is that, our biggest jump is going to come in the CAGR from international. Though we expect the domestic one to be at least in that level what you have mentioned if not higher.
- Pranav Gokhale** Overall have the margins reduced in aftermarket sales as you put it over the period?
- Dhruv M. Sawhney** No.
- Pranav Gokhale** So is the 45% odd a reasonable sort of a margin one can look at?
- Dhruv M. Sawhney** Reasonable.
- Pranav Gokhale** Because if I am looking at FY12 numbers then, if I remove this 45% after sales margin the manufacturing EBITDA has not really grown.
- Nikhil Sawhney** 45% is not for aftermarket as a whole. That will only be for segment of spares or something. It is more for refurbishment and lower for servicing.
- Pranav Gokhale** Can I have some broad split of what could be the spares and service element differently in that ₹ 107 crore odd which you have done in FY12?
- Dhruv M. Sawhney** Then that is getting too micro for us. We will take it offline and I am sure you will be able to take it up with our Investor Relations department.
- Pranav Gokhale** Has the actual pricing more or less been in line over the last couple of years?
- Nikhil Sawhney** As we were just talking about it, our research and development efforts and value engineering have primarily been driven to actually expand our efficiency as well as reduce the cost per megawatt. The cost per megawatt is largely transferred and over to clients and due to both the competitive landscapes that we are in, product margin is the same but pricing in general has come down.
- Pranav Gokhale** So your gross margin per turbine or per megawatt is more less the same?
- Dhruv M. Sawhney** Yes, more or less same but for the customer the price has gone down.
- Pranav Gokhale** You had guided for a 10% sort of top-line Will it be similar at the EBITDA level actually? Will it translate down or would the actual profitability end up lower this year then?
- Dhruv M. Sawhney** We are looking at approximately similar numbers on the bottom-line.
- Pranav Gokhale** You used to give these numbers in terms of your megawatts sold. For FY12 can I have these megawatts sold numbers?
- Dhruv M. Sawhney** You could get it from our people, I do not have it right now on me.
- Pranav Gokhale** Because generally it is there in the Annual Report, I do not see it in this Annual Report.

Dhruv M. Sawhney That is not a problem.

Moderator The next question is from Abhijeet Vara from Equirius Securities. Please go ahead.

Abhijeet Vara I had two questions. One is, what would be exports as a percentage of your revenue for this quarter?

C.N. Narayanan Exports as a percentage of revenue is around 25%.

Abhijeet Vara Were there any slow moving orders in the exports order book?

Dhruv M. Sawhney We do not take those slow moving or where the customer is not following up on anything we then take that out of our reckoning.

Abhijeet Vara So I just wanted to understand was some order taken out of the order book after Q4?

Dhruv M. Sawhney No. This order book that we are saying, ₹ 5.48 billion, is orders after slow moving and there is no slow moving in the export segment.

Abhijeet Vara Because I was just doing this math, like last year closing order book was about ₹ 500 crore roughly, out of which 25% was exports which will give us ₹ 125 crore of an opening order book for exports for this year.

C.N. Narayanan Your question was what is the mix that we will export and the total sales in the quarter? That is 25%.

Abhijeet Vara Yeah that is 25 but as of this year opening order book, how much would exports be out of that? That's about 25%, right?

Dhruv M. Sawhney I am not sure whether it was 25.

Abhijeet Vara And just wanted to understand I think there was one question asked on margins earlier also. Just wanted to understand going forward you have mentioned that 50% of your order inflow is from exports itself than probably blended margins should go up?

Dhruv M. Sawhney No I am saying what happened in the last quarter. I am not saying that in the next 3 quarters it is going to be 50% from exports. That is difficult to say.

Abhijeet Vara Okay even then if there is a slight improvement of export contribution to the entire revenues what would happen to your blended margins?

Dhruv M. Sawhney There is also what you are doing domestically so that's why we are preserving it and competition. So it's an overall mix.

Moderator Thank you. The next question is from Nirav Shah from Antique Stock Broking. Please go ahead.

Nirav Shah First thing is what is the quantum of the slow moving orders because you would have already received the advances on that. So what is the quantum of that which we have not included in the order book?

Dhruv M. Sawhney It is about ₹ 80 crore.

Nirav Shah But then any expected time lines by when these will become active.

Dhruv M. Sawhney No.

Nirav Shah What is the broad breakup between the domestic product margins and the export margins?

Dhruv M. Sawhney No that's something we don't want to disclose.

Nirav Shah And regarding the JV, what are the kind of investments that Triveni Turbine will have to put in over the next 2 to 3 years? any significant amount?

Dhruv M. Sawhney Not at all because the manufacturing is in Triveni Turbine, except for one machine which has already been coming in the current year. That's all. So there are no fixed asset investments in the JV.

Nirav Shah Can we assume that in say 2 or 3 years' time the JV can actually start distributing dividend to the parent, I mean is it very likely?

Dhruv M. Sawhney Certainly hope so.

Nirav Shah And sir the last thing is that we did refurbishments for the utility grid turbines. So has that range expanded to 200 MW or may be more?

Nikhil Sawhney Yes more than 200.

Dhruv M. Sawhney Yes 210. We have got some orders of 210 for the rotors.

Nirav Shah Up to 210.

Dhruv M. Sawhney Yes some limited part for refurbishments.

Moderator Thank you. The next question is from Sagar Parekh from Enam Holdings. Please go ahead.

Sagar Parekh Will it be possible for you to give us a broad breakup of your top-line in Q1 in terms of export? Export you said is 25% but what I wanted to know is how much is services out of your top-line?

C.N. Narayanan After market it is 20%.

Sagar Parekh Okay and vis-à-vis FY12, how much was that?

C.N. Narayanan FY12 first quarter was around 13%.

Sagar Parekh So 20% is services, 25% was exports and the remaining was domestic, am I right?

C.N. Narayanan Right.

Nikhil Sawhney And on the lower turnover you had higher overheads also in that.

Sagar Parekh How much was the exports last year as a percentage of your top-line?

C N Narayanan It was 11%.

Sagar Parekh In your order flow can you give us megawatt wise, how much was your order flow in Q1?

C.N. Narayanan We don't disclose megawatt wise data.

Sagar Parekh So that basically is higher services and higher export explains the rise in margins YoY. Am I right in my understanding?

Dhruv M. Sawhney And to some extent compensation for the fixed charges with the lower turnover.

Moderator Thank you. The next question is from Nainesh Rajani from Tata Mutual Fund. Please go ahead.

Nainesh Rajani Out of the total captive market in India, can you bifurcate that in terms of the fuel that goes for the captive plants, I mean, how much would that be? How much would be through coal based power plants that you supply to and how much would be through other fuels?

Dhruv Sawhney We haven't done that but it is an interesting thing. I don't know what's the point of it?

Nainesh Rajani My point for it was just to understand that the fact that your annual report indicated that your captive segment has actually shrunk. Just wanted to understand how long would this continue because you would not know the coal requirements for these?

Dhruv M. Sawhney I don't have the figures but I can broadly say that it all depends on someone putting up his captive plant he has it for both his own usage and is not too much for merchant power.

Nainesh Rajani Obviously it is not merchant power but even for his own usage it is very tough for even huge power plants to get coal even smaller ones to get for the link coal or even if it is imported coal.

Nikhil Sawhney The point is that through the course of the business cycle you have got different demands. You have the greenfield demand at the top of the business cycle while you would have efficiency demand at the bottom of your business cycle. You can take your own call as to where we are in the business cycle but the fact is that the alternative for a captive user if he already has this installed capacity is to actually go for liquid fuels, which I see translates to a significantly higher price than even e-auction prices for coal. So eventually the fact is that while captive users may be dependent on coal to a limited extent, it is still a better option for them than any alternative that they may actually get. Second thing is also that at this point in time in the business cycle while greenfield capacity expansions are not that pervasive in the market in terms of the demand, we have approximately 40% to 50% of our order inflow coming from the renewable sector which includes biomass, sugar co-generation, waste heat, agro-waste, waste heat recovery, waste to energy, and other renewable segments.

- Nainesh Rajani** Just another thing wanted to understand since you would be catering to quite a few industries for the captive power plants, what is the sense that you are getting which industries not are showing signs of any improvement or showing weakness in terms of placing orders?
- Nikhil Sawhney** Everyone has an enquiry out there. That's why enquiries don't necessarily actually translate into orders and order finalization is different. The enquiry book itself as we had commented last quarter has expanded and so that give us the confidence in at least the generation of demand. Finalization is a different question from the generation of demand.
- Dhruv M. Sawhney** I can tell you. If you see the steel segment which actually is not growing but there is a type of demand coming where they are replacing 20-year old turbines and they have money. They have cash. The customers all have cash. Funding is not an issue or a problem for them and I really don't think that interest rate is any deterrent for the decision for that sector. So the people who are not sure of the brownfield expansion at least want to get their efficiencies up by changing their old models. So that's happening for an example in the steel sector.
- Nainesh Rajani** You indicated that pricing has gone down but you have not substantiated or you have not given that number so how much the pricing scenario has gone down by in the captive power segment because you have said for the final customer it has gone down but for you, you have been able to maintain margins. A) If you can just explain a little bit more in that and B) in a scenario where we have seen the captive power segment coming down. How is it that you are guiding for a 10% growth and maintaining margins at these levels if you can elaborate a bit on that as well.
- Nikhil Sawhney** Our order book is what largely gives us confidence in our turnover and margins and are based on the mix between exports, domestic as well as our after sales. As far as your question on the decline in prices in the market, it is over a period of time. It is not over the question of quarter or a year.
- Nainesh Rajani** Obviously it is over a period of time but how much pricing would have come down in the last couple of years?
- Dhruv M. Sawhney** It has. I mean it is the question of competition and of what the competitors, his other lines of business and these are large MNCs and public sector. So at times they may be having dearth of orders in very large plants and you have to be able to be flexible enough to cater to these market requirements. The large power sector as you know is not in the best of shape.
- Nainesh Rajani** By when would you need to start getting orders to have visibility of growth for revenues in FY14 and what is the lead time for your orders is what I want to understand?
- Dhruv M. Sawhney** Our order cycle is approximately 10 to 12 months. So it is in the current year. For example our order intake in the first quarter, some of it will go this year but some of it is for first quarter of FY14. So actually the orders that we are saying are actually an indication of FY14 and in exports it is definitely over 12 months.
- Moderator** Thank you. The next question is from Princy Singh from JP Morgan. Please go ahead.
- Princy Singh** My question is on the sub-30 MW steam turbine market in India. Its estimated size is about 1,700-1,800 MW per annum and I believe in FY12 we saw a significant

slow down. Just wanted a view from you on whether you are starting to see a pick up and how FY13 has panned out so far and what are your expectations on the market growth for this year and going into next year?

- Dhruv M. Sawhney** I think 1,700 was an old figure. That's not the reduced market.
- Princy Singh** Yeah that's what I meant. What I meant was that it dropped about 30 – 40% from 1,700.
- Dhruv M. Sawhney** Exactly that's right. Those figures now are very academic. So as I answered earlier, in the reduced market we are seeing some growth, 5-10% growth from the reduced 1,300 or 1,200. I don't think with a little bit of increase in one quarter one should make a projection that this will continue because it is such a huge analysis of the user industries and what they may be doing, it is so much conjecture and it is not worth it. That's why we are not planning on all this and the surer thing is to tackle exports where we know that even in the specific economic growth space, the market is bigger. So I don't guess of how quickly the domestic market is going to revive in terms of getting back to the numbers that you mentioned.
- Princy Singh** Wherever there is any recovery what segments are driving it?
- Nikhil Sawhney** It changes from quarter-to-quarter. As Mr. Sawhney said the fact is that there is a consistent demand in biomass in the sugar co-generation sector because the economics on that are quite consistent and that sector depends more on funding than it does on the sector viability. Other process co-generation segments would depend from quarter-to-quarter from chemicals, to paper, to textiles, and to rubber, etc. But you could say overall that the demand is significantly lower in each of these sectors than it has been in the past.
- Dhruv M. Sawhney** But you know there is one sector that in all cases is picking up wherever anyone has waste heat, they are becoming much more efficient and wanting to convert that into power under this cost because it is really a good ROI for them. And for us it's good because the turbine size is not in very large.. And that is across all industries really.
- Princy Singh** On your working capital. You probably have amongst few companies in your space who work on a very tight working capital. For this quarter or over the last few months, has that remained steady or are you seeing some stress?
- Dhruv M. Sawhney** No we are negative working capital or become a little better actually. Our advances are more than our requirements..
- Princy Singh** There is no change to those terms. At the margins you are not seeing your customers becoming stingier on the terms.
- Dhruv M. Sawhney** No. Not on these terms.
- Moderator** Thank you. The next question is from Saurabh Shah from HU Consultancy. Please go ahead.
- Saurabh Shah** Our business broadly is doing very well on the cash flow front plus we do not have any huge incremental CAPEX also going forward which will result in generation of significant free cash. So has the Board put any formal distribution policy in place? If yes, what would be the payout that you would be looking at?

Dhruv M. Sawhney The Board has not considered it formally and I can say that we want to keep assessing the performance and look at the policy on a rolling basis - , interim and final basis. That's really what has been considered but nothing more firm so there is nothing I can communicate to you.

Saurabh Shah My second question was on the JV. My question was on the terms of the JV we have with GE. Is there any clause in the JV which is something like a target base. For example if the JV does not achieve certain sales within a certain point of time, it can be called off or any such kind of clause in the JV?

Nikhil Sawhney I wanted to stop you earlier because our whole joint venture and the terms of the joint venture are subjected to a confidentiality agreement.

Moderator Thank you. The next question is from Ashutosh Garud from Dalal & Broacha. Please go ahead.

Ashutosh Garud I wanted to know you spoke about some of the qualifications of your JV in the previous con-calls in South East Asia, Europe, and the Middle-East. So just wanted to know how are the things moving in these areas and as well as if there are any further qualifications in any newer geographies?

Dhruv M. Sawhney We are in the same situation. And the markets that we have targeted, we are sticking to those markets now because we are looking at an enquiry conversion in these markets rather than spreading resources and going all over. So the JV is looking at conversion of current enquiries and getting better sustained enquiries in these selected markets and sectors where they are already recognized.

Ashutosh Garud As you mentioned that you are still optimistic about a 10% growth on the turnover for FY13. So what I think is that there has been and as you mentioned that there has been some delay in execution or may be the clients taking up the orders and because of that the revenues may have been delayed. So just wanted to know what amount of revenues have been delayed in Q1 which we might see in Q2?

Dhruv M. Sawhney I gave you the reasons. It depends on the quarter when the orders are booked and that has an influence. Secondly some dispatches can be from the last part of the current quarter or going to that quarter. Now going to the breakups of this is really not very fruitful because this picture can change. One quarter you can be higher than the last year but other quarter you can be lower. It is a cumulative picture which is much more important and we are just in the first quarter so the cumulative picture is really not there.

Ashutosh Garud And just another question on your market share. Has our market share remained at around 60 – 65% what we have been?

Dhruv M. Sawhney It has gone down by a few percent.

Ashutosh Garud In 0 to 30, you mean to say?

Dhruv M. Sawhney Yes.

Moderator Thank you. The next question is from Srinivas R from SBI Mutual Fund. Please go ahead.

R Srinivas I was trying to relate a few numbers. I think in the last conference call you talked about the market in FY13, the domestic market growing by 25 – 30% because in

FY11 it fell by about 40% and I agree with you that the quarterly number is too early to talk about the whole year but if you look at the breakup for your order intake, almost 50% has been export. So effectively in the first quarter your domestic intake has fallen by so it is just the export intake for the previous quarter of last year probably fallen by like 20%. I am just trying to relate to this.

Dhruv M. Sawhney You are correct. Actually the domestic market revival as you will know from your other forays is taking much longer and it is not there as yet, not much.

R Srinivas You wouldn't expect that 25 -30% numbers this year.

Dhruv M. Sawhney I don't know. I can't say now. As I said this is the con-call remarks, in our planning we are not going to bank on it. We are putting efforts at surer places of exports. If it happens we will be more than happy to increase our growth numbers but because we have the execution and the manufacturing capabilities by far.

R Srinivas So can I assume that if the domestic market continues in line with what it was in the first quarter, say it declines by 10% more you would still do a 10% growth because of exports so any revival in the domestic market would mean a growth of more than 10% in the revenue?

Dhruv M. Sawhney No. Actually when we are saying in the current year, these are for the orders already we have got. The order booking now in the future will be for FY14. FY13 is really for orders which we are executing. So FY13 I can say that with much more confidence because we have the orders.

R Srinivas So this is despite the extremely bad first quarter of FY13.

Dhruv M. Sawhney Yes that is the bottom-line

R Srinivas Quarter 2 FY12 and quarter 4 FY12 were extremely bad quarters for order intake. Despite that you think that you have got enough orders in terms of growth?

Dhruv M. Sawhney Yes that's it.

R Srinivas If the domestic market picks up then you will see that impact in FY 2014?

Dhruv M. Sawhney In FY14.

R Srinivas One question on GE. Have you disclosed the quantum of orders in terms of value?

Dhruv M. Sawhney Yes we have. There is only one order. The value has been given out.

R Srinivas The value is?

Dhruv M. Sawhney ₹ 17 crore.

R Srinivas What is the intake you expect for FY13?

Dhruv M. Sawhney A couple more or so, so we really don't know the full figures. Which ones will be domestic and if an international one comes it will be higher.

R Srinivas Any order intake guidance?

Dhruv M. Sawhney No, I can't give that. It is too difficult right now. It is too much in an initial stage.

Moderator Thank you. The next question is from Keshav Harlalka from BHH Securities. Please go ahead.

Keshav Harlalka I just wanted to know that the focused strategy of marketing by the joint venture have not yielded any results besides one order to speak of in over 2 years. So how much more is the gestation period one is looking at before inquiries can translate into orders?

Dhruv Sawhney Let me just tell you that in our agreement with GE, the closing was in November 2010 and the agreements with Triveni on their models was in April 2011. So while we were talking about it, the final thing is really started sometime in 2011 and 2012 so we have not even gone through a little more than a year and to establish your name and the product in a new line does take that time. Besides which some of these sectors have just delayed placing orders to anyone and the market has changed. So one is that the joint venture really got established in 2011 and two; the market also changed. We are still on track as we were when we were contemplating the joint venture. May be the expectation should have been put out based on when we signed.

Keshav Harlalka Secondly shareholders have seen a 40% fall in price post the game changer deal with General Electric and the consequent demerger. Is the management doing anything to unlock value for shareholders? What we are hearing is that the 21.83% stake in Triveni Turbines which is held by Triveni Engineering will be divested to a strategic player. So can you give any comments on that?

Dhruv Sawhney No there is no such move.

Moderator Thank you. The next question is from Ankit Babel from Shubhkam Ventures. Please go ahead.

Ankit Babel You had guided for a 10% revenue growth for the year as a whole. Now what kind of growth are you targeting in order inflows for the company for the year as a whole? The first quarter is up by 16%.

Nihkil Sawhney We have to maintain that through the year.

Ankit Babel So 16% growth can be expected.

Dhruv Sawhney We will have a sustained order booking in the financial year FY13. What the figures will be, I mean one quarter, increase over last quarter order booking numbers; that should not be taken as the guidance if you look at FY12 and FY13 as a whole and we are looking at sustained order bookings in that context.

I mean the order booking will be in tune with what we have been doing in the past.

Ankit Babel Because in the past we have witnessed degrowth.

Dhruv Sawhney No, for the year as a whole.

Ankit Babel Yes for the year as a whole I think in the past we have witnessed de-growth.

Dhruv Sawhney That was 2 years ago.

Ankit Babel Yes but this year we are expecting at least for 10-15% growth in the order inflows?

Dhruv M. Sawhney Yes we should be getting around those figures. It is very difficult to put out whether it is going to happen in which quarter and where in the year will it happen.

Ankit Babel My second question is that your growth in exports is on account of addition of new geographies or the growth is coming from same geographies?

Dhruv M. Sawhney Both.

Nikhil Sawhney New geographies, new segments, new products to cater to those segments so therefore more segments open up to us and more focused marketing initiatives.

Ankit Babel And margins are better in domestic or export orders? I don't want the exact number but just on the relative term?

Dhruv M. Sawhney It is significantly better in exports.

Ankit Babel And the rupee depreciation which is happening is benefitting you or you are passing it on to the customer?

Dhruv M. Sawhney No it is benefitting. Some part is also passed on but the margins as I said are much better than in the domestic market.

Ankit Babel You just mentioned that your full year margins would be in line with what you have witnessed in this quarter. It was 27%. At the same time you said that the growth in bottom-line would be inline with your revenue growth which means no margin expansion so whether it would be like 23% which was around at that level which we had witnessed last year or it would be 27% which we have witnessed in this quarter for the year as a whole.

Dhruv M. Sawhney You are talking about the EBITDA margins?

Ankit Babel Yes EBITDA margins.

Dhruv M. Sawhney If we have a top-line growth versus last year, we obviously have a growth in EBITDA in the FY13 as well. We will definitely have it on the PBT basis.

Ankit Babel You believe that your PBT margins would be at the similar levels what you have witnessed in FY12?

Dhruv M. Sawhney Yes.

Ankit Babel And not what you have witnessed in Q1 of this quarter because in this quarter it was higher.

Dhruv M. Sawhney It is difficult. I am really looking at the 21% figure here for the year.

Ankit Babel You had a negative working capital. So do you believe the same situation you will exit the year also like the end of the year also there will be negative working capital?

Dhruv M. Sawhney Yes.

Moderator Thank you. Ladies and gentlemen due to time constraints we will take one last question from S Venkatesh from Wisdom Equity. Please go ahead.

S Venkatesh Just wanted to gauge the extent of visibility around the 10% revenue growth number considering that your order book is actually down from ₹ 580 crore last year to ₹ 548 crore now even after the pick up in the first quarter. Also we hear that some of your competitors especially Siemens are more aggressive, so could there be a hit on market share?

Dhruv M. Sawhney No as I told you order booking is also taking into account exports and services. That would be the short answer to how we are projecting our future.

S Venkatesh Sure.

Nikhil Sawhney And the competition is aggressive for the last 3 – 4 years and nothing significant has changed at the competitive landscape.

Dhruv M. Sawhney Yes It is there but these are new places where we are getting some penetration so that's the encouraging part. How much it will be, how much will keep on going is difficult to gauge but the results in the first quarter and the enquiry level that we have internationally are very active enquiry levels and are very encouraging.

Moderator Thank you. Ladies and gentlemen that was the last question. I now hand over the conference back to the management for closing comments.

Dhruv M. Sawhney Thank you everybody for attending this Q1 Conference Call and we look forward to talking with you again in the next quarter.

Moderator Thank you very much. On behalf of Triveni Turbine Limited that concludes this conference call.