



Triveni Turbine Limited

Investor/Analyst Conference Call Transcript

October 31, 2011

Moderator Ladies and gentlemen good day and welcome to the Triveni Turbine Limited Q2 and H1 FY12 conference call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing *1 on your touch-tone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Rishab Barar of 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 Q2 and H1 FY2012 results conference call of Triveni Turbine Limited. We have with us today on the call Mr. Dhruv M. Sawhney - Chairman and Managing Director. 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 may be 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 opened to all invitees, it may not be broadcasted or reproduced in any form or manner. We would 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 handover the call to Mr. Dhruv Sawhney to share some perspective with you with regards to the company's operation and results for the quarter under review, over to you Mr. Sawhney.

Dhruv M. Sawhney Thank you very much. Welcome everybody to the first conference call of Triveni Turbine Limited post our listing. We are very happy that we were able to list and trade within 10 days of getting SEBI permission and I must thank all our investors for the patience that they have shown and being with us since the stock was not traded for a number of months. I would like to go through with you the six months results and also our views on the future, the market and what segments we are in. It is an exciting future that we are embarking upon right now.

The board has considered the results and announced an interim dividend as well which will be paid to all shareholders on record on the 9th of November. H1 net sales are up by 11.5% at ₹ 3.43 billion and the PBT is ₹ 673 million with our PAT at ₹ 456 million. Our subsidiary GE Triveni Limited has received its first order of 35 megawatt turbine for waste heat recovery in the renewable space from the steel industry. We have held our margins in the six months. The increase in sales and holding margins in the light of the delay in some CapEx decisions has been quite creditable.

In our performance overview which you have, you would see that our net sales is at Rs. 3.43 billion for the half year versus Rs. 3.08 billion for the year before. Our PBT

is about the same and the PBT margin of 19.6% which we have for the first six months, we expect to continue for the next six months as well. We are on track as far as our research and development programs are concerned which I will cover in a few minutes. I thought I would first share with you the market as I know most of you wanted to know about what we see as a market going forward. Your company is primarily in the renewable space and we find this as a very encouraging line that we took because it is fairly, the orders here are not as dependant on the economic environment both in India and internationally. The biomass space is quite prevalent in our orders for the last six months. Sugar industry provides raw material in this space so does wood chips, nut covers, etc.

Our next sector which is prominent is waste heat recovery and other renewables in the steel sector, metal and steel but mainly steel. Following that is the food processing industry. Again here we are catering to a number of plants who are looking for recovering as much waste heat as possible. We feel that this compliment of renewables will remain accelerating in the future and this is shown by our encouraging orders in the month of October. We are forecasting that in the October -December quarter we will be able to improve upon our orders intake from what we had in the previous quarter. We will have a very substantial improvement in FY12-13 that is from April '12 till March '13. We expect about 6% growth in the current year but improving to about 15% in FY12-13, after taking into account economic conditions and slight delay in finalization. We have entered the space of the larger megawatt turbines with our subsidiary, GE Triveni Limited and the response we are getting both in India and internationally for this product is very good from both customers and consultants. They are appreciative of the knowhow that GE and Triveni is able to bring to this space. They are confident that our product will be of the same service and quality conditions that GE is able to sell internationally. So, this has been a good initiation and getting our products introduced to customers. To give you a little inside we have good enquiries for the 35-45 megawatt turbines from countries like Indonesia, Canada in this renewable space.

As I mentioned in my opening remarks, we have received an order already from the steel industry and TTL, is also executing one 35 megawatt order biomass in the sugar co-gen. The technology transfer from Triveni and GE to the JV is well on track and almost 70% complete for the two models that we are pushing right now and a number of our staff is now going for training to both the GE works in Florence and at customer site. The move in Europe and America on renewables is still on track even though economies are showing a dip as far as conventional industries are concerned and this is expected to accelerate. GE as you all may know is a substantial player in the renewable space in wind and solar and in solar our joint venture and Triveni are going to be entering the solar thermal area. We have the technology and these are projects where India and China of course are investing quite substantially, also parts of Asia. We have undertaken in the last year a strong R&D program and value engineering program and this is what has helped us to preserve the margins where we have today. 12 new models have been introduced in the last 12 to 18 months and most of these are now working at customer site. A further program of cost reduction and efficiency improvement is in place in the 10 to 20 megawatts and the 20 to 30 megawatt range. Internationally, we have made breakthroughs in the palm oil industry, which is showing substantial energy efficiency improvements in Indonesia and Malaysia and that is a very good sign for us. This industry was actually catering to much lower technology turbines in the past. Our efficiency efforts has now brought up at par with the world leaders in our range of turbines in both the Triveni range and the GE Triveni range. I would like to end by mentioning few words about our debt and that is a very key factor for many companies going forward. Debt today is at Rs. 73 crore which is including working capital. We would expect this to go down by 40% by March 31st and by September of next year we should be almost debt free, may be just around ₹ 10 or 15 crore including working capital so I think we are not so affected by any rise in interest rates or any form of credit squeeze, we are very conscious of this and I must say

our receivables have in fact come down in the last three-four months rather than what might be happening in the industry and this is something we are very conscious of and are putting a lot of efforts on.

I am sure many of you have questions, so I would like to leave enough time for that. Thank you very much.

- Moderator** Thank you very much sir. We have the question from the line of Nirav Vasa from SBI Cap Securities, please go ahead.
- Nirav Vasa** My first question related to the EBITDA margins that you are targeting in your turbine business, so can you just throw some light as to what would be the minimum EBITDA targets that you would be keeping per megawatt?
- Dhruv M. Sawhney** We have given you our EBITDA margins in the results that are before you and the margins that we have are of some 22.5% - 23% is what we are confident of being able to preserve for the next quarters.
- Nirav Vasa** Okay. So, the EBITDA margin is in the range of 22% to 23% is something maintainable range that you are stating right?
- Dhruv M. Sawhney** Yes.
- Nirav Vasa** My second query was related to the bids that you have in pipeline at this point of time. Can you throw some light as to what would be the quantum of bids which are there?
- Dhruv M. Sawhney** Well we look at bids where we feel they are active customers. So, now for a very strong differentiation of customers where we feel just asking for a bid and where we need to have substantial follow up and so we have an enquiry pipeline of some ₹ 440 crore.
- Nirav Vasa** ₹ 440 crore.
- Dhruv M. Sawhney** This is international and domestic.
- Nirav Vasa** Okay. Would it be possible to give breakup of this ₹ 440 crore in terms of international and domestic?
- Dhruv M. Sawhney** Yes, we have about ₹290 crore and ₹ 150 crore.
- Nirav Vasa** ₹290 crore would be from India?
- Dhruv M. Sawhney** Yes.
- Nirav Vasa** In India apart from sugar which are the other industries from which you are seeing major demand for these turbines?
- Dhruv M. Sawhney** As I mentioned in our range, as such we are in the renewable space, so I repeat that in the renewable space we are getting extremely good response from the steel industry, from all biomass, which includes sugar but also goes to other biomass raw materials like wood chips, ricehusk, wheat trash etc.. We have good response from the food industry and from paper.
- Nirav Vasa** And what would be the cost of debt at this point of time?.

Nirav Vasa Cost of debt on ₹ 73 crore worth of loans?

Suresh Taneja Very roughly speaking it would be average of about 11%.

Nirav Vasa And sir my last question was related to the one time adjustment that you have given, which is related to goodwill. So, can I request you to tell me the amount of goodwill and some information on accumulated losses which are put from the erstwhile the retail business?

Dhruv M. Sawhney Yes, I will ask my colleague to answer that.

Suresh Taneja In respect of the financial year 10-'11, ending 31st March '11, goodwill was recognized in accordance with the scheme of arrangement for the amount of ₹ 55 crore – ₹ 56 crore was written off as onetime write-off and so it has been basically done because that was notional non-cash figure so that is the reason we have taken the one-time write-off of the the goodwill amount.

Nirav Vasa These ₹ 56 crore was only from the retail business?

Suresh Taneja No, this was the write-off of the goodwill amount. In respect of the retail business, we had accumulated losses of about ₹25 crore.

Nirav Vasa So, ₹ 25 crore was from retail, right?

Suresh Taneja That is right.

Nirav Vasa And remaining ₹ 30 crore was from?

Nirav Vasa If out of this ₹ 55 crore was goodwill, ₹ 25 crore is from retail business right?

Suresh Taneja That is right.

Nirav Vasa Remaining ₹ 30 crore is from which business sir?

Suresh Taneja No, you must understand in respect of March 2011 -- the goodwill was because of the fact the liabilities were more than the assets to the extent of about ₹ 28 crore.

Nirav Vasa I believe these types of goodwill was in the retail business, right?

Suresh Taneja No, let me just tell you right from the beginning. In the case of retail business there was accumulated losses of about ₹25 crore and in the six months period starting from 1st October 2010 to 31st March 2011 there was a profit in turbine business and however we took the full write-off of the goodwill amount as a result of that there was a loss after tax in the financial year 2010-2011. So, the total, as of 31st March 2011 there was an accumulated loss which has been fully written off in the next two quarters.

Moderator We have the next question from the line of Pranav Gokhale from Religare Asset Management, please go ahead.

Pranav Gokhale Just couple of questions, one on order inflow. You mentioned that the order inflow was lower, could you highlight what was the number of the order inflow for the half may be for the quarter, what you received this time around and what was it may be for corresponding period?

C.N. Narayanan The order inflow for first six months for this current year was ₹201 crore, as against ₹275 crore during the same period last year.

Dhruv M. Sawhney But we are expecting the order inflow in the next quarter, we are expecting the order inflow in this quarter which is October to December to be around ₹ 200 crore. So, we are actually expecting this quarter to be almost as much as it was in the previous six months and that has started with a very good order inflow in the month of October, where October itself is about ₹ 55 crore. But this is really nothing to do with the economy, as I said because of our concentration on the renewable space, a lot of these enquiries were taking a little longer to finalize and we only take an order on our books after we receive the advance.

Pranav Gokhale If I have to take your order book of ₹ 470 crore, how much is renewable space and how much is non-renewable portion?

Dhruv M. Sawhney I would say about, yes two-third is the renewable.

Pranav Gokhale Two-third is renewable. How much of that order book is fixed in nature and variable, how do you actually manage the hedging of commodities and currencies?

Suresh Taneja Yes, I mean as regards to the currency that is the easy part of it because say we have very little imported contents over there and in respect of exports we have a budget costing and with reference to the budget costing we keep on taking the hit from time-to-time. And in the case of commodities by and large we have long-term contracts, so as a result of which we are duly protected against those fluctuations in prices.

Pranav Gokhale So even I think steel is also significant component, is it? For the steel, also you have long-term contracts?

Dhruv M. Sawhney We do not have much import.

Pranav Gokhale Okay.

Dhruv Sawhney I want to tell you that our increase, which I did not cover, in the last year, in our raw material prices have only gone up by about 3% to 4%., We have managed, very effectively our control on raw materials cost of all types and this is across components and raw material - so this is including all our bought outs and components.

Pranav Gokhale Since the product mix has not changed much between the product and after market, the lower EBITDA margin this time around as compared to the corresponding period last year, is it to do with pricing then, because you said raw material you have managed well?

Dhruv M. Sawhney Well, it is basically to do with pricing. The margins we have got last year some one or two, extraordinary orders, good margin order.

Pranav Gokhale Okay, but from year-on-year, as you had mentioned earlier also, you are confident of maintaining this level of margins, at least in the current order book whatever is there?

Dhruv M. Sawhney That is right, absolutely and what we see which we are actively following.

Moderator Thank you. We have the next question from the line of Abhishek Bhandari from Macquarie please go ahead.

Abhishek Bhandari Good afternoon congratulations on your listing.

Dhruv M. Sawhney. Thank you.

Abhishek Bhandari Sir, I just had two questions. First of all I just wanted to understand the competitive landscape in the business we operate in, who are your main competitors and why is your market share is so high?

Nikhil Sawhney Well, let me answer that question, it would be very difficult for us to speak about individual competitors, but let me give you a landscape as to how we come up with our market positioning. The value proposition that Triveni has for its turbines, which is at a high efficiency backed with very affordable cost to customer backed with degree of services extremely compelling and ultimately when it comes down to market share, service, for an industrial renewable user is extremely important so it is a mixture of R&D, effective cost management and a high degree of focus on servicing which allows us to maintain this market share which we define as below 15 megawatt at about 70%-75% and between 15 to 30 megawatts somewhere in the region of about 30%. So, between the 15 to 30 megawatt segment is newer segment for us which has been, I would not say an entry market for us but somewhere we have actually expanded our presence significantly on year-on-year basis.

Dhruv M. Sawhney I would like to just add, the players in this marketplace globally have become very focused. All products have substantial amount of value engineering, R&D on a continuing basis. The value proposition for the customer combines cost and efficiency, so actually we are in the line of giving the customer something he really cannot say no to and there are not too many players. The entry points are not so easy, so in fact the global marketplace you have seen a reduction in the number of players and though a number of new competitors have tried to come into India, may be they are trying for the higher megawatt ranges but we have not seen any appreciable or even slight impact in this range. And an important fact in the domestic market place is that the Chinese have taken a substantial amount of the higher megawatt orders from the large power plant. Four years ago in this space as the joint managing director, just mentioned, that we were entering the 15 to 30 megawatt area and they had 15% - 20% market share that has now gone down to almost zero, so I think we are able to give a value proposition that is certainly decisively better than the Chinese in this space and other players in this space and there are not too many.

Abhishek Bhandari Secondly what is the roadmap you see for your JV with GE, like what kind of order inflow are you targeting over next one-two years and with whom will you be competing in this space, because it is a new space for you 30 to 100 megawatt and there are already established players in this market, so how do you plan to compete with them?

Dhruv M. Sawhney Well, GE is an established player as well. So our partner is also in this space that is one very positive point. The second is that the market internationally is really very large, we have now assessed it at something like \$2.5 billion GE does the marketing for the international market for the joint venture. They have in fact recently hired specific people for the JV in four locations São Paulo, Houston, Indonesia I think it is located in Kuala Lumpur and in Florence, in Europe. So, they are taking this on a global scale. So our enquiry base that we have is ranging all the way from Indonesia to Canada in the renewables space and the customers are telling GE, I mean to give you an idea, we have enquiry for over 600 megawatt for the JV only, I mean rather we responded to enquiries of 600 megawatt, do not want to speak, this is actual. But this will take time, we have to establish our name but I do not want to give any ideas about when and what it will happen, all that our partners and we feel is that certainly by 2012-2013, we should be making substantial in-roads into order intake from various parts of the world. Production is

geared up, the JV personnel are geared up, training is in progress and transfer of technology is on track, so we are both, very optimistic about the prospects internationally for the JV.

- Abhishek Bhandari** Your margins on the lower range is almost like 20%-25%, but do you expect similar margins in this 30 to 100 megawatt because likes of Thermax and all are operating at 10% to 12% margin range.
- Dhruv M. Sawhney** Domestically of course the market here is renowned but internationally the market is at a very much higher price for megawatt, the price for megawatt in Europe is almost 50% higher and basically there is not much difference in the cost.
- Nikhil Sawhney** It is also important to point out that when we look at the EBITDA margin for the company as a whole it includes the product and after market breakup, the after market has a substantially better margin and given the fact that we are not EPC company, we are a product related company, our margins would be higher in that regard, not only from a product perspective but also from the aftermarket. Given the export market which has a higher price point and branding with the joint venture for the subsidiary, we are confident that we should be able to maintain those margins.
- Dhruv M. Sawhney** In fact the margins internationally, the price is not the consideration there, it is getting the first few breakthroughs in terms of establishing a product made by Triveni in India, and you know the manufacturer of the turbine is that the manufacturing contract between the JV and Triveni to manufacture the turbine and so we have double benefit, one is in manufacturing capacity and second is in the JV through our investment. And as you know it is 50 plus 1 share so we will be consolidating it on an annual basis.
- Abhishek Bhandari** Sure, thanks a lot and all the best.
- Dhruv M. Sawhney** Thank you.
- Moderator** Thank you. The next question is from the line of Ashi Anand from Kotak, please go ahead.
- Ashi Anand** Firstly, on the domestic business, you mentioned you have seen a kind of very strong enquiries in October or expect 3Q to be a good quarter. I just wanted to understand in the second half of FY11, what was the level of order that we received and how you are expecting or just to get some kind of indication how the ₹200 crore that you are expecting in 3Q compares to what you actually receive in 3Q of FY11?
- Dhruv M. Sawhney** May be we can give you the half year figure of last year.
- Ashi Anand** That should also be fine.
- Dhruv M. Sawhney** Well, just we are working it out, but I know it is substantially higher. I would like to say that all our forecast do not include GETL.
- Ashi Anand** these are all the domestic orders that you are offering.
- Dhruv M. Sawhney** And they are all Triveni, the Triveni Turbine orders, we are not forecasting into this conference call as yet anything about the JV.
- Ashi Anand** Possibly while you are working out the second half numbers, you know you are going to mention that you are expecting the second half to be better of this year

and you are expecting quite substantial improvement in FY13. Now, if you look at the key segments, the sugar segment is expected to have quite lot of pain going to the sugar season. The steel sector is also not undertaking quite serious CapEx, so where really is or what segments are you seeing enquiry n and which segments should give you of this confidence of an improvement going into FY13?

Dhruv M. Sawhney There is a very wrong notion of looking at our participation in the sector. Our participation in that sector is in the renewable space. Let me give you an example of sugar. When sugar goes into a downward cycle as far as the sugar margins, but the only way a company can counteract this is by increasing its investment in co-generation and that is also happening in a downturn, because you do not put this into the sugar industry, but sugar development fund is still giving at 4% interest, loans to the sugar industry for co-generation, the sugar development fund which is with the government of India, so financing of the co-generation projects is not a problem for companies. So that is why our enquiry level is there. Similarly in other industry such as steel and process they are moving on energy efficiency, they are moving on waste heat recovery, so we are not talking about huge brownfield expansion or on new projects which are taking a long time getting off the ground. Now, similarly on our IPP, you know this is not a large power plant which has to look at linkages or where it is getting the other government permissions, these projects of renewable biomass do not need any governmental permissions and funding for these projects is not really a problem as far as the loan structure is concerned, so we are finding different examples and the distillery space we are getting substantial energy from waste, because this adds to the viability of an industry when times are little rough.

Ashi Anand Specifically when you mention the expecting FY13 to be better than FY12, any particular reasons for that or any particular segment or any particular change you are seeing in FY13 vis-à-vis FY12 or what is the basis of the improvements that you are looking for?

Dhruv M. Sawhney Two things, one is we will be having substantial improvement in our export in our segment, so that will be showing effects in that line. Secondly, the whole renewable space in India is gathering more steam because people are looking at it with greater passion than they seem to have been two years ago. We are also a little more optimistic about the small brownfield expansions and we do not feel that this thing is going to take that long, the temporary dip that was there may be three-four months ago in terms of small decision-making, we do not think the same will carry through to FY 12-'3 and we are looking and I think that is the feeling of our friends in the market and the industry as well that they are expecting FY 12-'13 to be substantially better.

Nikhil Sawhney I think it is underappreciated that energy efficiency is the need of the hour for process industries in India with shortage in terms of linkage to raw material, fuel, coal, energy efficiency and improvements in capital expenditure in that line is not only essential from a capacity utilization perspective for those industries but also make the economic sense in terms of returns. So, there is still a focus on that without actually having to going for any expansion.

Moderator Thank you. We have the next question from Sai Das from Pari Washington, please go ahead.

Sai Das You said that you are going into the solar business, so I need to understand that you would be putting turbines for the solar power plant?

Dhruv M. Sawhney Yes, GE has already supplied solar thermal turbines to projects in Spain and these are in solar plants, you are able to get a much better efficiency in the solar plant with the solar thermal steam turbine.

Moderator Thank you. We have the next question from the line of Mehul Bhatt from HSBC Asset Management, please go ahead.

Mehul Bhatt I just wanted to understand out of the \$ 2.5 billion market size that you mentioned how large will the renewable market be?

Dhruv M. Sawhney \$ 2.5 billion internationally?

Mehul Bhatt Yes.

Nikhil Sawhney Well if we include clean power and renewable it would be about 70%-80%.

Mehul Bhatt So, the conventional business now is much smaller for the sub-100 megawatts market, is that a fair understanding?

Nikhil Sawhney Yes, well see clean energy also includes gas based combined cycle operations, so renewables plus clean would give you that market.

Mehul Bhatt But gas smaller size plants, are they very popular?

Nikhil Sawhney Yes, they are extremely popular.

Dhruv M. Sawhney No, talking about combined cycle, you can have a combined cycle - 200 megawatts you will have a steam turbine of 50 megawatts.

Mehul Bhatt Understood. And most of these products you would have indigenized by now or I mean at what stage are you in terms of indigenizing the products, etc.?

Dhruv M. Sawhney Good point, when I mentioned about technology transfer which is almost complete we are talking about total indigenization from the first model.

Mehul Bhatt Including for the renewable portfolio?

Dhruv M. Sawhney Including for the renewable portfolio, so the transfer of technology is total. We do sourcing the way we do sourcing normally wherever we find that is what the plan is all along.

Mehul Bhatt So, is that the reason you are saying that margins in Europe would be 30% higher because you are actually operating at Indian cost and selling at international prices.

Nikhil Sawhney Pricing is higher.

Dhruv M. Sawhney The price per megawatt is higher. So, you can look at the margin may be even more.

Mehul Bhatt So, you said currently the JV has bid for about 600 megawatts of turbines, what would that be in value terms?

Dhruv M. Sawhney See, we do not have that right now.

Mehul Bhatt But roughly.

Dhruv M. Sawhney In fact this is as I mentioned, we are not taking any questions on the JV really in this call. I am not really going on the JV right now in terms of any firm numbers and anything till we are little further down the road, quarter or so down the road till we

start getting more orders but I might see that we are in the stages of one or two more than just a preliminary response from the JV.

Mehul Bhatt And what would service and spares be as a percentage of revenue on a longer term basis?

Dhruv M. Sawhney Well, it is about 15% to 18% because we are seeing a good growth in the product also I think this will be around this range and it might go to 20% sometime. We are currently at low level as against other manufacturers globally, where their service component is higher, but then their product component is not growing that much.

Mehul Bhatt Would the incremental 30 to 100 megawatt market consume more capital in terms of service and spares?

Dhruv M. Sawhney Prorata is the same, cost of equipment.

Moderator Thank you. The next question is from the line Mitul Patel from Laburnum Capital, please go ahead.

Mitul Patel My question is, I think you guys answered but what is I mean in terms of the goodwill consolidation what has the retail business got to do with the turbine business?

Suresh Taneja No, it has got nothing to do with the retail business at all, it is just that the merger of steam turbine business has taken place in a company which was earlier engaged in retail activities, that was obviously for tax planning purposes.

Dhruv M. Sawhney For our tax planning to take care of the carry forward loss.

Mitul Patel Okay and just another question in terms of, what is the sustainable inventory in debtor days for the business in terms of what sort of payment terms do you guys have from the client?

Dhruv M. Sawhney We do not give more than 15-30 days. Most of it is done before dispatch and the rest is 15 to 30 days.

Nikhil Sawhney I would like to tell you the way that the business operates is that we take an advance and that is how we recognize the order in our order books, following that it is a majority I would say over 90% of orders apart from those, where there are some government client, etc., would have a receipt of money before dispatch of the equipment. Now, at the same time you can very rightly say how do debtors we are impacted with the delayed order which would happened at times. We have a very close monitoring of the project which we would then schedule along with our manufacturing process to minimize the amount of inventory that would be ready at any point for dispatch.

Dhruv M. Sawhney And we also take stage payments because we are dispatching not just the turbine but the other components for the turbine island, so we keep looking at that to get an idea of his payment ability to us specifically and most of them are committed of sort of 50% of the cost fairly soon and on the cycle of the project. It is not to say that one or two out of them do not want the delay of one or two months but they are very much committed into the project and this project is always for some efficiency gain that is why there is a payback to the customer.

Mitul Patel In terms of considering that you would pay down the debt from ₹ 73 crore and kind of bring it down to ₹10-15 crore and obviously what is the CapEx plan and considering this is very high cash generating business what is the plan, what sort of

capital allocation plans do you guys have in terms of, why it is going to increase dividend or use it for other brownfield expansion or something?

- Dhruv M. Sawhney** No, we will leave that to the board to consider but at the moment let us say, that it is actually longer term basis gearing up to, we would have a substantial capacity; we have ordered some key CapEx equipment. This is not a very high capital intensive business anyway, but we have ordered some key equipments which will come in a next 12 to 15 months, I think the values are about ₹30 crore or something but they also come with buyer's credit. So, there is not funding issues there. And once we see the markets internationally taking off we can gear our production very quickly.
- Moderator** Thank you. The next question is from the line of Janakiraman from Franklin Templeton, please go ahead.
- Janakiraman** Before signing the JV with TTL, was GE present in the 30 to 100 megawatt segment globally?
- Dhruv M. Sawhney** With TTL, yes. Did you mean GE or us?
- Janakiraman** GE.
- Nikhil Sawhney** GE is present in all segments.
- Dhruv M. Sawhney** Yes, GE is present in this segment for some time as you know.
- Janakiraman** So, do they for example manufacture these 30 to 100 range of turbines in any of their global manufacturing facilities.
- Dhruv M. Sawhney** Yes, they manufacture in their facility in Europe.
- Janakiraman** So, after this JV what do they manufacture at two locations or 30 to 100 business will come to TTL JV?
- Dhruv M. Sawhney** No, we are very clear, there are one or two products that they may manufacture in Florence. For example, in Florence as an exclusive for example in solar thermal outside India it may be done in Florence, but let us say 95% global manufacture of the range will be from India.
- Janakiraman** Okay and roughly can you give an idea about their existing annual, let us say business size of this 30 to 100 megawatt segment?
- Dhruv M. Sawhney** No, I do not have that information.
- Nikhil Sawhney** It would not be correct for us to speak on their behalf.
- Janakiraman** Okay I understand. You also mentioned that this price per megawatt is much higher in the international markets is it on account of complying with much tougher standards?
- Nikhil Sawhney** It is just a degree of competition actually.
- Dhruv M. Sawhney** No, I think India is probably one of the lower stages, I believe we are lower, our domestic prices are even lower than domestic Chinese prices. Some Chinese use different pricing in export but the domestic pricing of this range in China is also quite different to India. The competition is slightly different specs but this has been

a good survey by GE so I think others also have to manufacture in other locations of the world, our competitors.

- Janakiraman** Okay and does TTL also have a sizable international component in its revenue?
- Nikhil Sawhney** Approximately 13% to 15% of our sales that come from the export markets again primarily in the spaces of renewable waste or it is the solid waste of biomass or other types of this including certain industrial orders including the carbon black to various other industries ranging from Canada to Italy to Brazil, etc.
- Dhruv M. Sawhney** And we are looking at substantial increase in our presence we have already located a person in Indonesia in the last two months and we will be sort of setting up the offices, export offices this is for the Triveni Turbine range that is up to 30 megawatt. So, we are reacting to the increased response that we are getting for our product. We are looking at something in Europe and may be something later on in Africa.
- Janakiraman** Right and for this below 30 megawatt turbine business, what would be the typical order cycle, how long will it take for you to deliver the equipment once the order is made?
- Dhruv M. Sawhney** Domestically around 9 to 12 months and internationally about 11 to 14 months that is to the site, we can deliver everything in less than 12 months. Our delivery cycle is now compared to international competition is better. Delivery is now, we are meeting all customers' requirements on delivery.
- Janakiraman** You briefly touched upon turbines used by GE for solar thermal units, what exactly does that have to do with GE-TTL joint venture?
- Dhruv M. Sawhney** This is the one we will be manufacturing and selling in India.
- Moderator** Thank you. Next question is from the line of Kaushik Poddar from KB Capital Markets, please go ahead.
- Kaushik Poddar** In the opening remarks you spoke about the growth figures for this half as well as for the next year, can you just repeat the numbers? The turnover growth or the order growth you spoke.
- Dhruv M. Sawhney** This year will be around 6% to 8%, but we are looking at 15% growth in turnover, not in order booking. This is of TTL; this can change very much if we start getting the order intakes from GETL.
- Kaushik Poddar** So, this is the turnover figure not the order figures, is that?
- Dhruv M. Sawhney** No, this is the turnover figure and this is not really looking at our joint venture subsidiary orders into TTL.
- Kaushik Poddar** Okay, my other question is see we have a new ministry in the form of new and renewable energy which is headed by Farooq Abdullah, Is there any kind of incentive given for such kind of renewable energy generation or something?
- Nikhil Sawhney** The various incentives that are given from purchase of electricity by SEBs which include a mandated percentage of renewable energy and the percentage of their purchase portfolio. There are also various incentives in terms of the accelerated depreciation as well as various income tax benefits and also lending in this sector from an allocation perspective and bank has a different perspective. There are various types of subsidies available from states individually also in terms of type of

renewable that may be set up. Energy efficiency both from international and domestic perspective you have carbon credits which in India are called RECs in international CERs so all these go toward lender improving the viability of these opportunities.

Kaushik Poddar With all these incentives in place can the payback period be four years or what kind of payback periods can it be?

Nikhil Sawhney It is difficult for us to say what the payback periods are, because it would depend on how people would do it, I would assume that it would possibly be less than that actually, if it worked out well, but it all depends, a renewable energy plant which is waste heat recovery for a steel mill does not exactly work on the same payback because they are looking capacity utilization.

Kaushik Poddar And that somebody doing it from say biomass or something?

Nikhil Sawhney It all depends on the purchase price of biomass, we really cannot judge that.

Dhruv M. Sawhney But I can tell you one thing that if availability of biomass if a person is able to procure his biomass, it will inevitably will go in for one.

Kaushik Poddar Yes, always.

Dhruv M. Sawhney It is given, there are many more entrepreneurs now going out looking at collection of various types of biomass because the viability once you can get the collection part you decide your capacity and this is on a global scale. And the other thing I forgot to mention is we are finding that in Asia and most of Asia it is almost the same is in India and the various sectors of how they are progressing towards this line, Europe has taken a jump in going into the renewables much more strongly but here almost what we are seeing in India is happening in Indonesia or happening in Thailand or a little bit start happening I am sure in Vietnam.

Moderator Thank you. We have the next question from the line of Ashwini Agarwal from Ashmore India, please go ahead.

Ashwini Agarwal Can you tell me how many turbines you have delivered in the six months period April to September 2011 and total number of megawatts these turbines represent?

Dhruv M. Sawhney Total number is 270-280 megawatts, we will give you the number offline.

Ashwini Agarwal And number of turbines you will give later?

Dhruv M. Sawhney Yes.

Moderator Thank you. Next question is from the line of Parag Jhawar from Pari Washington, please go ahead.

Parag Jhawar Do you expect the receivables to go up when you start exporting through GETL? Are the payment terms same for the exports business?

Dhruv M. Sawhney Absolutely. Both partners have, this is not part of our condition of sale – to go through the system of checks and risk clearances of the JV.

Parag Jhawar Okay, so the working capital cycle is likely to in the same?

Dhruv Sawhney Absolutely, this is not going to be, in fact it will be even less because there is not manufacturing in the JV.

Moderator Thank you. We have the next question from the line of Keshav Harlalka from D H Securities, please go ahead.

Keshav Harlalka Hello.

Dhruv M. Sawhney Yes.

Keshav Harlalka Hi Dhruv, congrats on finally getting listed on Friday and we had been anticipating the listing for quite a while and I just wanted to get a perspective of this half year you have done ₹ 45 crore in terms of profits and you are saying that the current quarter is going to be very, very good and you may repeat what you have done in the half year, you may give similar numbers. So, could you give us some broad guidance for the whole year for this current year FY11-12 and what I have been given to understand is that the JV which you have with General Electric the profits or the numbers from that JV, the benefits of that JV will accrue in the year FY12-13, so could you give us some broad guidance I know you will not hold it to it but if you could give us some broad guidance as to what we could look at in FY12-13 and what we could expect in terms of numbers in the current year?

Dhruv M. Sawhney Well, thank you for calling in firstly and thank you for staying with us for so long, but you know we really do not give guidance as a policy and certainly we really discuss this out in the JV level. But I want to mention our growth numbers which in the current year for TTL will be as I said earlier probably 6% to 8% and we would be moving to at least 15% growth in the year FY 12-13 and as I am mentioning we have not really got to incorporating what we are going to be expecting from the JV till we are really receiving orders internationally and also from India in this range.

Keshav Harlalka Now, what we are looking out is the quantum jump in numbers once the JV numbers come, is it not going to be a quantum jump you are talking about only 15%?

Dhruv M. Sawhney No, these 15% is without the JV.

Keshav Harlalka Okay these 15% is without the JV, so after the JV numbers come in it will be a much better number but we do not want to look at it at this point and time?

Dhruv M. Sawhney I cannot say anything about it but definitely it will be, well it should be a better number.

Moderator Thank you. The next question is from the line of Ashutosh Garud from Dalal & Broacha.

Ashutosh Garud I just wanted to understand when we are explaining this business where it is low capital intensive business and we have a very good market share in the business up to 30 megawatt turbine segment, so I just wanted to know exactly are the entry barriers for this business and how would you be able to maintain this market share?

Dhruv M. Sawhney I explained this a little earlier but I will give it again, this market requires a number of attributes from any new entrant, very agile appreciation of the customer which is different, an element of product sophistication and R&D are very well value engineered, value propositioned to the customer and finally targeted service. Technology in these lines takes quite long to develop and global players in fact is consolidated in this rather than expanded there being hardly any new entrant over the last 10 to 15 years, there have been a contraction of the number of players in this space. So, this is something that I think also in the higher megawatt ranges you would find that there have not been any new entrants coming in recently.

Ashutosh Garud What would be the average asset turnover ratio, you would be expecting going ahead, I mean on an average for let us say for two-three years on an average?

Nikhil Sawhney On a return-on-capital we would expect it to be in the very high double digit.

Ashutosh Garud Asset turnover ratio.

Dhruv M. Sawhney We are looking at broad numbers for our sales and this is as you know not a very high capital intensive business anyway, but we have not really got a forecast to this.

Ashutosh Garud Just wanted to know what would be the current capacity of the turbines business right now?

Dhruv M. Sawhney We have utilization capacity, we can raise this by 30% of what we are doing now very quickly and as I mentioned earlier we have ordered some balancing machines, which will come in, in FY2012 - 2013 that will help us.

Ashutosh Garud Okay so do you mean we are operating at about 60% or 70% odd levels?

Dhruv M. Sawhney No, capacity in this is really you can increase shift, you can go to a third shift, you can subcontract a lot, we have very, very dedicated good subcontractors, so it is not a capacity like you have a car manufacturing place, so we have a very big flexibility which is why we are able to keep costs down now and in the future. Secondly, we are looking at refurbishment market in a much more active manner and we have been very fortunate in getting balancing plant orders for rotors even higher than 100 megawatt from utilities from a large power equipment manufacturer in India who has its own balancing plant but using our facilities, so these are other lines that are helping in the spread of the product mix.

Ashutosh Garud I understand that but just for example if you assume two shift working and so approximately what megawatt turbines you would be able to deal on annual basis, just a rough figure, not exact I understand it is a bit different from how they manufacture cars has but still?

Dhruv M. Sawhney We can go easily to, right now we have got a capacity of 1,200 megawatt and that can be also ramped up as I have said.

Ashutosh Garud 100 megawatt for the full year you mean to say?

Dhruv M. Sawhney 1,200 I said.

Ashutosh Garud 1,200 okay

Moderator Thank you. We will take the last question sir from the line of Sangam Iyer from AlfAccurate Advisors please go ahead.

Sangam Iyer Yes, hi sir just a small clarification when you said 6% to 8% growth in revenue for this year, are we seeing some slowdown in client off take, etc., in the second half compared to the first half, which is leading to 6% to 8% on y-o-y basis growth for the full year sales?

Dhruv M. Sawhney There is a bit of that, which is why we are forecasting this figure and why we are saying that FY12-13 will be much better because we are feeling that right now the people are pushing back by one or two months and so we are seeing that happening, so we are taking also what has happened in the first quarter and forecasting that also.

- Sangam Iyer** But in terms of pipelines being converted into orders, is the cycle increasing in terms of the time period or what gives us a confidence of in terms of the growth for the next financial year, I mean are the clients now slowly trying to give more orders or could you just throw some more lights on that?
- Dhruv M. Sawhney** We are getting more enquiries actually. In the higher megawatt space of 20 to 30 where we were not present two years ago, we are getting a larger number of potential customers and enquiries coming to us and really mostly people are not sending enquiries just for the sake of it, about 80% who send enquiries now are serious.
- Sangam Iyer** Just a follow upon that in terms of the order book fresh order in-take for this financial year you said that Q3 we could see as I have ₹ 200 crore of order is coming in. So, for the full year based on your current talks with the client and the pipeline, could we be able to match last year's fresh order flow numbers or similar to like at that levels?
- Dhruv M. Sawhney** Yes, I think it is similar to that, may be higher but let us say, yes it should be similar. Even though last year was quite good in the beginning and then tapered off.
- Sangam Iyer** Right, so this year it would be a more stronger order flow in the second half as compared to the first half leading to a similar kind of order intake?
- Dhruv M. Sawhney** That is right.
- Sangam Iyer** Okay. And sir finally on the tax rate we would be around 30% - 31% level for the full year?
- Dhruv M. Sawhney** Yes.
- Moderator** Thank you. I would like to hand the floor over to the management for closing comments.
- Dhruv M. Sawhney** Thank you everybody for this very interesting and wide ranging information exchange, you are all free to contact our person if you need any more information or any clarifications and we look forward to many such calls in the future and your support, many thanks.
- Moderator** Thank you. On behalf of Triveni Turbine Limited that concludes this conference. Thank you for joining us you may now disconnect.