



Triveni Turbine Limited

Q3 & 9M Results Call Transcript

January 14, 2013

Moderator

Ladies and gentlemen good day and welcome to the Triveni Turbine Limited's Q3 and 9 months FY13 earnings conference call. As a reminder for the duration of this conference all participants' 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. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would 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 Q3 and 9 months FY13 results conference call of Triveni Turbine Limited. We have with us today on this call Mr. Nikhil Sawhney, Joint Managing Director- Triveni Turbine Limited along with other members of the senior management team of Triveni.

We 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 open to all invitees it may not be broadcasted or reproduced in any form or manner.

We would like to start the 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. Nikhil Sawhney to share some perspective with you with regards to the company's operations and results for the quarter under review. Over to you Mr. Sawhney.

Nikhil Sawhney

Thank you Rishab. Good afternoon everyone and welcome to our Q3 & 9 months results conference of financial year 2012-13. We have had a good performance in Q3 with net sales higher by 20% at ₹1.75 billion with an EBITDA of ₹ 490 million and a margin corresponding to that of 28% which is the one of the highest margin that we have recorded in this company's history.

The profit before tax has come at ₹ 454 million with a margin of 25.9%, an increase of over 5%. Profit after tax has also correspondingly come in at ₹ 305 million with a margin of 17.4%, an increase of 48% in value terms and an improvement in margin by 3.3%. Similar improvements in margin at all levels have been recorded in the 9 months period as well.

With an increased turnover in Q3 by over 20%, the company could bridge the 9 month year on year gap to 5% from 15% in H1 and 31% gap in the first quarter of this financial

year. The company's export turnover for 9 months period has been higher by 158% year-on-year which is in line with the order intake during the earlier quarters. The aftermarket business has also grown by 10% during the 9 months period which included the aftermarket segments of exports as well.

The mix of products and aftermarket has improved significantly in the 9 months period; 82% product and 18% aftermarket, from 84% product and 16% aftermarket in the 9 months FY12. This is recorded a small decline from H1 which was at 80% product and 20% aftermarket. But it is interesting to note that despite the small decline on a percentage basis, our margins have come across stronger. The margin levels have shown a significant improvement and this is primarily on account of exports having a higher percentage share of our turnover. As of the nine months, 73% of sales were in the domestic market while 27% was in the exports. For Q3 that was 71% domestic sales with 29% export sales.

Our domestic market has continued to remain subdued. Overall order booking was lower than corresponding periods of last year. Despite that, Triveni could achieve its normal market share under these difficult market circumstances of over 60%. On account of the shrinking domestic market, the competition is intense which is reflected in pricing which in turn has a reflection in the margins. But despite that we have to say that in our belief we would be one of the foremost capital goods rotating equipment companies with this sort of margin structure.

There is not a great deal of clarity in the domestic market in terms of when the CAPEX cycle will revive. Though we are getting certain indications from certain sectors that there will be a revival in terms of capital expenditure. This is primarily in terms of oil and gas segment, certain cement and of course bio-mass segment in the market. The company's trust on exports is continuing with an increasing focus on expanding our enquiry base which is in excess of 3,500 MW. Our focus in terms of personnel dedicated to the export market has increased over the last quarter. And we see a good traction in conversion of enquiries into orders in the coming future.

An interesting point is that the delivery cycle in the export market is far shorter than in the domestic market and what we believe is that there will be significant amount of book and bill in every financial year. For example in this current year, we would book and bill approximately over a ₹ 100 crore export orders. The export markets in Q3 expanded by over 45 crore from 5 crore in Q3 FY12 to over ₹ 50 crore in Q3 FY13. This is an increase in 9 months as I said of 158% and it stood at ₹128 crore.

Our focus on R&D has been paramount in sustaining Triveni at the level where it stands today. We have a continuous focus on research and development and value engineering to not only reduce the cost of our turbine on a continuous basis but also to improve the value proposition to our customers in terms of life cycle efficiency as well as the reliability.

With that I would like to leave you with a little bit of outlook on our joint venture with General Electric. GETL was very happy to get two orders. One order for two turbines, of 40 MW each from Thermax for NMDC. These turbines will be delivered within a period of 13 to 14 months and will reflect in the operations of TTL in FY14. GETL has been again focusing both in the domestic as well as export markets to increase its presence and get a higher installed base. We are optimistic again on this market in terms of the growth that it has a potential to achieve.

With that I would like to take your questions.

Moderator

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have our first question from Nirav Vasa from SBI Cap Securities. Please go ahead.

Nirav Vasa My query pertains to the order that you received from Thermax that is of 80 MW turbines. Can I request you to help me with the order value?

Nikhil Sawhney It is ₹ 40 crore.

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

Ashutosh Garud In the Q2 conference call you mentioned that you are still confident of having single digit growth for the entire year.

Nikhil Sawhney We are still confident of that.

Ashutosh Garud So we do expect a 25% odd growth to come in the last quarter?

Nikhil Sawhney Yes, we are confident because all our products are on the shop floor ready for dispatch. So we have a great deal of clarity in terms of growth that we would exhibit on a year-on-year basis for FY13 over FY12. While turnover will grow on a single digit basis, this would be at an expanded margin.

Ashutosh Garud What was the order inflow number for this quarter?

Nikhil Sawhney The order inflows are in excess of ₹ 100 crore.

Ashutosh Garud So this is 158% increase which you mentioned?

Nikhil Sawhney The 158% increase was in export turnover in particular.

Ashutosh Garud Including this order of 2 x 40 MW and the earlier order which we had discussed, both were in the domestic market for the GE JV that is? How are the efforts on the international front because in Q2 you sounded quite bullish on the enquiry levels which were there?

Nikhil Sawhney We are still extremely bullish. Our enquiry levels are still somewhere in the region of about 4,000 MW and we are just waiting for certain traction. The market is extremely competitive as much as the domestic market as well as internationally. There is a general CAPEX slowdown. What you see from segments that investments continue to come in, it is largely in the renewable area. While we are reorienting our market people in the joint venture which internationally is being handled directly by General Electric, it would be to focus where the demand is coming from and there is some degree of delay in terms of order finalizations. But they have not been order losses as well.

Ashutosh Garud Actually I was about to get to that point. Are there no tenders being floated or have you lost any to our competition? Is there a scenario like that or the tenders itself are not coming in the international front?

Nikhil Sawhney It is largely the second that they have not come for finalization.

Moderator Thank you very much. Our next question is from Sandeep Tulsian of JM Financial. Please go ahead.

Sandeep Tulsian Sir out of this 4,000 MW enquiry that you just mentioned, what quantum of orders do you expect to get finalized over next 12 months or so?

Nikhil Sawhney It would be difficult to say. Our knowledge of the domestic market is far better in terms of knowing finalization cycles as well. In the domestic market we believe that

finalization occurs in the region of 30% on the enquiry on a year-on-year basis. On the export front, I would say it is a little bit more than that may be 40-45% would be finalized.

- Sandeep Tulsian** This 4,000 MW is exclusive of exports enquiry.
- Nikhil Sawhney** In the 30-100 MW segments. In the under 30 MW segment just to give you an idea of the order book that we currently have, approximately 50% of the order book is from Europe. Of the order book which include both domestic and the export market, 60% is from the renewable area.
- Sandeep Tulsian** Regarding GETL, we have dispatched our first turbine in the month of November. If you could state what kind of numbers this subsidiary is showing from Q3 onwards? What could be a sustainable number that we can see going forward, in FY14 for example?
- Nikhil Sawhney** If you look at our turbine product, the manufacturing of the GETL turbine is done under Triveni Turbine which constitutes approximately 45 to 50% of the value of the order. That will get reflected into Triveni Turbine standalone results by itself. There will be a degree of related party transactions and therefore the bridging of that on a consolidated basis. But you can see the fact that there will be an exponential growth in the installed base of this joint venture going forward. We are quite optimistic that we will achieve more orders but to give a degree of certainty in terms of numbers it will be very difficult. Where the trajectory is high, this is a business that operates at low capital and so we are quite confident of the growth that will come by. It will just take a little bit longer than what we had foreseen.
- Sandeep Tulsian** So precisely, my point was this, if 45-50% we are booking in Triveni Turbine standalone, if we exclude the sales that we have booked for GETL during 3rd quarter, just to give a like-to-like comparison what would have been the sales growth in Q3?
- Nikhil Sawhney** It would have been like ₹ 9 crore.
- Sandeep Tulsian** What is the current capacity utilization of our manufacturing facility in terms of percentage?
- Nikhil Sawhney** This is not a largely man power intensive business. The capacity that we have is based on the manufacturing as well as the assembly capacity that we have from manufacturing of certain components to the testing and assembling area will be available. Current capacity utilization would be in the region of approximately 50%.
- Moderator** Thank you. Our next question is from Madan Gopal of Sundaram Mutual Fund. Please go ahead.
- Madan Gopal** Can you give me Q3 after market and the manufacturing mix?
- Nikhil Sawhney** 82% is product and 18% is aftermarket which compares to 20% in H1 which compares to 16% of last year.
- Madan Gopal** What is the current order book?
- Nikhil Sawhney** It is ₹ 516 crore.
- Madan Gopal** And is the execution period 12 to 13 months for this?
- Nikhil Sawhney** It is approximately 9 months now.
- Madan Gopal** How much of this is export?

Nikhil Sawhney Of this, approximately ₹ 113 crore is exports.

Madan Gopal Is the execution period across exports and domestic the same?

Nikhil Sawhney On the order placement, it is approximately the same. Everyone gives the time limit of between 9 to 10 months. It is just in the export market they are more tuned to actually accepting primary product within that time period. The domestic market, there are larger delays. So it goes up to maybe 11 to 12 months sometimes.

Madan Gopal Do we envisage the scenario of the mix right now which is 20% export move to something like 30% by the end of the year in terms of order book? Do we expect more from exports in the last quarter?

Nikhil Sawhney That is how we see our growth. When we look at the domestic market, it is quite stagnant. While we believe that we would maintain our market share in these stagnant market, the growth that we will exhibit will only come from the export market which we have got extremely good acceptance from in terms of large OEMs as well as key markets.

When I told you that 50% of our order book currently is from Europe, these are sensitive markets where not only margins are better but of course the fact that the customers are more picky, so it is not a question on selling on price. You are selling a technology product with very intense competition.

Moderator Thank you very much. Our next question is from Pankaj Kumar of Edelweiss Securities. Please go ahead.

Pankaj Kumar My question pertains to the order inflows. In the first half we had an order inflow of more than ₹ 200 crore and you said in this current quarter we had order inflows of ₹ 100 crore.

Nikhil Sawhney The thing is that because we have a call on a quarterly basis, these are numbers. But the finalizations that happen in Q4 are always significantly higher than that happen in other quarters. This is due to every company practices in terms of placement of orders within the budget cycle, both internationally and domestically. Our current negotiations as we stand today leave us with a great degree of optimism on the status of our order books and therefore projected growth for the next year.

Pankaj Kumar Actually this closing order book at the end of H1 was roughly ₹ 500 crore. As of now we have an order back log of ₹ 518 crore and we did a turnover of ₹175 crore. So if we go by that calculation, the order book inflows should be more than ₹ 170 crore?

Nikhil Sawhney No, we have a lot of spares as well. The thing is when we sell spares 18% of our turnover; we will have a mathematical answer. We will be happy to have this discussion in depth offline.

Pankaj Kumar What is the portion of spare parts and other things in that ₹ 175 crore of revenue in the last quarter?

Nikhil Sawhney It is 18% of that.

Pankaj Kumar Is this aftermarket you would say?

Nikhil Sawhney Yes.

Pankaj Kumar And the order that we have booked in the JV, that is of ₹ 40 crore?

Nikhil Sawhney Yes.

Pankaj Kumar Which are the other orders that we have bagged in the current quarter?

Nikhil Sawhney We do not give specific orders. It is important to give visibility to our investors and financial community on GETL because it is a venture that is taking off. But individual orders is difficult to actually give because as you know the company manufactures and sells somewhere in the region of about 100 turbines a year. So it is difficult to give that sort of number.

Pankaj Kumar What is the quantum of slow moving orders in that?

Nikhil Sawhney Actually we have moved to a period of at least ₹ 40 crore from our order book. But this is something that orders were received within the last quarter and advances were taken also. But we just do not have confidence in the customers so we have not included in the order book.

Pankaj Kumar Can you give us some sense of market because you said overall the market in FY12 was around 900 MW and it was earlier used to be somewhere around 1,500 MW? So how is the current year?

Nikhil Sawhney It is exactly the same. There has been no growth and no decline.

Moderator Thank you. We will take our next question from Salim Khwaja from Natwest Broking. Please go ahead.

Salim Khwaja What is the current order inflow in Q3 and how much is from the export market and how much from domestic market? Similarly in your order back log of ₹ 516 crore, how much is from export and how much from domestic market?

CN Narayanan In Q3 the order inflow as mentioned is over ₹ 100 crore and close to 35-38% came from the export market, the balance from the domestic side. In terms of total outstanding order book of ₹ 516-517 crore at the end of 31st of December, 25% is exports and balance is the domestic segment.

Salim Khwaja Your 2 X 40 MW of order in the JV, I just wanted to know whether that order comes or that is included in your current order book status?

CN Narayanan It is partially included because Triveni has to manufacture a component of that order that will be included which is approximately 40-45% of the order.

Salim Khwaja So it will come around ₹ 20- 22 crore right?

Nikhil Sawhney Approximately 18 to 20 crore.

Salim Khwaja This is my humble request to you sir, kindly state your order back log and order inflow in press releases on year-on-year and quarter-on-quarter basis. It will give us a clear visibility.

Nikhil Sawhney It is an important question you bring up because as our order book moves more towards exports, the delivery time actually comes down. So you have more book and bill as that changes It is not a like-to-like comparison exactly but we get your point. Thank you.

Moderator Thank you very much. Our next question is from Denil Savla of Athena Investment. Please go ahead.

- Denil Savla** My question is regarding the margins. There is a significant improvement in the margins to 28% from 25% nearly on a q-on-q basis. When I calculate, you say your higher margin business is aftermarket sales approximately 18% and was 20% in the first half. Since there has not been any improvement in the aftermarket sales, just wanted to understand the actual reason say 300 bps margin points increase.
- Nikhil Sawhney** It is an important question that you bring up because of course in your mind would be sustainability of these margins. As you would understand, each order has a specific margin. These are negotiated orders, these are not off the shelf products and so the margin on each product will vary. Very frankly, domestic margins are lower than what they are in the export basis as you would understand. And depending on the market and depending on the competition in export market, we find different margins that the company can get.
- To give you an idea, we have not lost an order on price in the export market. That is an important point to keep in mind. The fact is that actually our prices are very competitive, still in the export market. As we have confidence in increasing our enquiry book, we believe that as our inquiries turn into orders, we would be placed very well because our greater play right now is to expand our enquiry base.
- Now when I look at that and how it translates into margins, we have two things. We have an absolute growth in our aftermarkets as a percentage of turnover. We also have an increase in the percentage of turnover coming from the aftermarket, so we see that sustaining margins. Secondly, as we have greater degree of exports as a percentage of our turnover as opposed to domestic, we believe that will also sustain our margins. I have to say the fact is that on a q-on-q basis, there will be variations, on a trend what I am saying is correct.
- Denil Savla** So generally how much is the expected margins in the export business especially for the product?
- Nikhil Sawhney** It is difficult to say. The point is that we look at this from a lifecycle basis. We believe that product margins that we are able to get in the export market have to win us the orders. That is what is more important than anything. But if we are able to get good product margins in the export market, without being too specific on what that number is, we are not losing orders based on price.
- Denil Savla** So it should be upward of say 20 to 22%?
- Nikhil Sawhney** It depends. There will be some orders which may be 15% and some orders that may be 40%.
- Denil Savla** My other question is regarding your dividend distribution policy.
- Nikhil Sawhney** The fact is the company is debt free as of the 1st January 2013. We are sitting on cash. The business has actually seen a little bit of an expansion in its working capital and this is purely driven by the fact that we have dispatched orders towards the end of quarter based on customer requirement and which are fully backed by LCs. So this will get reversed as it goes ahead and maintain a negative working capital. There is no formal dividend policy of the company but we believe that we will keep you informed as the board consider this.
- Moderator** Thank you very much. Our next question is from Devang Patel of Avendus. Please go ahead.
- Devang Patel** For the first 35 MW turbine order, what was the actual delivery time and what is the delivery time expected for these new orders of 40MW turbine?

Nikhil Sawhney The delivery times I think that was 15 months and these are 13 and 14 months. The delivery time is not a question of getting met even with our current 35MW order was delivered within time, the commissioning will take a little time because of the delays on boiler.

Devang Patel Given that, the larger turbine will occupy larger CNC machines, will there be some constraints?

Nikhil Sawhney There is no capacity constraints.

Devang Patel In the margin spike, was there any one-offs? Is the last mile margin booking on the larger orders?

Nikhil Sawhney There are always certain orders which are at higher margins and lower margins. It varies from quarter-to-quarter basis.

Devang Patel Okay, sir when you say the order inflows were over ₹ 100 crore this quarter, does a back envelop calculation it is closer to ₹ 150 crore, is my calculation correct. Is there any order which was earlier not included in the order book, included now?

Nikhil Sawhney No.

Devang Patel So the order inflows are more at ₹100 crore than ₹ 150 crore.

Nikhil Sawhney Yes, it is just over ₹100 crore, is the total order inflow we have registered in this quarter.

Devang Patel The order backlog that we had last time was ₹ 503 crore which is now ₹ 516 crore.

CN Narayanan No, that is what. We were explaining to an earlier question, that the quarterly turnover what you talked about includes part of the revenue coming from after market.

Nikhil Sawhney We will be happy to go through the math with you.

CN Narayanan It will not be included in the order booking.

Devang Patel Okay, I will take it offline.

Moderator Thank you. Our next question is from Ravindra Agrawal of HDFC Securities. Please go ahead.

Ravindra Agrawal I need the numbers in terms of megawatts. How much megawatts have we executed for the nine months and for the past three months?

Nikhil Sawhney We stopped giving those numbers.

Ravindra Agrawal And just to confirm the earlier numbers that we discussed, the export order ₹ 100 crore book and bill, can you just elaborate on the same?

Nikhil Sawhney Well, it is what we believe is going to be the book and bill for this year.

Ravindra Agrawal ₹ 100 crore for the remaining FY13?

Nikhil Sawhney There is a book and bill of ₹ 50 crore, the growth in export order book will be ₹ 100 crore.

Ravindra Agrawal And regarding the less than 30 MW overall domestic plus export order booking, you had mentioned that 50% is from Europe?

Nikhil Sawhney Our current order book reflects that.

Ravindra Agrawal And around 60% is the renewable area part, is that right?

Nikhil Sawhney Exactly.

Moderator Thank you. Our next question is from Abhijeet Vora of Equirus Securities. Please go ahead.

Abhijeet Vora In the current quarter order book which you have mentioned ₹ 516 crore, it includes the refurbishing orders. Could you just give us the split as to how much is refurbishing and how much is product?

Nikhil Sawhney Refurbishment is approximately ₹ 30 odd crore.

Abhijeet Vora This ₹ 30 odd crore would be executed in Q4?

Nikhil Sawhney Largely

Abhijeet Vora And now that you are reaching this year end and you have enquiries with you. Could you broadly give us an outlook for FY14. I know you tried to answer that question on order inflow outlook, but how much are you targeting internally.

Nikhil Sawhney I think what we have done in previous calls is that closer to H1, we will be more confident in giving you an outlook as to how we look, as we stated in last conference call, which is at the end of H1 as well as now at the end of 9 months, we believe that this current year will end with a single digit growth and turnover with expanded margins which would obviously by then mean a double digit growth in bottom-line. As we look forward we are seeing growth in our enquiry base in order booking from the export market and therefore believe that there would be growth reflected in FY14. It would be difficult to give you a number and I don't think I will be very confident in giving you a number as to how high that growth will be.

Abhijeet Vora Okay and one final question, any reason for this equity infusion in your subsidiary?

Nikhil Sawhney The partners decide at points in time because it is the low capital business, we actually capitalized the joint venture at a very low level initially and there are going to be expenditures on operational matters.

Abhijeet Vora Okay, so did both GE as well as Triveni contribute?

Nikhil Sawhney Yes, it is as per the shareholding. So its 50% plus one share from our side and 50% minus one share from their side. So they would proportionately put in their amount.

Moderator Thank you. Our next question is from Ashutosh Garud of Dalal and Broacha. Please go ahead.

Ashutosh Garud Just wanted to know your view point, since many of the states have been increasing the tariff on the electricity front. So how do you see this impacting the CPP market going ahead? You just mentioned that it is flat and nothing much has happened. But do you see the demand coming?

Nikhil Sawhney I think there are about four different factors which lead to demand for captive power units. One of course is Greenfield-Brownfield expansion by itself. The second is efficiency expenditure in terms of actually reducing your cost of production of power. Thirdly, which is an independent, IPP market, which is not dependent on industrial production and lastly you have the merchant power market, which is over-sizing your capacity, so as to not only meet your captive requirement but also export to the grid. Now when you look at the fact that we have expansion in rates we are talking about the last which is to provide excess capacity to the grid. Now with the mix of all these four, and also the point that the Ministry of Coal is becoming increasingly reluctant to provide linkage coal to inefficient CPPs, this will all lead to demand at some point in time. There are a lot of sentimental factors out there. There are lot of constraints that businesses are facing and we think that in India especially the situation will align itself, it may take little bit of time. We were anticipating this to happen in the last quarter, but we were still quite optimistic that the fundamentals, like you talk about, would get sorted out because even-though power rates are high, people are not getting paid the power rates. So until the liquidity situation improves with the SEBs that is not a full solution.

Moderator Thank you very much. Our next question is from Gagan Thareja of Comgest. Please go ahead.

Gagan Thareja I would take up from last question itself because there was a generic discussion on captive power and if may be you could make it more specific and give your outlook on captive, co-gen, CDM based projects and also on competition from Chinese entities in the CPP market in India?

Nikhil Sawhney In the market that Triveni Turbine operates on a standalone basis which is 0 to 30 MW segment, we do not see the Chinese compete at all. There may be an odd order here and there, but they are not considered as competition for us in the domestic market. The outlook domestically is largely driven by the economics of certain industries themselves. So certain sectors like cement is expanding because the economics is based on the industry itself and certain sectors like oil and gas, independent power producers always make sense, and sugar co-generation if you have the raw material available always make sense. So there are certain investments into captive power generation which always makes sense, the rest are dependent on business cycles and on liquidity.

Gagan Thareja So you are experiencing enquiry flow by and large from cement, O&G, and Sugar, is that the way to look at it? My second question was that over the last year or so there has been, at least in the southern part of India and Tamil Nadu and Andhra Pradesh have experienced severe grid shortages, we see that translating into good demand for DG set manufacturers. So obviously the economics for shifting to captive power or co-gen would be very favorable in such situations.

Nikhil Sawhney For any business that is a continuous business therefore we define our markets as process industries. Manufacturing is not a process. So it is always more efficient for a process industry to generate captively through a steam turbine rather than through DG. We believe that certain scale in manufacturing such as especially in textiles has moved towards this market, which used to be earlier a DG based market, but the economics as you know from thermal power generation regardless of your price of coal be it e-auction or imported is now going to come to more than ₹ 4.5- 5 which is significantly lower than grid power and especially if you need steam as part of the process then the economics becomes even stronger. So I think the economics are there. The issue in the South is the same as in the North. The industrial activity may be more in the South, so that may be different.

Moderator Thank you. Our next question is from Jay Kakkad of Standard Chartered Securities. Please go ahead.

Jay Kakkad My question is, now the bulk buyers of diesel have to buy out diesel on the market price. So do you see any change in economics in this segment of 0 to 30 MW because of this?

Nikhil Sawhney On a marginal basis, the cost of production through DG is somewhere about ₹ 12 a unit and so like I said if the economics of continuous operation and requirement of steam exist with you, you would always go for this option. Now you have other options that exist in other parts of the world, which is sort of distributed energy plant which happen for a cluster base system, which also happen district heating and district cooling markets and those are things that will take off. Distributed energy has a place and role to play in India because large ultramega or mega power plants have constraints in terms of land acquisition environmental clearance, availability of water etc. So we think there is a definite role in place for this. The size and scale of the plant will depend on the mode of operation in the industry of the user.

Jay Kakkad In this segment you said there is no Chinese competition. Then who are the main competitors here?

Nikhil Sawhney We believe we hold approximately a 60% market share in the below 30 MW segment. Siemens would hold about a 35% market share, the rest would be split amongst 2-3 other imported turbines.

Jay Kakkad Okay. One question on this 0 to 30 MW market, what proportion of the market would be coal based?

Nikhil Sawhney It is difficult to say, but like I said our order book is approximately 60% on the renewable side, when I say renewable it means that the source of fuel is either waste heat which may indirectly be fed by coal but directly to the boiler for us is not coal, it is the waste heat which is being produced by the process. It could be sugar co-generation, it could be biomass based IPPs, it could be other forms of municipal solid waste, etc. So to the extent that if the industry uses coal as part of its process, it is difficult to say because from a CDM perspective, the projects that we do are qualified as renewable project. So they would qualify for CDM and so therefore I say they are renewable.

Jay Kakkad And is there a proportion of the market on the direct coal in this segment?

Nikhil Sawhney We can get back to you on that you can get in touch with us. It will require a little bit of working.

Jay Kakkad And in this market when you sell, you sell through OEMs or there are direct sales as well?

Nikhil Sawhney It is largely direct. Entrepreneurs or the decision makers recognize that EPCs would then just tend to actually expand their margins with a complete bought out system which makes them more expensive, so typically entrepreneurs try to order the BTG segment separately, the boiler and turbo-generator separately and the BOP and of course some go for entire EPC altogether, but we tend not to see that in the below 15 odd MW category.

Moderator Thank you. Our next question is from Ashwini Agarwal of Ashmore India. Please go ahead.

Ashwini Agarwal If I look at the employee benefits expense that was ₹ 17 odd crore in the quarter ended 30th of September that has dropped to ₹ 12.14 crore, could you shed some light on that please.

Nikhil Sawhney There was a one-time benefit that was given, but also you have keep in mind turnover as it moved.

Ashwini Agarwal There was a one-time benefit, is that seasonal in nature, does it recur every year, or is that a one-off?

Suresh Taneja That is the variable portion of the salary which must have been given in that quarter, but otherwise if you look at the nine months it is fairly consistent.

Ashwini Agarwal Yes, 9 months is quite consistent, so I was just wondering you know...

Suresh Taneja We will maintain that run rate.

Ashwini Agarwal Could you isolate what the variable amount was and could you share it with me?

Suresh Taneja Don't have it as of now, but you know whatever is the spike you are seeing over there that was all on account of the variable portion.

Nikhil Sawhney The variable portion was largely with the shop floor employees.

Moderator Thank you. Our next question is from Kaushik Poddar of KB Capital Market. Please go ahead.

Kaushik Poddar Can you throw some light on the R&D you people are doing?

Nikhil Sawhney Yes, of 600 odd employees in the company, approximately 12-13% are engaged either directly or indirectly within some form of R&D which would include directly R&D or value engineering and other types of engineering which leads to cost reduction. We have a very focused R&D process which not only allows us to benchmark with competition globally as to make sure our product is best in class, but also to continuously reduce our cost. I think as we said in the last conference call as well we have introduced over 18 new models of turbines and has variance as well and as far as IP registrations go we would have registered more than I think about 70-75 registrations of the last 15 to 18 months.

Kaushik Poddar Can there be a sharp spike in your turnover if some conditions work out or we will always look at the single digit number or whatever you are talking about?

Nikhil Sawhney No, the thing is that we were historically and still are majorly a domestic turbine manufacturer for sales in the domestic market. As you see in the recent trend of our exporting a larger degree and increasing not only as a percentage of our turnover but also as a percentage of our order book, we believe that this trend will continue and our confidence in terms of approaching this market has increased significantly because we are not losing based on technical factors. Our conversion of enquiries into orders is very good in the export market, if it does come into our enquiry book, what I mean is that the customer accepts us and allows us to bid.

Kaushik Poddar And as far as the market spend goes, it is directly done by GE or it is the combined GE Triveni?

Nikhil Sawhney Actually we were talking about two different things, I was talking about Triveni Turbine Limited.

Kaushik Poddar Triveni Turbine, less than 30 MW, I mean who does the marketing of it?

Nikhil Sawhney GE has nothing to do in the below 30 MW, in the above 30 MW marketing spend is directly spent by General Electric for international market on its own book and it will be compensated when sales comes in terms of commission.

Moderator Thank you very much. Our next question is from Manish Goyal of Enam Holdings. Please go ahead.

Manish Goyal Just to clarify when you say order inflow does it include the spare parts after-market?

Nikhil Sawhney No, it does not include spares.

Manish Goyal So just to clarify, you said order intake in quarter 3 was ₹ 150 crore?

Nikhil Sawhney ₹ 100 plus crore.

Manish Goyal Then you didn't you clarify later on that ₹ 100 crore?

Nikhil Sawhney No we were talking about a different factor there, that was a book and bill in exports, where we said that growth in the order book and exports on the year-on-year basis would be ₹ 100 crore but the book and bill would be at ₹ 50 crore. Which is going to indicate to say that the time of delivery for our export order is low and so we believe that basically our order book at the end of Q1 of any financial year would reflect the turnover that can be achieved in that financial year plus of course the Q1 which is already gone by.

Manish Goyal So order intake was nearly ₹ 100 crore and out of that how much was exports international?

Arun Mote Around 38%.

Manish Goyal Okay, in domestic would it be possible to give some sense as to basically as you mentioned cement and oil & gas are seeing some traction, but this ₹ 60-65 crore of order or say ₹ 180 crore of order in 9 months, is it possible to give us a sense in terms of break up as to where the order flows have been from?

Nikhil Sawhney See, it has been very lumpy and it changes from quarter to quarter. I have given you a broad estimate as to where we see it, but our enquiry book which is little bit broader in the sense as to who is actually even looking to spend money is broad enough to be based in all sectors of the economy which doesn't actually lead us to believe that there is any one segment which is growing faster than other or willing to deploy capital faster than the other. There is one clear trend which is that the PSUs are definitely spending more money than the private sector.

Manish Goyal Because the reason being that if I probably look at your year-till-date number, your domestic order inflow is probably down by 30 odd percent, so say what would be your enquiry book, because last time in the call you mentioned about 3,500 to 4,000 MW enquiry book?

Nikhil Sawhney It is still the same, finalization are not happening at that level though.

Manish Goyal So it is much better in export as compared to domestic?

Nikhil Sawhney Yes, the conversion of enquiry into firm orders is firstly a higher percentage internationally and more than that is delivery also.

Moderator Thank you very much. Our next question is from Saurabh Jain of Sushil Finance. Please go ahead.

Saurabh Jain Was GETL's order of Usha Martin which was around ₹ 17 crore. So what I understand is out of that ₹ 7-8 crore of amount was booked by TTL as manufacturing expenses, so I just wanted to understand the profitability in this.

Nikhil Sawhney Sorry, I can't get into the GETLs orders, because they are firstly subject to our own confidentiality agreement in the joint venture that we have signed.

Saurabh Jain Okay any idea about what kind of marketing or installation charges do you incur in this kind of order?

Nikhil Sawhney No the point is that essentially we set up this joint venture in a very capital light manner and there would be a commission paid for the technology that was used in the product that was dispatched. There would be a charge for the manufacturing; there would be a charge for marketing as well and so respectively depending on whose responsibility it was for certain things they would be proportionately paid their commission.

Moderator Thank you. Our next question is from Denil Savla of Athena Investment. Please go ahead.

Denil Savla Just want to understand how much megawatts of turbine was delivered in Q3 or a 9-month period?

Nikhil Sawhney Yes, we have been asked this question before and unfortunately it is the same reply that we stopped giving this information because it turns out to be quite sensitive to our pricing strategy.

Denil Savla Okay and just want to understand your enquiry to conversion percentage at a historical level and current. Could you give that to us?

Nikhil Sawhney Well on the domestic market is, firstly you have to say how well have we actually captured the enquiry base. Internationally we can't actually speak very authoritatively because we actually don't have that data but in the domestic market reduced considerably over the past year and a half which is a conversion of our enquiry book to orders because the fact that the enquiry book is not going to finalization that is why.

Moderator Thank you very much. Ladies and gentlemen that was the last question due to time constraints. I would now like to hand the conference back to the management team for closing comments.

Nikhil Sawhney Thank you very much. Thank you everyone for joining our conference call for Q3 & 9 months' FY13. We are optimistic on the growth and profitability for this current year as well as for the coming years. Our focus on research and development as well on expanding our brand and an enquiry base internationally is what will keep us busy for the next several periods and we look forward to engaging with you again. If there are any questions you can take it up with us offline. Thank you.

Moderator Thank you very much sir. Ladies and gentlemen on behalf of Triveni Turbine Limited that concludes this conference call. Thank you for joining us and you may now disconnect the lines.