



Triveni Turbine Limited Q4 & FY12 Results Investor/Analyst Conference Call Transcript May 8, 2012

Moderator Ladies and gentleman good day and welcome to the Triveni Turbine Limited Q4 FY12 earnings conference call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing * and then 0 on your touch tone telephone. Please note that this conference is being recorded. 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 every one and a warm welcome to all of you participating in the Q4 and FY 2012 results conference call of Triveni Turbine Limited. We have with us today on the call Mr. Dhruv Sawhney – Chairman and Managing Director, Mr. Nikhil Sawhney – Joint Managing Director and Mr. Arun Mote – CEO, 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 open to all invitees, it may not be broadcasted or reproduced in any form or manner. We would like to start this conference with opening remarks from the management followed by an interactive question and answer session where you can discuss your views and key issues. I would now like to hand over the call to Mr. Dhruv Sawhney to share some perspective with you with regards to company's operations and results for the quarter under review. Over to you Mr. Sawhney.

Dhruv Sawhney Welcome to the conference call of Triveni Turbine Limited. This is for the fourth quarter and financial year ending March 31st. In spite of pretty difficult market conditions we are happy to report very encouraging results for the Financial Year 2012.

In difficult market conditions, we have managed good results and more importantly we have a healthy export and domestic order book for products. Our financial year income from operations are at ₹ 6.32 billion with the profit before tax of ₹ 1.35 billion and a PAT of ₹ 911 million. An EBITDA of ₹ 1.56 billion where a margin of 24.7% is quite encouraging specially compared to what's happening to the market place today in the capital goods industry both in India and overseas. The EPS for the financial year 2012 is ₹ 2.75 per share.

The figures for the 4th quarter are in the brief and I am not going to go through them right now. I think the most important thing is that we have managed this performance by concentrating on two factors, performance in terms of sales and the performance in terms of preserving our substantial margins which in the competitive landscape are probably some of the best in the world. This has been owing to a very strong marketing push in the export market. When I come to the Financial Year '13, I'll come back to this. And the second is a push in our services area where we made breakthrough in refurbishments and in the delivery of spares and servicing and

operations and management. This is what will carry TTL through the next year and of course we are expecting things to get much better in FY14. Our difficult market conditions in India were also reflected to some extent overseas but the lines that we are in, the renewable space and the non commercial energy sectors are encouraging. Mainly customers have postponed placing orders, not that they are not placing orders. So our markets are there, as against many other sectors where markets have really dried up.

I think the performance of our subsidiary GE Triveni Limited has also been encouraging. We will be executing our first order in the financial year FY13. We have an extremely encouraging pipeline. In many parts of the world the JV have been technically qualified and here again customers are there, they are being slower in the order placement but we have very encouraging and very good pipeline and extremely strong sales support from GE not just in South East Asia but they have a person dedicated on this in various other parts of the world, especially in Europe and in America.

At the moment we are in a position where, in the next year, we are looking at a growth of around 10% with the same margins preserved and I am saying this because we really take in to account, our order book which is fairly certain, where we feel we that we are confident of the orders being billed in Financial Year '13. We take out the orders which are slow moving, which may spill over to Financial Year '14. Now all these are orders where we have received advances and they are fairly committed customers. It's not that we are looking at a letter of intent or something like that. The April order book itself was extremely encouraging probably better than any month last year and that's what augurs well. We are looking at a strong order booking in the first quarter of Financial Year '13. Our dispatches in the next year, quarter-wise, may be a little bumpy because there was a dip in order booking in the second quarter of last year that impact comes in to first quarter of the Financial Year '13, but with that order book we would be showing growth in Financial Year '13. Of course if the market picks up then we will be looking at even higher growth in Financial Year '14, as you know our cycle of orders is from 9 – 12 months and so we really are projecting things in to the future but we are looking at these getting back to our growth figures of over 20% in Financial Year '14.

The export market for us for upto 30 megawatt range is extremely encouraging. We have made very good breakthroughs in ASEAN. As you know for the regions of the ASEAN has one of the highest growth today and we have got orders already in April and has very encouraging pipeline enquiries and bids given out in Thailand, Indonesia, in the palm oil industry, in Malaysia, in Vietnam and Philippines.

We have also been fortunate in getting good non-conventional energy orders in Europe. We have one in the UK which is a big break through order.

The energy and the biomass segment as you know are much less prone to the economic cycles because people get a lot of subsidies in this segment both in Asia and in Europe. This is why we are fairly happy that we are in the right sector of power industry. We are in the right sector of the economies of tomorrow. The order for the UK for example is 2 x 21 megawatt order for incineration and we have got this against stiff competition and we will be adhering to all the EU norms etc. So once this is executed in FY13, we look forward to much bigger orders for execution in FY14 and further down.

Our R&D efforts have really helped us through this difficult patch. Today, we have almost twice as many people as we had two years ago and our expenditures have also gone up by substantial amount from the past and this is what has brought about a host of new models that we have been able to develop to satisfy the customer needs and to meet competitive pressures. Also we are benchmarking now with the best globally, both in India and overseas in terms of value for the customer and the efficiency. The number of patents we have put in it is already over 40. And we hope to double the number of patent filings in the current year. We substantially

stepped up our resources allocated to patent protection. This is not just in India. There are filings in Europe and also now started in South East Asia.

The aftermarket which is catering to the utility sector and the petrochemical sector has been another breakthrough because the customers are very sophisticated customers. The range is much higher. In some cases it is more than a 100 megawatt and we are actually doing refurbishment of all types /makes of turbines and that gives us great confidence that these customers are showing in the capabilities of Triveni Turbine in Bangalore. I think I'd like to just end by my saying that the team has performed extremely well in the last year and they look forward to FY13 with good confidence. Thank you.

- Moderator** Thank you very much sir. Ladies and gentleman we will now begin the question and answer session. The first question is from Nirav Vasa from SBI Caps Securities, please go ahead.
- Nirav Vasa** My first query pertains to your R&D expenditure. Would it be possible for you to help me with the actual amount that you have incurred for R&D and the outlook going forward and the tax implication of the same?
- Arun Mote** Expenditure is around 1.5 – 2% depending upon the models that we develop every year and the manpower cost is significant component. We are registered with the Government. Our R&D is recognized and the tax implications would be taken care of in the years to come.
- Nirav Vasa** So for the next year what kind of tax rate are you seeing. Are you seeing the tax rate to go significantly lower because of the CAPEX that you are doing?
- Dhruv Sawhney** Now it's not that significant. Our profit as you have seen from the past is quite substantial. So I don't think you can look at very different tax rate, if that's what you are coming to.
- Nirav Vasa** Second question in the outlook in the investor brief that you have given in the outlook section you have stated that the market is down by almost 40%. So would it be possible for it to quantify in which industry is the market really down and how have you derived this number because the data on the captive power is really very difficult to get?
- Dhruv Sawhney** We are talking about the domestic market now here. And the domestic market is very simple for us to derive because we get a list of all enquiries. There are no enquiries that don't come to us or substantial competitors. So when we have the list of enquiries, we know the figures. This will give you an idea from over 1400 megawatts which was in FY11, it's came down very substantially to the current year of 800 megawatt. But we are expecting the market in FY13 from the very low base of FY12 to go up by 25 – 30%.
- Nirav Vasa** Effectively you have derived this drop in market size based on the enquiry levels that you are getting, am I right in my assessment?
- Dhruv Sawhney** No from the active enquiries and the orders placed. So in some cases some orders got postponed to April, they were not finalized. Our market when we talked about is not enquiry. It's actual order placement. It's not something that is going to happen. Our enquiry base is 3 times this but that doesn't mean that that can happen, we really talk about the order when its received and lot of these orders got spilled over to quarter one and that's why we are much more confident of FY13 because this slippage has to some extent been compensated in the first quarter of the current year.
- Nirav Vasa** So considering the scenario in which the entire industry is right now, do you think the pricing can be maintained at this level. Because what my understanding is that there

are many smaller players who are actually active in this segment, they do not have a very strong financial muscle as you have. So they might resort to aggressive pricing to get the orders which are already sought. So do you think that kind of pricing intensity is to come down in the industry going forward?

Dhruv Sawhney No the players that you are talking about are very small power range and they really don't affect us at all. Besides the most important thing is we already know our margins because we have the orders in hand and we have an April booking with us. So we are quite confident of preserving our margin in FY13 and also going forward. The other major thing in margins is that our export dispatches are increasing and margins there are substantially higher, very substantially higher in fact than what we receive domestically. And you know the rupee is helping in that also.

Moderator Thank you. The next question is from Pranav Gokhale from Religare AMC, please go ahead.

Pranav Gokhale Can I have some housekeeping numbers. Could you just give what is the product sales in megawatt terms and number terms for FY12 please?

Dhruv Sawhney Would you contact us I'll give it to you. I don't have it off hand right now. But we can give you the megawatts of the figures offline.

Pranav Gokhale Do you have at least the percentage of how much was product and how much was after market, if that is possible?

Dhruv Sawhney Yes that I think we have. After market was 17% of our turnover, about 83% was the product which includes exports. And even going forward in FY13 we are hoping to push this up to 20% services and our exports are also hoping to get to over 15 – 18% figure of our total product sales, may be 20% of product sales.

Pranav Gokhale The other question was this time in the 4th quarter we have announced increase in EBITDA margins, does that have to do with product mix towards after market or one off order which says increased EBITDA margins?

Dhruv Sawhney See I really said to all of you that we don't feel that we should look at quarter to quarter, because there may be 1 or 2 orders in one quarter that are very good and one or two that are slightly below. So if you look at the quarterly numbers in a capital goods industry like ours, where the cycles are 9 – 12 months it doesn't give a very good picture. But in quarter four, we may have had a little more of these servicing, we may have one or two export orders and in another quarter we may have it little less. So it's really the year and to date results, which is what we go by.

Pranav Gokhale So the other question is as you move from less than 30 megawatt to higher megawatt margin, does the realization megawatt keep on coming down, is that a fair comment or does it increase?

Dhruv Sawhney Realization from megawatt is about the same, there may be some slight changes if you go very high but then the cost also comes down. The margins are the same.

Pranav Gokhale The reason why I am asking is if I look at it from 2007 when you used to report it more of segmental, it was like 6.9, 6.8 per megawatt, the realization per megawatt. Now that has dropped to 6 odd in 2011. In 2012 it is similar to that 6 odd per megawatt or is it higher?

Dhruv Sawhney No I would say if you look at the realization for under 10 megawatt, it is definitely higher than it is for the above 30 megawatt. But the cost per megawatt is also higher. So I think the margin is what you really look at other than the realization per megawatt.

Pranav Gokhale So margin percentage wise would be similar or per megawatt would be similar.

Dhruv Sawhney Yes margins would be similar.

Pranav Gokhale Sure and if once we start with the lower order book that what we had in the start of FY12, what sort of gives us the feeler of achieving in that growth rate which you had done historically?

Dhruv Sawhney Well I am telling you that a lot of orders that we booked in April itself which are going to be dispatched in FY13 and secondly the order that we know we are confident of getting in the next two months which are also for dispatch in the current year. Because as I mentioned some of these things got postponed, the market shrinking also had very large figure of what it dropped last year because we want actual order booking is to some extent compensate by the slight slippage and the increase in the market in Q1.

Moderator Thank you. The next question is from Abhishek Bhandari from Macquarie Securities, please go ahead.

Abhishek Bhandari I just wanted to know what are the key reasons why there has been some deferment of orders especially for the last 3 – 4 months?

Arun Mote This is basically because the availability of coal to ratings like 13 megawatts and 25 megawatts and so on and other thing has been the liquidity has really affected us badly for off take from the other side which would improve now with the interest rates coming down.

Abhishek Bhandari So any specific industry which is showing some kind of slow down?

Arun Mote No there has been a general slowdown in the market as you know and there is nothing specific about it, as our chairman has indicated earlier that Metal industry had slowed down, you are aware of it. That's how the whole market has shrunk, so these are all related factors, we can't separate one from another.

Abhishek Bhandari I will take your point. So given that there is so much of uncertainty on coal supply, specially large power plants need coal on a priority basis, do you see a shrinkage in the market going forward until and unless India again starts exploring more coal or gets some higher amount of imported coal or something like that.

Dhruv Sawhney See one of the things is we are not in the utility segment, we are not in the large power plants or the ones that are 300 – 600 megawatt, so where we are talking about is these are to industries which have small IPP's and who are having process co - generation and then of course in our line, are in the bio mass field let's say you take the sugar industry, that's not affected so much and that is also contributing quite a lot to our orders. Some of the bigger ones on the metals even they are managing in the metals space. Because they are already existing in this and they need this power for their own brown field work. And the other big one is because of the shortage of power and because of the tariff they are doing much more on waste heat recovery and energy efficiency. So lots of them are replacing old turbines and they are doing more on waste heat recovery which is our field. So this is a market we are seeing encouraging more and more from both in India and overseas and actually the grid is not able to supply.

Abhishek Bhandari But you know certain states like Maharashtra given that they are highly power deficit to discourage sale of captive power on merchant bases they have imposed in one time duty of ₹ 1.50 per unit something like that which I think actually discourage captive production to a large extent in specially in Maharashtra. Are you seeing similar things elsewhere?

Nikhil Sawhney Those are over sizing requirement and over sizing has come down when that is based on merchant power tariff and regulatory mechanism to that regard but in terms of cost of production and cost of production of power thermal generation for the process is always going to be the cheapest means by which an industry can actually generate power for itself, as opposed to diesel or furnace oil and so therefore coal regardless of how the prices go, there is a difference between the rates and availability. Availability is the shorter term question, rates may be passed on through the product pricing and so we are confident that those issues will get sorted out and rates as far as people are concerned will get passed through.

Abhishek Bhandari So one last question, your GE Triveni Turbine JV is supposed to be of big thing for you, now what kind of market potential do you see like especially given that it's almost 6 months - 9 months probing the market trying to get leads, so what's the sense of annual demand for that kind of segments?

Dhruv Sawhney The demand for segment is much higher, but it takes time to get technically qualified for the JV, in the capital goods industry for a new entrant overseas there is a fairly substantial gestation period but because you get registered technically, they visit you, you have to visit, you have to make presentations, you have to get their consultants put you on the list, and then you are participating and even there we have got very strong pipeline enquiries and not just from South East Asia, even from some parts of Europe and the America's which is a very encouraging sign but there have been some delay overseas also in order placement. These customers are not saying that they are not placing it is not that all of them have gone to the competition. So we don't feel that the market has gone away. It's got less because people are placing fewer orders than they were two years ago.

Abhishek Bhandari Actually in the fourth quarter, did we have any benefit of the depreciating rupee?

Dhruv Sawhney Not really. These orders from the export are very marginal on the EBITDA.

Abhishek Bhandari Do we actually hedge all our receivables?

Dhruv Sawhney Yes. That's right.

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

Ashutosh Garud In the press release you mentioned that the market share is around 54% for Triveni Turbine, so just wanted to know, in earlier correspondence we have mentioned 65% market share, 60 – 65% market share in sub 30 megawatt, and even if you see on the order book front, the order book has de grown by 15% as against 40% de growth in the market as a whole as you mentioned. So just wanted to know how the market share has gone down and apart from Siemens who are the competitors?

Dhruv Sawhney All I can say is we haven't lost this market share, we are still confident of being in the 55 – 60% range in FY13 order booking and there are very large public sectors companies also BHEL which is in this field but we haven't found much competition from the Chinese from imports, neither from Japan or from smaller players.

Ashutosh Garud Okay. And further in your press release you mentioned that the ₹ 5 billion of order book excludes slow moving and uncertain orders on execution front, so what could be that quantum of orders which are slow moving and uncertainty related to the execution.

Arun Mote It should be in the two digit figure, and we can take this question offline with Mr. Narayanan whenever you want.

Ashutosh Garud Okay and the last question on the margin front as you mentioned if you can just tell me the proportion of after sales in this particular quarter?

Dhruv Sawhney In the first quarter?

Ashutosh Garud In the Q4.

Dhruv Sawhney I don't separate it quarter by quarter I think we have given it yearly. And as I say you should not be looking at the quarters because when I am giving you the figures of our order booking for FY13, depending on which quarter it gets dispatched, I mean if it gets dispatched on the 20th of the month before the quarter or the 10th of the month in the new quarter, it can change the quarter-to-quarter position.

Ashutosh Garud And when you mentioned that you would be confident of maintaining the margins are you are talking about FY12 margins on a whole?

Dhruv Sawhney Correct.

Ashutosh Garud Okay. And just last question on your JV, You said that you take time to get technically qualified but since we were not present in this segment as such before this, are there any incremental orders. I mean I just wanted to know 2 – 3, like the 35 megawatt of order which we are already executing, so how much time would we take to let's say get 3 – 4 more orders on export front, let's say from 35 megawatt to at least 60 – 70 megawatt. Because my understanding is that these would have a big delta to our already existing ₹ 500 crore order book.

Dhruv Sawhney We are looking for some success in FY13 in order booking. I think that's where I like to leave it right now. I can't really say how many because once we are in the market much more we will know better, but we are definitely confident of some success in the range that you have mentioned in fact.

Ashutosh Garud Just wanted to know that we had a look at your balance sheet post the demerger and the working capital cycle was extremely favorable for us as a company, so how are these incremental export orders especially the orders from JV going to shape up for on the working capital front, would that be very different?

Dhruv Sawhney No exactly same.

Moderator Thank you. The next question is from Bhavin Vithlani from Enam Securities, please go ahead.

Bhavin Vithlani If you can help me with some housekeeping questions such as how were the order inflow for the year and Y-o-Y what has been the quantum of order flows?

C N Narayanan Around ₹ 440 crore of order in flow.

Bhavin Vithlani And how was it previous year?

Arun Mote Again if you ask me the question because as mentioned by Mr. Sawhney that we have kept some orders which we believe will not be delivered during the current year, we have put it on hold so if you take the gross value, it is more than ₹ 500 crore and which will be matching with the order inflow which we have got in FY11 as well.

Bhavin Vithlani So FY11 order flow was about ₹. 500 crore.

Nikhil Sawhney Over ₹ 500 crore, it excludes the slow moving order if we took out from the order book, it comes to the same.

Bhavin Vithlani So fiscal '11 we still manage to close the year with how much?

Nikhil Sawhney But the split is different while the split in order book in FY11 was 80% domestic and 20% export. That has I think last year changed to approximately 36% export.

Bhavin Vithlani Okay and you highlighted that you have seen green shoots in the month of April, could you give us a color on that, have you booked or finalized certain orders?

Nikhil Sawhney We recognized orders when we have given advances, so basically that is the way we recognize.

Dhruv Sawhney I can tell you we have booked the figure of fairly ₹ 68 crore, the April order booking is about ₹ 68 crore.

Bhavin Vithlani Okay so it's substantially higher than what it was in April last year.

Dhruv Sawhney Or if you take the yearly average, monthly average is substantially higher.

Bhavin Vithlani Fair enough, in the press note you highlighted about getting orders from non-conventionally and when I met some of your competitors, they highlighted about certain promising sectors such as rice husk and agri waste, so are you referring to the similar sector.

Nikhil Sawhney There are several sectors of renewable energy, one of course is based on fuel such as rice husk, agro waste which includes bagasse as well from the sugarcane sector but also what is increasingly large sector is the efficiency aspect of expenditure reduced power consumption in process industries such as metals and cement which use waste heat recovery as well. We also have other aspects which are more nascent right now but still potential markets in the future which comprise of the renewable sector which include solar thermal turbine as well as geo thermal.

Dhruv Sawhney If you look at the order we have got in UK on waste heat that's also very substantial-even though you may say that the economy in UK is hardly moving but they are spending money on this energy efficiency and non-conventional, municipal solid waste, all this is still going on.

Bhavin Vithlani What we understand is there are talks going on with the pollution control department where they are highlighting about reducing pollution contained by completely absorbing the waste heat, have you seen any finalization on such norms and if not then when do you expect, what could be the size of opportunity given the regulation if it does come to place?

Dhruv Sawhney We will look at that, we really haven't really studied that in terms of effect on various sectors but generally these are all moves in the right direction for our market.

Moderator Thank you. The next question is from Sarika Kukshya from Prabhudas Liladher PMS, please go ahead.

Sarika Kukshya Wanted to understand this ₹ 500 crore of order book is broken in what way between exports and domestic.

Nikhil Sawhney The first page of our press release gives you that information actually.

Sarika Kukshya In terms of products and after markets?

C N Narayanan The order book is only for products, there is no order book for aftermarket. We have not recognized any of the aftermarket orders in the order book. Now coming to the order intake of almost close to ₹ 500 crore in the gross order book, quarter of that will

be export orders. The growth in export orders year-on-year was around 36%. But currently we hold almost 25% of the order which are meant for exports.

- Sarika Kukshya** Would we see the similar trend for FY13 as well in terms of exports?
- Dhruv Sawhney** We expect a better share of exports in FY13.
- Sarika Kukshya** So we expect more order in takes during the year?
- Dhruv Sawhney** We expect more order in takes and the percentage of exports in the order intake to also go up.
- Sarika Kukshya** Okay and these would mainly be from the new developed territories especially from the waste heat recovery.
- Dhruv Sawhney** We have already been in that line. It's in the same line that we are and as I mentioned we are looking at specific markets where we have already established our credentials such as South East Asia, Turkey, and UK.
- Sarika Kukshya** Could you give some sense on the figure as to what can be the expectation and what initiatives are being taken by us in order to keep the momentum?
- Dhruv Sawhney** The most important is that we have been able to execute orders in these areas. We have very strong export marketing.
- Nikhil Sawhney** The referral from existing customers is what is extremely important and the fact that we get repeat orders from same customers is what is really encouraging.
- Sarika Kukshya** Okay and when you talk of the aftermarket sales, I believe that going ahead the share is going to kind of expand for the domestic markets as well. So how is the response from those areas?
- Dhruv Sawhney** As I was mentioning our share of services to total sales, we expect to grow even though we are looking at the sales growth in total, we expect the share of aftermarket and refurbishment to grow which have higher margins.
- Sarika Kukshya** So if we understand that the nominal rate of GDP is going to be upward of 13%, in that case aren't we kind of pessimistic when we are actually a guiding 10% growth of next year?
- Dhruv Sawhney** As we have talked about, we are talking about specific sectors and why the growths are there in these sectors rather than looking at the economy as a whole. I mean there is really not any connection between us and food growth for example.
- Sarika Kukshya** Right so we actually do not focus on the economy, so where we are performing on ground, even in that case, we should be optimistic looking at order book and inflow and the kind of clues which we are getting from all over the world that the order book by the end of FY13 should be upwards of ₹ 700 crore.
- Dhruv Sawhney** As I mentioned we have extremely good pipeline of enquiries, very active, it's not possible to say when they will decide. So you are asking a million dollar question as to when the customer will decide. The fact that the customer is going to decide is fairly certain because they need it, whether they decide this month or 3 months later is not possible to say today but because the sectors have growth because the sectors are viable and are fairly insulated from the economy as a whole both domestically and internationally that augurs well for the market that we are in.
- Sarika Kukshya** Alright secondly as far as the tax rate goes for this quarter it's been on the lower side, could you kind of elaborate what could be the reason for that?

Dhruv Sawhney As I said, we are quarter-to-quarter results are dependent on where we are booking it and we are fairly going to be at the top tax rates in the future as well. We don't have a tax shelter in terms of any of the attributes coming out from the finance bill. I think you could take this tax rate question with our CFO offline.

Moderator Thank you. The next question is from Manish Goyal from Enam Holdings, please go ahead.

Manish Goyal If you can give us the revenue break-up between the domestic and international.

Dhruv Sawhney For the year?

Manish Goyal Yes.

C N Narayanan We have close to ₹ 90 crore of sales in the export market, the balance is all domestic

Manish Goyal And how has it grown?

C N Narayanan For ₹ 630 crore of turnover.

Manish Goyal And what was it in FY11?

C N Narayanan FY11 the exports was ₹ 67 crore.

Manish Goyal The order in flow was of 36% but order outstanding how has it looked in last one year?

Dhruv Sawhney If you are looking at our growth in orders, it is going to be much higher than our order execution export wise. In FY13 it is going to be higher than our overall growth in sales because of higher proportion of export orders.

C N Narayanan A year-on-year from FY11 to FY12 we have increased in turnover of exports market by almost 30% - 32% and we believe that growth will continue in FY13 also given the order backlog in the export markets.

Manish Goyal I was just referring to your exports so you already said that your margins are much better in exports. Okay just a follow up on exports, what is the strategy on hedging, do you hedge in advance for your export receivables, and do you have any significant imports?

Suresh Taneja As far as the hedging is concerned we have a policy of progressively hedging it. So to certain exposure immediately and the balance is hedged from time-to-time, depending on the market, as soon as the imports are concerned, they are significantly lower as compared to exports.

Manish Goyal So at the moment what would be our hedging amount which you would have done and at what rate?

Suresh Taneja I think very surface hedging would be approximately to an extent of 55% as of now.

Manish Goyal 55% of the expected revenues?

Suresh Taneja No 55% of the total exposures as of now and the rate is approximately about ₹ 52.5 to ₹ 53.

Moderator Thank you. The next question is from Abhijith Vara from Equirus Securities, please go ahead.

Abhijith Vara Out of the total order book, as in March ending ₹ 495 crore plus whatever you have booked in April ₹ 68 crore, entire thing will be executed in FY13 right?

Dhruv Sawhney Yes plus some in May. You got it right.

Abhijith Vara And this 10% guidance you have given would be a standalone entity right, it will not be including the subsidiary, GE Triveni, right? GE Triveni would you be consolidating on a quarterly basis?

Dhruv Sawhney Anyway GE Triveni when you book the order the dispatches will be coming in FY14.

Abhijith Vara Right but you already have one order right?

Dhruv Sawhney That's right. That's the part of it but that is not a substantial one.

Abhijith Vara 35 megawatt.

Dhruv Sawhney But only the turbine part is taken in standalone. But the balance of the order is taken in a consolidation.

Abhijith Vara So consolidation will be higher than 10% growth rate.

Dhruv Sawhney That's marginal.

Abhijith Vara Any new orders or enquiries for this subsidiary?

Dhruv Sawhney I said we have very encouraging pipeline of enquiries both domestically and overseas. So we are looking at some success in the next few months in financial Year '13.

Moderator Thank you. The next question is from Ranjeet Shivram from B&K Securities, please go ahead.

Ranjeet Shivram First of all order book, if you can give like which industry constitutes the major one in the order book of ₹ 500 crore?

Arun Mote The major industries which come into this ₹ 500 crore are basically sugar which is essentially sugar co-generation. Then we have got process co-generation which includes very large industry like food, distillery chemicals, textile, and fertilizers. These are the ones. And next one is metal.

Ranjeet Shivram Okay if you can give me the breakup in terms of percentage roughly.

Arun Mote Well the percentage depends on year-to-year. It can't be same. It would be different every year. Really that's the market information. I don't think we would like to share it at this stage.

Ranjeet Shivram Okay at least which is the major industry if you can.

Dhruv Sawhney We have told you the major industries as I told you metal, sugar and then we have got all the fertilizers, textiles, chemicals, so we basically the steam required for processes. So wherever the process requires a steam, the steam comes as a process co-generation. So these are the ones really.

Ranjeet Shivram Now we are going for above 30 megawatt with the this GE collaboration so in that one of the generation companies TD Power is also moving towards more than 30 megawatt in that generation with Siemens technology. So we will be able to still buy

the generator from TD Power because Siemens will be our competitor in turbines? So will there be any conflict of industry in purchasing generator from TD Power?

- Dhruv Sawhney** You know that Triveni Engineering sells gears to Siemens, over 50% of their requirement of gears comes from us. So that's not a consideration at all. And we find no conflict in the purchase of bought outs or supplier bought outs, we both buy from our competitors and sell to our competitors. And they are similar to BHEL also.
- Ranjeet Shivram** Okay fair enough. And regarding the outlook like how confident you are regarding your order inflow going forward like what kind of growth can you expect from all these industries which you have mentioned?
- Dhruv Sawhney** We are fairly bullish on it. Both on the export front and domestically because domestically we are looking at the sectors because for example you look at the sugar sector, there is an interest in co-generation coming up now. More so because of the power tariff and the availability of bagasse and cane crushing. Similarly in the other space of waste heat recovery and process co-generation, so the type of inquiry that we have which we are putting in, are the ones we feel will get turned in to orders.
- Ranjeet Shivram** And the order book includes only the turbine part?
- Nikhil Sawhney** Just the turbine, the product.
- Ranjeet Shivram** Okay in a realization perspective, roughly if you can get order book in megawatt terms possible.
- Nikhil Sawhney** Someone asked this question earlier, you can get back to us little bit offline and we can give that information to you.
- Moderator** Thank you. The next question is from Ashwini Agarwal from Ashmore India, please go ahead.
- Ashwini Agarwal** The question I had was that with 35 megawatt order that you have through the GE Joint Venture, the turbine part which is booked in your 500 megawatt, it should be quite substantial, shouldn't it out of ₹ 500 crore order book that you have.
- Nikhil Sawhney** On a stand alone entity we don't take those orders in to consideration. It is only 30% to 40% of the value. So it's not a significant value in the order book.
- Ashwini Agarwal** So I am confused now. The standalone order book that you have as on year end or April whatever it is it includes only the turbine portion which is 30 – 40% of the total order size of that 35 megawatt order, am I correct?
- Dhruv Sawhney** Absolutely.
- Ashwini Agarwal** But the 35 megawatt order itself even if you assume ₹ 4 crore per megawatt or something like that should be worth about 120 - 130 crores.
- C N Narayanan** That's the power plant. The turbine megawatt rates are much lower. This ₹ 4 crore which you are talking about is for entire power plant, boilers and other instrumentations and everything.
- Ashwini Agarwal** So this would not be a very large order?
- Dhruv Sawhney** No.

Ashwini Agarwal And the second question I had was- the difference between the standalone numbers and the consol numbers are essentially some start up losses or something in GE subsidiary, is there any other subsidiary that you have?

Dhruv Sawhney No.

Moderator Thank you. Ladies and gentleman we will take one last question from Atul Rastogi from RBS, please go ahead.

Atul Rastogi Yes just wanted to get an idea of how much cash would be generated this year because it's difficult to compare after working capital and everything?

Suresh Taneja You know if you look at the cash and cash equivalent, at the end of the year it is approximately around ₹ 22 crore. And in the balance sheet it is reflected under cash and cash equivalents as well as under current investments after repaying loans, incurring capital expenditure, etc., everything.

Atul Rastogi So if you add back the loan repaid and just cash flow from operations after working capital would be how much this year?

Suresh Taneja Very roughly speaking your funds generation has been taking into consideration that working capital is approximately ₹ 184 crore. That is of course without the tax. This is the gross generation.

Atul Rastogi Okay and what kind of CAPEX will be looking at given the growth and for the next 2 – 3 years?

Dhruv Sawhney We are only talking about the next year we are not looking at any substantial CAPEX - around ₹ 20 crore.

Moderator Thank you. Ladies and gentleman I would now like to hand the floor over back to the management for closing comments.

Dhruv Sawhney Thank you very much. There were very encouraging comments and very exciting ones. I think I will just summarize by saying that we are very hopeful of FY13 results because of the sectors we are in and the fact that the sectors are very synergistic with growth even in an economic climate which may not be that conducive. Also the fact that we are strong in our developmental efforts, this is adding to our position in the market place and with healthy response from our export customers, this is growing and this and the services sector are helping us to both preserve growth in sales and as importantly preserve our margins. Thank you very much.

Moderator Thank you. Ladies and gentleman, that concludes this conference call. Thank you for joining us.