



Triveni Turbine Limited

Investor/Analyst Conference Call Transcript

May 25, 2013

- Moderator** Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited Q4 and FY13 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 touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you sir.
- Rishab Barar** Good day everyone and a warm welcome to all of you participating in the Q4 and FY13 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, Mr. Arun Mote, Executive Director, Triveni Turbine Limited along with other members of the senior management team. 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 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. Sawhney to share some perspectives with you with regards to the company's operation and results for the quarter under review. Over to you Mr. Sawhney.
- Dhruv M. Sawhney** Good afternoon everyone and welcome to the conference call on the Q4 and FY13 results of Triveni Turbines. We are happy that we have managed a very good performance for the company in FY13 and we have been able to achieve a modest growth in turnover, but a very good growth in profitability in FY13 despite challenging economic environment and market conditions both in India and overseas. Our results for the year have shown a turnover growth of 4% to Rs. 660 crore and our profit after tax at Rs. 107 crore have shown a growth of 17%. We have really been able to achieve this because of strong growth in export order intake and revenue. Our order intake went up by 84% and revenues have almost doubled. They were actually 98%. And this has compensated for the domestic markets remaining extremely sluggish with delayed order finalization. Our order booking at Rs. 4.7 billion (Rs. 470 crore) is good and we foresee FY14 to show growth on FY13 on both turnover and profit. I think this is quite an unique position in the industry and especially our forecast for growth for FY14 and FY15 augurs well for our positioning. One of the key reasons for the growth is the type of market that Triveni Turbine is in. In the export field, the key segment products are bio mass, waste to energy and sugar. And in all these segments we are seeing good



growth in the global market conditions and this is what has taken us to the position of both enquiry generation and order finalization in FY13 and will continue very strongly in FY14 and FY15 as well. In the export field, our strategy has been to widen our coverage and this has paid very good results. In the last year we got orders from 24 countries out of which 11 were new. We expect the same trend to continue of new territories in FY14 and 15 as well. We now service over 40 countries globally and some of them would be coming in for orders in quarter 4 in FY14. To give you a perspective of this we track our sales records both on enquiry generation and order booking. This is how we can foresee for the next 3 years. If we have an increase in enquiry generation then next year we are looking at good order conversion and turnover in the 3rd year. Our enquiry generation was about 2000 MW in FY12. This increased to 3000 MW in FY13 and we are targeting enquiries of 4000 MW in FY14. This is just in the export market And that's why I have confidence in FY14 and FY15. The value proposition that we are able to bring to the customer in these key segments of biomass and waste to energy is unique. We offer products of more than comparable efficiency to competition and at a much better price - performance ratio. Our services network is geared to service these clients and as you know we have over 180 service people in our staff of 660. This is more than most turbine manufacturers globally and this is enhanced by the world class manufacturing facility. One of the key factors that has helped us in this good turnover is order execution and to give you an example, in the last year we executed a turbine order in 5 months. We received this in July – August and supplied in November - December. Now this is possible, as it used to be 9 – 12 months earlier, because of a very streamlined and efficient supply chain, our manufacturing delivery and a great amount of design rationalization and automation. In India unfortunately we don't see a great revival in FY14. However there are pockets in the captive power line, in the cement industry, the pharma industry have some prospects, co-generation and the biomass industry is still there, there will be markets in sugar and paper. But I think that our key foray into the renewable areas is the right segment globally for growth in the next few years.

Our margins in FY13 have done well. We have an improvement of 140 basis points in our EBITDA margins, which is now 26.1%. We have increased our margin on PBT by 240 basis points, it's very substantial to 23.8%. And our profit after tax had a basis point growth of 180 and now the margin is 16.2%. This has given an earning per share of 3.22. The Board of Directors have declared a healthy dividend of 80% versus 65% last year. And we are looking forward to this growth in profitability and outflow to shareholders in FY14 and FY15 as well.

Our aftermarket business has also done well. We now had a growth of 19% year on year and this is a good margin business for us. In all the lines of refurbishments and servicing we are looking at a good growth and we are tackling turbine of various power ranges all the way up to 150 to 200 MW.

We are in a phase right now of research and development where we brought a number of new models and this has helped in the fact that we have got an award from the Government of India for intellectual property. The company won the prestigious national intellectual property award for 2013 in the category of the top organization in design. This is for outstanding contribution to intellectual property in the country. We are extremely proud of this recognition; it is top 5 intellectual property under the Ministry of Industrial Policy and the Ministry of Commerce and Industry. So our projection is expanding rapidly both in India and overseas and that augurs well for our research and development. Along with the developments of new products and new variants, our value engineering exercises are also being very well done. So we are able to control cost on both products and after market services. In our subsidiary company, GE Triveni Limited, we delivered our first turbine of 35 MW, it will be commissioned in a few months given some slight delays on the client side and we hope it will soon commission in the next 2 – 3

months. We have orders for 2 more 40 MW turbines under execution right now and they are for delivery in the current year - FY14. The cooperation we are having from our partner GE globally is outstanding, the world market conditions are such that order finalization is taking longer than we expected especially in the lines of IPP and power generation globally. They are not so much in the smaller bio mass line, in range above 30 MW to 100 MW but our enquiry base is very good and we feel we would get further orders both domestically and internationally in FY14 and of course a rapid increase in FY15. I now like to open the floor for questions.

Moderator Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from Nirav Shah from Antique. Please go ahead.

Nirav Shah Firstly, what is the proportion of export orders in the total order book?

Dhruv M. Sawhney 70 – 30 but I think it is an interesting point. Our turnover of exports has grown from 13.5 to 27%, we expect a much further growth in the next year but our proportion of order intake to total orders is now 48% in FY13. So while turnover was 27%, the order intake percentage is 48%, to give you a little idea of where it is and we expect both these figures to substantially increase in FY14 and FY15 in both turnover and order booking as a percentage of total order booking. So that's export order booking and export sales.

Nirav Shah So as of March we are around 30% export orders and in terms of revenue we are seeing 27% of revenues. So looking at what kind of order intake we have had last year as of March 2012 this figure would have been around 15% of the total order book, that's 17%. Second question is on the margin front. If we look at the export or execution they are higher. We have grown in terms of refurbishments, there the margins are higher but if I look at the overall margins I think for the current quarter they have contracted. So any particular reason we assign this to?

Dhruv M. Sawhney Well, even in the exports there is a variation between one sector and another sector where we are breaking into new markets and where we are in a more stabilized market. So we mix the percentage total which I think you will agree is outstanding compared to our peers globally. And so we have a very comfortable margin now. We are looking at growth in sales and preserving margins at these levels in the future. And that's what we are concentrating on till we see some revival in the domestic market. The domestic market is under a lot of pressure both in terms of sales and profit. And the other thing as I take this opportunity of mentioning it that in our business we really can't see quarter to quarter. So while order intake as on 1st of April 2013 is lower than what we were in 2012, I still expect growth in FY14. We said in FY2013 in the earlier conference call as well because of our confidence in order bookings last year of enquiries and the order conversions. So I think that's the statement I am quite prepared to make for FY14 as well that on a quarter to quarter basis they may be a bit lumpy but we have done extremely well at bookings in FY13. We are doing the same thing in FY14 and some of the orders we picked up in the first month of the current year and for the next couple of months as well. So it's all on track. But I am looking at stabilization of margins, getting growth in FY14 and enough growth in order bookings in FY14 to have a substantial jump in FY15. And I think we are looking at a substantial change in FY14 in the face of the company.

Nirav Shah As of now we have not seen any significant jump in our order bookings for April and May, that we are expecting in the second half of the year?

Dhruv M. Sawhney We have got good bookings in the current quarter versus the last quarter.

Nirav Shah On a QoQ basis what is the kind of trend we are seeing to the addition of slow moving orders because are we classifying some orders from the existing order book say over the last 2 – 3 quarters to this slow moving category or its stable over the last 3 – 4 quarters. Also what has been the trend in this particular segment?

Arun Mote The order booking has been stable and the slow moving has already been taken care of.

Nirav Shah I just want to know the trend?

Dhruv M. Sawhney We are not forecasting any slow moving orders coming into our forecast or when we are saying we are going to be having a high turnover if they come that's extra but till we have some actual conversion we don't take it into account. But we are not seeing any accretion in slow moving. So in the last part which I agree with you is the key thing to watch. We are not seeing orders become slow moving. That we say is a good trend. But none of our existing orders are adding to the slow moving list and that is what happened in the last 2 quarters.

Moderator The next question is from Bhavin Vithalani from Axis Capital. Please go ahead.

Bhavin Vithalani My question is on the domestic market. You highlighted that about 3000 MW of enquiry levels for the exports, if you can give some similar figures for the domestic markets. You highlighted a few sectors where you are seeing the trend, so if you can highlight what is the opportunity of enquiry in the domestic market and also what was the size of the captive power market in the domestic market in FY13 and how was it in FY12 and what do you see in FY14?

Dhruv M. Sawhney That's a very interesting question and it will give you a reflection of what is happening in the domestic market in the power field. We will share with you figures of enquiries but what has happened let me tell you broadly is that people have given us enquiries and we go back to them but they are all delayed in decision making. So the enquiry to conversion ratio has rapidly dropped in the last 2 years from what it has been in FY10 and 11 in India. So you know the market size in FY12 domestically in India for 0 – 30 MW was approximately 800 MW and I think in FY11 we have an idea, it was 1300 – 1400 MW and this market from 800 came down to 667 MW in FY13. We are forecasting about 10 – 15% growth in FY14 but we are not seeing that the market is going back to a level of FY 11 figure. We think that is going to be pushed back to FY 15. So this is why our concentration is on the export market and in that these new territories and new models and new sizes in those markets, which is good for us because biomass and waste to energy is not stopping globally.

Bhavin Vithalani I missed the figure for FY13 on market size?

Dhruv M. Sawhney 667. It was down 17%.

Bhavin Vithalani And on the enquiry levels you said, the conversion ratio from enquiry to an actual order has actually dropped

Dhruv M. Sawhney We had an increase in trade enquiry levels from 3500 MW to 4200 MW. We don't go by the enquiry domestically because the people are not just going ahead with their projects. So may be there is a huge boom that will come in FY15 and FY16. But frankly we don't want to take that into our planning till it actually starts happening.

- Bhavin Vithalani** And what in your view were the key reasons why people actually push the projects or differ the projects?
- Dhruv M. Sawhney** There are a hosts of reasons and you read in the morning in the papers all the time whether it is linkages or whether it is financing or whether it is land issues, we don't track environmental or political issues, we are using our efforts from going to more geographies. And sticking to the sectors domestically which we know we are confident with will actually cut the pie in order because our market share domestically has remained at ~ 60% and may be will just go higher. So that's what we are content about and in fact it's gone up by 2 – 3% from FY12 – FY13.
- Moderator** The next question is from Ranjit Shivram from B&K Securities. Please go ahead.
- Ranjit Shivram** Just wanted to understand which areas in the captive market are we witnessing growth for the next year, in terms of the industry?
- Dhruv M. Sawhney** In the captive we are looking at the cement and the pharma where we see the enquiries converging into orders, a bit of oil and gas also and in the process co-gen in sugar and paper and the smaller bio mass that has been still good, but that has a limited total market.
- Ranjit Shivram** And we get to hear in oil and gas a lot of activity is expected next year.
- Dhruv M. Sawhney** The order finalization we take it separately, we commit the orders by March 14. We think oil and gas will start but it will be really good in later part of FY14, second half.
- Ranjit Shivram** And if you want to extrapolate it for FY15 do you expect this growth to continue in FY15 also?
- Dhruv M. Sawhney** Domestically, frankly, I think there will be much better growth in FY15. Once the political environment will stabilize and there is a lot of pent up demand where the supply has to increase. So we are quite encouraged by our stock which our customers who have asked us to keep our bids going. They are going to be finalizing and we might all be surprised with an increase in order bookings in 2nd half of FY14. So I am taking a view today but may be by the first quarter call and by the second half call we may be in a much better situation for even this year in order booking.
- Ranjit Shivram** If I just work out the numbers, we are expecting orders of around 750 to 800 MW to happen this financial year. So in terms of industry weightage then how much can be from oil and gas. Can you just give some percentage?
- Dhruv M. Sawhney** Oil and gas is one particular very big market which is above 30 megawatt not taken into account here in Triveni Turbines. But generally we are looking at this 670 MW going up may be 900 MW or may be little more.
- Ranjit Shivram** And my last question from my side will be regarding the pricing, how would you see the pricing and the competition?
- Dhruv M. Sawhney** As I said we are looking at preserving the overall margins for the company in FY14. So we are not expecting the competition to affect these markets.
- Moderator** The next question is from Ashutosh Garud from Dalal and Broacha. Please go ahead.

Ashutosh Garud Just going ahead if you look at the order book which we have as of now and I know the execution cycle has been brought down. So I just wanted to know given the current order book, do we expect a 10 – 12% increase in revenue for the next year?

Dhruv M. Sawhney We don't give out any specific guidance numbers but I can say that with our book in bill and what our order book is today we are confident of growth in both turnover and profit for FY14.

Ashutosh Garud So if I understand correctly your aftermarket sales are a constant growth business sort of a model and when you look at your product business then that would be predominantly be coming from the order book. So the growth would be by getting few orders in next 2 – 3 quarters and would that reflect into revenues?

Nikhil Sawhney We are also 2 months into the year so we have confidence.

Ashutosh Garud When you are saying margins will be maintained you are talking about the full year margins.

Dhruv M. Sawhney Yes. Looking at the full year results on both turnover and profit and margins.

Ashutosh Garud In your press release you mentioned about ₹ 220 crore of order inflows , is that for the exports if I read it correctly?

Nikhil Sawhney Yes.

Ashutosh Garud And what would be the full year order inflow exports plus domestic for full year as well as for the quarter?

Dhruv M. Sawhney Can we give that to you offline. We can give you the figures but the confidence in the order intake for FY14 is really coming in from the export market.

Ashutosh Garud Can you share the value of the 2x40 MW order which you have recently won which you mentioned in the release?

Nikhil Sawhney Its better not to talk about specific orders. I am repeating we can give the figures offline.

Ashutosh Garud When we are seeing such power cuts and few of the other companies are mentioning that the lower ticket orders are not getting impacted as is the case with big ticket orders. And we are predominantly into the 0 – 30 MW segment. Wouldn't there be a case where a CPP would be a preferred way of having power supply rather than depending, we all know the situation about PPAs and all. So apart from financing what are the road blocks for CPP markets domestically?

Dhruv M. Sawhney It is a very big question, we rather take it offline.

It depends on the sectors, it depends on the type of industry in the sectors but as I gave you the specific sector where we see growth for us and those are the ones that are having a viable model for placing orders such as cement, paper co-gen, pharma and sugar.

Ashutosh Garud What are the aftermarket revenues for FY13 in value terms?

Dhruv M. Sawhney ₹ 126 crore.

Moderator The next question is from Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal You referred to the margins being maintained at the current levels. So are you referring to the full year margins that we have made when you are seeing this?

Dhruv M. Sawhney Yes.

Madan Gopal So the current quarter margins we should see as an aberration and we should be moving back.

Nikhil Sawhney And also going forward you should not look into quarter-to-quarter there will be movements but it's for the full year we are talking about.

Madan Gopal Full year we are hopeful about doing around 23.5% margins?

Dhruv M. Sawhney Exactly, and quarter to quarter it will go up or down and that depends on the mix you know the domestic export head quarter wise.

Madan Gopal Last time when we spoke we were very hopeful of getting this export order in Q1 itself. Are you seeing some traction in the first month itself?

Dhruv M. Sawhney Absolutely, we have got some in the first month and we are finalizing as we speak.

Madan Gopal How much was the order flow for the quarter, it was ₹ 120 crore?

Dhruv M. Sawhney We will give you details in the first quarter call.

Madan Gopal For Q4 of last year we saw ₹ 120 crore of order flow?

Dhruv M. Sawhney Yes.

Madan Gopal How much of that was exports?

Dhruv M. Sawhney I will give it to you offline. I am giving you the total order of about 50 – 50.

Madan Gopal So whatever has happened in the first month, is it significantly giving the growth to this?

Dhruv M. Sawhney You really can't take the first month as any indicator. As I mentioned you really cannot take the quarter but all I can say that the trends are very good and same thing we said last year that while quarter-to-quarter things may vary we have ended up the year as exactly what we said when we started in FY13 and we are going to see a growth in turnover and a good growth in profits. And our first month talks and enquiries to conversion which may happen in the second month or third month are all looking good.

Madan Gopal What is the order book right now?

Dhruv M. Sawhney ₹. 470 crore as on 1st of April.

Moderator The next question is from the line of Sachin Kasera from Lucky Investment managers. Please go ahead.

Sachin Kasera On the export side what was the realization that we do and what is our hedging policy for exports and what was the average rupee-dollar that we realized.

Nikhil Sawhney Realizations on the export side are quite satisfactory. They are in multiples of our domestic margins. They vary from country-to-country and order-to-order.

Sachin Kasera I am not talking of the margins. I am talking what is the hedging policy on the export front?

Nikhil Sawhney It is a progressive hedging policy because we do have imports as well and what we do with a balance view without taking deliberately no call and puts, just straight vanilla forward contracts.

Sachin Kasera So what percentage, do we hear any hedges for FY14 as of now? What price would that be roughly?

Nikhil Sawhney We are about 80% hedged.

Sachin Kasera What price will it be?

Nikhil Sawhney It all varies but the fact is that with buyers we have before premium if it comes to significantly higher than what the rate is today.

Sachin Kasera And what was it that would have realized for FY13, the export realization?

Nikhil Sawhney It is progressively hedged to the fact that it moves through the course of the year.

Sachin Kasera For full year for FY13 what were export realizations, realization of rupee to dollar for FY13, the year which went by?

Nikhil Sawhney We can take this offline, we don't have the numbers right now.

Sachin Kasera Secondly on the margin front, the Chairman mentioned that next year also we are seeing a substantial improvement in the contribution of exports. And most likely the relation is going to be slightly higher. So should we not look in terms of improving and also the ratio of repairs and refurbishment incurring to overall sales

Nikhil Sawhney I think we have to see how the quarter goes but right now we will stay with what the Chairman has actually said.

Sachin Kasera Just a question on ₹ 128 crore, as the share of repairs and maintenance which is roughly about 20% of revenues. What would that have been the figures 3 – 4 years back?

Dhruv M. Sawhney It was 15 - 20%.

Moderator The next question is from Devang Modi from Equirus Securities. Please go ahead.

Devang Modi We wanted an understanding on what would be the percentage of in house manufactured turbines to say the things like gear boxes we are getting outside. So what would be like a bought out and the in-house manufacturing that we have been doing?

Dhruv M. Sawhney Gear boxes are supplied by Triveni Engineering and generally it's across 50 – 50.

Devang Modi To get it right if you do a sale of ₹ 100, in that 50% of the cost would be towards your own inhouse manufactured products and 50% would be from external sources?

Dhruv M. Sawhney No, I am talking about the total bought out of which gear is just one part of it.

Out of the total turbine, 50% is bought out and 50% is of the turbine and in the bought out we have supplies from both gears and other alternators, oil coolers, piping, electrical systems.

Devang Modi And when it comes to the entire product for the TG set the generator is completely bought out right?

Dhruv M. Sawhney Yes.

Devang Modi And what quantum would this turbine portion be in the whole sale order of say ₹ 100?

Dhruv M. Sawhney The turbine out of the total is about 50%.

Devang Modi Can we safely that the after sales would be around Rs. 40 crore in this quarter?

Dhruv M. Sawhney I will not be able to give the number for specific quarters as I said we don't want to go quarter-to-quarter. It depends really on taking the delivery at one point of time.

Devang Modi What are the margins that we could be looking at protecting in the export market given that there will be lot of variations as you mentioned from industry to industry. So would there be a volatility in those margins or we would expect them to remain at higher levels that we saw in FY13?

Dhruv M. Sawhney I said that we expect to preserve overall markets. While they may vary from country-to-country and sector-to-sector looking at the mix between domestic and export we are looking at preserving this on an increased sales volume.

Moderator The next question is from Mithun Soni Geecee Investments. Please go ahead.

Mithun Soni You raised a point in the opening remarks about the increasing importance of export market for us and our strategy of focusing on bio mass and waste to energy. If we have to look at it from a 2 – 3 year perspective then how do you see this export market panning out in terms of for us in terms of sales mix and what is our key strategy? Are we focusing in terms of particular segment like bio mass or waste to energy and in any particular geographies, if you can just give a flavor on that?

Dhruv M. Sawhney I think if you look at 2 – 3 years' perspective, we will be becoming more and more of a global company and because the governance of these sectors in the respective countries is growing rapidly, the renewable segments, the biomass segment and energy is a problem everywhere. Environmental issues are a major concern everywhere. So, because this market is good and one of the philosophies we did was not to just concentrate on focused countries but to go to a lot of these countries as possible and this has paid us a lot of dividends in FY13 and will also show in FY14. So the sectors will remain. There will be predominantly these sectors. There will be other sectors coming in such as process co-gen particularly sugar which is upgrading itself globally onto higher efficiency levels like India. India in fact is a forerunner for co-generation in the sugar industry. So that's a very big sector for us globally where we have the experience in India and secondly when

the global economies pick up just like in India. We expect both IPP and other process co-generation industries to also pick up cement, steel, pharma, paper, etc. but the strengths of our paradigm is really the renewables area.

Mithun Soni In terms of the product have we taken the full product portfolio what we have today to the export market?

Dhruv M. Sawhney That's a good point. Now we have completed this in FY13, till now we hadn't taken the complete portfolio to the export market. But with some great breakthroughs particularly in Vietnam, we managed to get orders all the way up to all the different models up to 30 MW. So we are now much more robust in the fact that we have taken this complete portfolio in some countries. The other good point is that the deliveries are coming in some cases in FY13 and some in FY 14. The moment these are commissioned our huge track record helps in further orders.

Mithun Soni In terms of the export market do we see the scope for the after sales business over there?

Dhruv M. Sawhney Very good. They normally are orders for a few spares with the order but in time we expect this to be a key and extremely profitable segment.

Mithun Soni Usually for an after sales business you start developing, how much time it usually takes once you have entered the market?

Dhruv M. Sawhney Normally the spares are for a few years with the order. After 2 years you would see a rapid growth.

Mithun Soni The scope starts increasing the second or the third year onwards?

Dhruv M. Sawhney I would say yes third year onwards.

Mithun Soni One understanding on the working capital side, though we continue to remain a negative working capital sort of business for us, the working capital has come down a little. So are we seeing particularly from a debtor side, are we seeing any increase in the debtor period?

Nikhil Sawhney If we look at our balance sheet, we had high receivables and payables because of high dispatches in the last quarter. So it was a slightly muted order intake. This will all get normalized in the next couple of months actually. So all were LCs anyways, the receivables so this is all secured. We would revert back to the norm of our working capital as it has been in the past. There will be quarter-to-quarter variations as the working capital employment will always be negative.

Mithun Soni As we increase the share of exports, is the pattern any different?

Dhruv M. Sawhney We have been fortunate that we are getting these orders with similar term and letters of credit in advance.

Moderator The next question is from Anil Kinni from Envision Capital. Please go ahead.

Anil Kinni Can you just share some thoughts on the capacity that is in place for the company and how are you placed for the next 2 – 3 years?

Dhruv M. Sawhney One of the things that happened is we are not a capital heavy company as you can see from the fixed assets and we don't have CAPEX and because of our judicial

mix of outsourcing and in-house manufacturing and extremely good suppliers, they are captive to us. We have now reduced our delivery time. So we can easily increase capacity. We are like 40% without any CAPEX.

- Anil Kinni** And I didn't get the order book number can you give it me again please?
- Dhruv M. Sawhney** ₹ 470 crore.
- Anil Kinni** In the after sales there is a potential from the export market as well. Is there any portion that comes on the export market at present in the after sales?
- Dhruv M. Sawhney** Because our base was very small. Our growth in exports has been extremely rapid. We have got 60% CAGR growth in the last 3 years. So it's been quite small because the export turnover 3 years ago was 5%. It was definitely well under 6.
- Moderator** The next question is from Anshul Doshi from Prime Investments. Please go ahead.
- Anshul Doshi** Can you tell me what was our free cash flow generation for the year, for FY13?
- D.K. Sen** Our total PBT is ₹ 156 crore and generation from operation is ₹ 168 crore. We have made a small capital expenditure of ₹ 3.45 crore and we have made our prepayment of term loans during this year. Because we have got surplus fund, so ₹ 34.96 has gone for prepayment of term loans plus income tax we have paid about ₹ 48.81 because there was an increase in working capital by ₹ 49 crore. So net reserves is that we generate surplus cash of ₹ 16.71 crore. This is after investment to our subsidiary GE of ₹ 2.5 crore.
- Anshul Doshi** Again going forward what is our CAPEX target for FY14 that would be largely maintained?
- Nikhil Sawhney** There would be maintenance CAPEX as routine but it would be very minor.
- Anshul Doshi** That would be around ₹ 10 – 12 crore.
- Nikhil Sawhney** Approximately, may be a little bit more little bit less.
- Anshul Doshi** Next year if we get a growth of at least 10% we will generate significant amount of cash let's say ₹ 121 – 130 crore from the operation itself. So, any plan to increase dividend or payout ratio going forward?
- Dhruv M. Sawhney** We are looking at various diversification possibilities.
- Nikhil Sawhney** Our payout ratio is in the region of 27%. Board has taken a decision to keep it within the range of between 25 – 35% and we have aimed to maintain that.
- Anshul Doshi** My next question is on the export market, can you give us some sense on which are your top 3 export markets in terms of area?
- Dhruv M. Sawhney** We don't like to disclose. I would just say that in fact in our philosophy to not just talk about as we believe each one has a potential to become one because of the lines we are in.
- Anshul Doshi** I just want to understand what sort of concentration we have in terms of geographical presence?

Dhruv M. Sawhney We are exporting all the way from Mexico to South America, Africa, of course we are strong in South East Asia and South Korea and we are now heading into Australia. We are virtually in all parts of Europe, we have waste to energy orders that have been commissioned in the UK.

Anshul Doshi Can you give some sense to what would be our market share in the export market where you are in top 3, you don't give me the names of geographies but if you can give us some sense of the market?

Dhruv M. Sawhney Just to say there is a substantial potential to increase market share but we really don't want to go out on a segmented basis.

Moderator The next question is from Pankaj Kumar from Edelweiss. Please go ahead.

Pankaj Kumar My question pertains to the diversification strategy that you may go for in future. So we are just checking which are the areas where we can look for and what is the kind of RoE and cash flow generation from those areas?

Dhruv M. Sawhney When I am saying diversification I mean more on the geographical spread of exports, I am talking about moving into servicing our overseas markets in a more efficient manner. As we grow substantially with the number of turbines installed overseas we have to service them more efficiently. So we may have structures in that part. So really it's not something in a new business sense.

Pankaj Kumar Do you have any plan to enter into the EPC side?

Dhruv M. Sawhney At the moment we have no plans. We will let you know once we have.

Moderator The next question is from Bhavin Vithalani from Axis Capital. Please go ahead.

Bhavin Vithalani A follow up question on the margins. If you see the proportion of exports increasing in the aftermarket because it's largely from domestic market coming down. In the longer run, not on a one year basis how do you see the margins trending and how is your pricing different versus in the export. So if domestic is 100, how is the export pricing?

Dhruv M. Sawhney We don't disclose our margin strategy but as I said obviously margins in exports are higher than they are domestically and they vary from market to market and domestically also depending on the sectors coming up and the competition at that time but we are looking at a mix of both and our growth in FY14. So looking at a whole thing, we feel that we will be able to preserve the year margins on FY13.

Bhavin Vithalani What were the growth in the aftermarket revenues in FY13, you said ₹ 126 crore in FY13, what was it in FY12?

Dhruv M. Sawhney 19% growth.

Bhavin Vithalani And on the order inflow given your outlook on domestic, how do you see order inflow growth for the year FY14 on a weighted average basis?

Dhruv M. Sawhney You will see growth but it is difficult to give a figure on that. The growth in export and order inflow we will see a higher percentage than what it was in FY13 as a percent of the total order intake.

Bhavin Vithalani And what was order inflow in FY13?

Dhruv M. Sawhney ₹ 450 crore.

Bhavin Vithalani That's exports or total order inflows?

Dhruv M. Sawhney Total.

Moderator The next question is from Ashutosh Garud from Dalal and Broacha. Please go ahead.

Ashutosh Garud I just wanted to know what was our order inflow and sales in terms of MW?

Dhruv M. Sawhney That is also proprietary, it varies and in any case you would talk to us offline. We really don't give the MW and segmented data.

Ashutosh Garud And a follow up question on one of the earlier discussion on exports. I wanted to know how are the working capital cycles different in case of an export order as compared to your domestic business?

Nikhil Sawhney We sell more than 100 turbines a year. So every order is different, every client is different. So both on domestic and an export perspective you can't generalize to that extent. Suffice to say the fact is that the commercial terms are broadly the same between domestic and export and we don't differentiate as to the working capital cycles and the terms are not different.

Ashutosh Garud So it would be fair to assume that you would be trying to preserve a similar sort of working capital ?

Dhruv M. Sawhney Yes that would be fair.

Moderator The next question is from Sachin Kasera from Lucky Investment Managers. Please go ahead.

Sachin Kasera On the JV you mentioned about the enquiry levels that you are seeing in the export market for us, can you tell what are the type of enquiry levels for the JV domestically and if anything on the export also?

Dhruv M. Sawhney The enquiry levels are good both domestically given the situation of the total markets and internationally we are getting from a spread of countries from both in the East and all the way going up to Latin America. In some cases there is a high MW going towards 100 MW. There are also in 35 – 45 MW range and the industries are from oil and gas to cement to power. I think we are seeing an accelerated conversion of enquiries into orders and so we have a high confidence that the order intake in GETL will be better than what we have had. We have increased from FY12 into FY 13 and we are confident about our increase in order intake in FY14 in GE Triveni.

Sachin Kasera Can you just share with us what is the current market size of the export market that we are addressing as of now?

Dhruv M. Sawhney It's almost impossible to get the size of the market like that. I gave you some idea of the enquiry base and that's at 3000 MW. It is 4000 MW now which can even go in the next few years to 5000. So suffice to say that we are really quite more in this right now. So the potential is fairly rapid for market share growth.

Sachin Kasera And what is the USP, along with giving world class technology are we also giving them a better value proposition into the pricing that is helping us win orders or is it purely on technology?

Dhruv M. Sawhney I think it's a combination of 3 things. First is technology, second is the price-to-value for the customer. It's something that they really cannot turn us away and we give quick delivery. We are at the best norms globally on delivery. And lastly it's our after sales service. I think we pride ourselves in having some of the best after sales service globally. And so our engineers are able to go and help the customer wherever he is and in one case we have got an order and it will take us 4 days to reach there in some country in Africa from the airport only. So we are able to do these things I think as well as not better than best-in-class.

Sachin Kasera All these markets we have direct sales team or we are working with some partners?

Dhruv M. Sawhney We are doing both things.

Moderator Ladies and Gentlemen we will take one last question from Devang Modi from Equirus Securities. Please go ahead sir.

Devang Modi Firstly wanted to check on whether there are any refurbishing orders that are there in the current order book of ₹. 470 crore?

Dhruv M. Sawhney Yes.

Devang Modi So what quantum would these refurbishing orders be?

Dhruv M. Sawhney ₹ 20 crore.

Devang Modi Also will we be looking to expand our service center offshore because we are doing a lot of exports. So what is our outlook over there and will it involve any CAPEX and what kind of manpower will be required?

Dhruv M. Sawhney We will be approaching these questions as our installations increases but there are certainly questions that will be considered by our management and it will all depend on where they are and what the direction is what you are thinking.

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

Dhruv M. Sawhney Thank you everybody for interesting questions on our FY13 results. I just like to end by saying that we are very confident of our good year in FY14. We are happy with our increased coverage in the export market in FY13 and it is going to increase in the next year. So our confidence level irrespective of economic conditions globally or in India is for a growth in both sales and profits. And I think the other thing is FY14 would really be a platform we feel for a fairly big growth in FY15. I think that is also both domestically and export wise. So all that augurs well for the next coming 10 – 11 months and thank you very much.

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