



## Triveni Turbine Limited

### Q1 FY 17 Conference Call Transcript

#### August 05, 2016

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**Moderator** Ladies and gentlemen, good day and welcome to Triveni Turbine Limited Q1 FY 17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, Mr. Desa.

**Gavin Desa** Thank you. Good day, everyone, and a warm welcome to all of you participating on the Q1 FY 17 earnings call for Triveni Turbine Limited. We have with us on the call today, Mr. Dhruv M. Sawhney –Chairman & Managing Director, Mr. Nikhil Sawhney – Vice Chairman & Managing Director 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 emailed to you everybody earlier. I would also 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 call with the opening remarks from the Management followed by an interactive Q&A session, wherein you can discuss your view points. I now invite Mr. Sawhney to share some perspective with you with regards to the operations and results over the quarter gone by, and his perspective on the year going ahead. Over to you, Mr. Sawhney.

**Dhruv Sawhney** Thank you very much, Gavin. Good afternoon, everybody. Welcome to the Q1 FY17 conference call. We are fortunate in having a strong consolidated performance in the quarter that has gone by.

Our net total income from operations in Q1 FY17 is at ₹ 1.62 billion which has increased by 30% over last year when it was at ₹ 1.24 billion.

EBITDA is at ₹ 384 million has a margin of 23.7% as against last year's ₹ 297 million, and this showed an increase of 29%.

PBT at ₹ 348 million with a margin of 21.5%, has shown an increase of 35%.

And profit after tax of ₹ 269 million, a very good margin of 16.6%, has shown an increase of 33% over the same quarter last year.

We have a strong outstanding order book of ₹ 6.57 million, although this is same as what it was last year. And even more encouraging is a strong pipeline of enquiries which we expect to conclude in the coming quarters.

The Board of Directors are happy to announce a 45% interim dividend for the financial year FY 17. And our EPS now, not annualized, for the quarter is ₹ 0.81 per share.

Product sales showed a growth of 21% which is quite substantial and even more encouraging is the rapid growth in aftermarket sales which was 60% over the similar period last year. During the Q1 FY17, the consolidated product order intake has been just over 1 billion, ₹ 1.07 billion.

Our increased focus on global aftermarket services which is showing positive results. We are adding resources to our current export centers and formulating plans for new centers. This 60% growth in aftermarket revenues has now made the mix of our total sales, it has shifted as against 23% for services, it is now 28%. The aftermarket order intake was ₹ 460 million in Q1 FY 17.

The shift to exports really started some two years ago and now exports in this quarter are 59% of total sales as compared to 33% last year. And these two things, our export performance and our aftermarket performance have helped a lot in the results for the quarter under review.

The consolidated export turnover has gone up substantially; it has gone up by 137% in this quarter to ₹ 962 million. And as I said earlier, it is 59% over the last quarter last year. This 59% of total sales was only 33% in the quarter of 2015-2016.

Some order finalization in the order markets are taking a little longer, and you are all aware of the economic situation all over. But the advantage that your Company has is that its markets are much diversified, and so even though it may be taking longer in some quarters, we are confident and we have good visibility of their finalization in the quarters to come. And a lot of these finalizations have already taken place, in the month of July itself. We have had very good progress of things that were pushed back from Q1 to Q2. But again, it is the strength of the enquiry base and the diversified nature of the enquiry base that has helped us.

This strategy of ours of concentrating on the sugar in process co-generation, on combined cycle and waste-to-energy in biomass across the world is helping us smooth out these variations in many segments in many countries. And these sectors are not really subject to the same slowdowns in the developed world economies and other developing world economies as general economic indicators are. Because there is a shift towards renewables, there is this shift towards green energy.

The domestic market has unfortunately taken much longer to revive and in fact, showed a large decline in the Q1 FY 17, the total market itself came down almost by 50%, or a little over 50%. We are not contemplating that there will be a turnaround till the end of FY 17 and early parts of FY 18, but we are very confident of our push in exports sustaining us all the way through. Also our push is there in new markets. We are looking at, currently we have five service centers and offices globally and we are looking to add another five in the next 12 to 15 months. So we are on quite a good growth path in terms of our geographical spread.

One of the strong points that have helped the Company achieve these results is our product development and research & development. We have concentrated on

matching the top efficiencies available in our sectors globally and so we are really benchmarking ourselves with the best in class on a global scale. But the emphasis we have had on costs and the value engineering has really shown a lot of results. We now have a modular structure, we are almost through with that, and so we are able to offer much quicker deliveries and we are able to have a much stronger supply chain base and even though you have longer transportation from India to export markets, we are able to get orders as far as South America with a better value proposition for the customer than what our competitors in LATAM can offer, and that has been very encouraging. I personally have been visiting there in June - July and I got very good response from the customers that I happen to meet in South America, Brazil, Peru, Central America and Mexico. So these good responses are encouraging our push, we feel that our model is a very good sustainable model. And it is a model that we will expand in the future and continue going as well.

The order booking as I had mentioned, some of it has shifted, so we are confident of year ending with more export bookings than we have achieved before. We are also expecting in H2, we are seeing very good visibility now for H2 orders and we will have comfort of having very good visibility of orders for financial year 2017-2018. So as I have said, we are looking at these growth targets on a sustainable basis. These growths that we are looking at in enquiries and order booking are after taking into account the growth in turnover and income. So the model is both strictly to keep growing in order booking and to keep growing in sales and conserving margins. Our long-term margins have built in insurance to cater to short-term fluctuations that may happen in some countries and in some segments of our market. So I think that it is a very good achievement that the team has managed to do.

Marketing team has now spread out all over the world, and covering both products and services, we have a similar offering to the best in class of our competitors globally. The joint venture GE Triveni Limited is progressing very well, it has recorded sales of ₹ 533 million with a PAT of ₹ 64 million, so its net income after tax is also at about 12% which is very good. Orders here also have got postponed from Q1 and a couple of them have been included in the first month of Q2, from markets that are very different to what we had expected earlier. We already reported an order that we got for GE - Triveni in Latin America. So the competitiveness of our product in the joint venture GE Triveni is very similar to what we are having in Triveni Turbines. And the value proposition is equally good. We have tremendous added benefit of the global reach and experience of GE. So that is working extremely well, the combination is working extremely well. One further fillip for the joint venture will be, in the coming few quarters when we commission our large sized turbines in Southeast Asia, we expect these to be commissioned in the next few quarters in Southeast Asia and that will be a very good reference point. While we have a number of commissioned turbines in India, the credibility in the international market, especially in the sophisticated sector such as combined cycle others of having running installations, working well in the overseas markets will be adding to our order push.

The operations of Triveni Turbines on the sale side do not include the sales of the joint venture. We have presented our results under the IND AS accounting standards, both for the current quarter and we restated the last quarter of FY 16 in the same manner. Actually, just as a matter of interest, if we did not have IND AS and if we had gone on the old accounting I-GAAP, the profit after tax growth would have been something close to 50%. But now we are on IND AS and we will be presenting our accounts on a consolidated basis. So we are really going in to the various split ups of these again, this is some information as a lot of it is marketing oriented, so we are going to be concentrating on quarterly consolidated results and that is a little different from what we did last year.

The installations that we have now are in over 50 countries, but the enquiry base is somewhere around 80 countries. So the reach is slow but, the potential is very large, some of these are small and they have taken a lot of efforts but we are managing to absorb this startup process of where we are growing and still preserve our margins. So this has given us a confidence of now expanding and going further in to another five centers. Some of these centers have started very recently, so we expect the order booking to come in the next few quarters and definitely in 2017-2018. So we are more confident of satisfying customer expectations in a variety of different terrains and geographies.

I would like to now open the floor for questions. Thank you.

- Moderator** Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Nidhi Agarwal from Sharekhan.
- Nidhi Agarwal** I wanted the breakup of order book in terms of JV and standalone.
- Dhruv Sawhney** JV and standalone?
- Nidhi Agarwal** Yes.
- Dhruv Sawhney** There is no standalone and the order book in the JV is completely separate, we do not amalgamate that in what we publish for Triveni Turbines.
- Nidhi Agarwal** So, in Q1 FY 16 we had seen a consolidated order book of ₹ 779 crore, so that has come down to ₹ 657 crore
- Dhruv Sawhney** But as I said, sales are now under IND AS, we are not consolidating sales of the JV in Triveni Turbines. So from now onwards we are following the IND AS standards and those now are reflected. So they are not really comparable with the last quarter.
- Nidhi Agarwal** So how much is the JV order book now?
- Dhruv Sawhney** Just over ₹ 100 crore.
- Nidhi Agarwal** What was the order inflow in that, in Q1 FY 17?
- Dhruv Sawhney** As I have just said, in Q1 FY 17 we did not, but in the first month of this year we have already received two orders in the JV. So we do not want to give too much visibility on this for market reasons, as you are aware.
- Nidhi Agarwal** So, last time we had indicated that we are expecting four to five orders in the JV, so out of that how many have come in.
- Dhruv Sawhney** Some of them have come in this quarter which I mentioned, in the last month.
- Nidhi Agarwal** So, first quarter has been very good, so how do you expect growth for the rest of the year?
- Dhruv Sawhney** I spent a fair amount of time saying that , we have laid out the parameters, this quarter is an exceptional, I mean it was a quarter of very good results, we expect very good results in all the ensuing quarters because our model is a sustainable model, our reach is diversified, our product profile is diversified. So all the parameters of good growth are there, both in terms of sales and margins.

- Nidhi Agarwal** So we can expect the year also to grow in line of the first quarter?
- Dhruv Sawhney** I am not giving any figures on that, but we do expect very good growth and certainly better than last year.
- Nidhi Agarwal** In domestic market, any sectors are growing?
- Nikhil Sawhney** No, the market is declining domestically.
- Dhruv Sawhney** This is after a rapid decline in the domestic market, if the domestic market had picked up, then of course we could have looked at very exceptional growth. But that is not something we are now putting into our planning, we are planning aggressive export expansion and services expansion.
- Moderator** We have the next question from the line of Bobby Jayaram from Fulcrum Investments.
- Bobby Jayaram** What goes into your other income, the ₹ 10 crore last year and total ₹ 4 crore this year. That is the first question. Second one is, it is surprising to hear that the Indian turbine sales have actually not really expanded, they have declined because many other sectors seem to have picked up steam. Do you think the decline is more structural?
- Nikhil Sawhney** No, there is an issue of timing with these matters and the fact is, while we look at the markets for the whole year to be about the same as last year, very frankly there is no great growth that we are actually seeing.
- Dhruv Sawhney** And this is the whole market and not just Triveni. And this is the market really not just in 0 to 30 but also from 30 to 100.
- Bobby Jayaram** The other income includes foreign exchange.
- Suresh Taneja** Yes, the other income includes foreign exchange gains which were very substantial in the previous quarter, much less in the current quarter.
- Bobby Jayaram** So this is actually part of your operating profit as well?
- Dhruv Sawhney** It is, you are right.
- Nikhil Sawhney** Correct, but the accounting standards makes us reflected in this manner, because it is hedged, we hedge our book and so therefore the profit is realized at the time of sale.
- Bobby Jayaram** So, actually we should consider it as operating profit, I mean, as investors?
- Nikhil Sawhney** Fine
- Moderator** We have the next question from the line of Dewang Modi from Equirus Securities.
- Dewang Modi** Sir, if we sum up your ₹ 100 crore order of the JV that you mentioned and the other order backlog on the standalone which is around ₹ 664 crore so if we sum that up do you feel that that entire ₹ 760 crore is the portion which has to get executed in nine month of this year, or should there be some shorter cycle or something like that which could add to book and bill?

- Dhruv Sawhney** It is almost impossible to forecast the last bit when a customer has delayed for a month and not take it. But there are also orders that can come in Q2 where people want quick delivery. So we had it last year, we fully expect to have some this year, but it is almost impossible to really gauge that what is scheduled for a delivery, contractually even, in February, March, sometimes does get postponed by a full few weeks into the first month of the next financial year. At the same time, we fully expect some book and bill in Q2, and even maybe as we got last year in Q3, pretty small, but the enquiries are there in that direction, I might say, the enquiries are there where people are asking for some quick delivery.
- Nikhil Sawhney** Well, this is for the product, all services and aftermarket which are booked in the second quarter and third quarter will always fall through. The product is reasonable to expect not more than Q2, like part of Q2 would get converted into the current year. So very frankly, we would look for certain, like the Chairman said, we are looking at a good growth in this current year.
- Dewang Modi** So, eventually this whole number of (660+) whatever contribution of exports will come,
- Nikhil Sawhney** No, commercial revenue will not come in.
- Dhruv Sawhney** No, not sale in TTL now.
- Dewang Modi** No, so some portion of TTL will come or entire thing will remain separate, okay it will only come as share-in profits of associates.
- Dhruv Sawhney** Yes, you got it.
- Dewang Modi** And sir, I mean, earlier also we had sort of discussed this, so with regards to the increasing share of exports and aftermarket, do we see a potential of improvement in EBITDA because of that happening in the EBITDA margin?
- Dhruv Sawhney** Well, we are diversifying our territories, so there is a wide variety of things that are happening and in some product markets there is extreme price pressure. So the model we have got is a good insurance model where you may have price pressures on products in certain markets because of the market size having gone down, maybe even in India. You are compensating by concentrating on high growth and better margin areas. So, where this is going to pan out, it is difficult to forecast, but certainly we are much better placed as a model, as a company to hedge against any disturbances in the overall margins.
- Dewang Modi** So you would still be, sort of, saying that you will see a huge push up in margin from here, I mean, that is what it means?
- Dhruv Sawhney** Yes, we like to be a little conservative and see these things as they happen. We dispatch a few very good orders in Q1 and you have seen the bunch. So sometimes you are not able to do this on the quarter-to-quarter basis, but I can say really for the investors in the long-term is better, especially that this is a very sustainable model of good margin and good growth.
- Dewang Modi** Sir, finally, on the domestic market, since the first quarter has been pretty weak, but what are the chances because we feel that there is a good chance of several process industries and sugar there could be some turnaround which could happen. So how much assurance you see when the turnaround can come up?

- Dhruv Sawhney** It is a million dollar question, because six months ago I thought it would happen in the Q2 of this year. Now, you all are looking at many companies in different sectors, see, all I can say is that we are having lots of discussions with people and people are asking us to revive our quotation and they are calling us for discussions. But I would like to see when the advance comes in. So, we only recognize things when we actually have some money in the bank. If you ask me, I definitely think that something will happen by the end of the year, there will be a turnaround. So I see very good growth in 2017-2018 from the domestic then.
- Dewang Modi** Order booking?
- Dhruv Sawhney** No, order booking then execution also, maybe in the last quarter there will be some booking. But we will have more visibility, on the domestic market at the time of the Q2 conference call.
- Moderator** We have the next question from the line of Alok Rawat from Karma Capital.
- Alok Rawat** The orders that you booked in GETL, do you also book a corresponding order on the TTL's book for the portion that will be outsourced for manufacturing to TTL?
- Dhruv Sawhney** Only the turbine.
- Nikhil Sawhney** Only what will be recognized in our revenue would be actually put into order book, we do not want our order book to reflect that we would not be recognizing.
- Dhruv Sawhney** So that is exactly what is part of that, and that varies from order to order.
- Alok Rawat** Sir, second question was on domestic market, the failure of revival or the postponement of revival, is there any particular sector which is causing that?
- Dhruv Sawhney** No, it is across the Board. We have been catering to all the sectors, so we have not seen any big finalization, you look at the process industry, even the sugar industry which is doing much better and as you know the Group is in that sector. The enquiries are very encouraging, we have got added enquiries in Q1 domestically. As I said to the earlier participant, I will get more visibility, I think personally we are looking at visibility in Q2. Certainly, I am not putting that for any book and bill, it is really for dispatch in the next financial year. And for that, we have to give better idea in Q2. I would rather concentrate on high growth in the export market for products and services. And of course, in the domestic, we have plenty of capacity to even go higher growth rates than what is forecast from the export markets. And you will be happy to know that our new factory will be rolling out its first turbine in the next few months, so that gives you another 100% and it is being done at a very low cost which we had already put. There is no CAPEX, and no cash flow. So we have plenty of capacity, this is not a capital intensive line. Now we will just see, so 2017-2018 to me looks good for the domestic market adding substantially to what it has done in the past.
- Alok Rawat** If you could just touch upon the combined cycle market, especially domestically as well as the waste-to-energy market overseas, what kind of traction are you seeing there?
- Dhruv Sawhney** In India, we do not have much gas, so we are not having the same. In overseas, the open cycle gas whether it is engine or gas turbines are being converted to combined cycle and we have got substantial orders both in TTL and now in GETL. So that is a great line. Also, waste-to-energy, we are doing very well in the UK. For example, you will be happy to know that now we have a truck in the UK where we

are able to get to the waste-to-energy plants all over in 24 x 7, we say that we will be at your door within the same day offering this service element mainly to waste-to-energy operators. So, this municipal waste-to-energy is a good line and especially for the smaller that is left in 30 megawatt market.

- Nikhil Sawhney** But we find the segment of waste-to-energy is picking up, Europe has always been a frontrunner in this thought process of green technology. We also find this increasingly picking up in Southeast Asia and Latin America as well, and to North America also. The point is, we see very little movement in this segment in India, which as you know has a tremendous amount of potential in municipal waste. There is discussion along the lines, because it is a municipal issue actually to have a degree of central policy look at this from MNRE to MoUD. But we are waiting for that to roll out.
- Dhruv Sawhney** But even though the cost is set, you have to incinerate now. In the domestic market, people are not concentrating so much on separation of waste, it is funny that in South America, Latin America and even in Southeast Asia they are doing this more and so they are allowing the waste-to-energy plants and energy generation from there to become very good viable proposition. So many investors are going into that line.
- Alok Rawat** A follow-up on waste-to-energy, is there a particular reason why the US market, which potentially could be a very large market, has not progressed as much as Europe?
- Nikhil Sawhney** Sanctioning of Environmental licenses can take up to 10 years there, this is one of the reasons. Secondly, land is freely available and so the cost difference between, the opportunity cost of land is also calculated differently. There are also certain forms of looking at different technologies in waste-to-energy.
- Dhruv Sawhney** There was also slight lobby group which is leaving the landfills till there, which is where Europe has been very strong on not having landfills.
- Moderator** Our next question is from the line of Ankit Soni from Karvy Stock.
- Ankit Soni** In GETL, currently how many orders are we executing and how many are in pipeline?
- Dhruv Sawhney** Well, we are not giving any numbers, but we have substantial orders in the pipeline. The enquiry pipeline in GETL is much stronger than it was six months ago. And the spread, it is quite surprising that now the traction in GETL is pretty good because of the orders that are being got and are being executed. Now we will be declaring the order that we have booked in Q2, so the order under execution also, by the end of Q2 will be substantially higher.
- Ankit Soni** Sir, can you just tell me the status of the Argentina order which we got?
- Dhruv Sawhney** It is under execution for this year.
- Ankit Soni** What were the major sectors which drove your order booking in domestic segment?
- Dhruv Sawhney** Process co-gen.
- Ankit Soni** And can you just provide your view on sugar industry, how is it like?

- Dhruv Sawhney** Well, we are having substantial enquiry now compared to the past, as sugar industry went through great problem, from co-gen sector from all over the country. We think that they will come to fruition, but I think those will really now be for delivery in the sugar season 2017-2018, because we foresee two good years for sugar in India. So that is the biggest light in the tunnel for me in the domestic market that is what something that we can have a handle on. But again, I do not want to start forecasting when is it going to be and how much it is going to be. But it is a very good factor for our growth in 2017-2018 sales.
- Moderator** We have the next question from the line of Ravi Sawaminathan from Spark Capital.
- Ravi Sawaminathan** Sir, just wanted to know on our after sales market we have set up offices in Dubai and London, which are the new markets which we are planning to setup offices and what could be the revenue potential from those countries?
- Dhruv Sawhney** Let me just say that we have got five offices are in Africa, Southeast Asia, Middle East and Europe, and they are going to continue in these areas and also going to take in LATAM in the next quarter.
- Ravi Sawaminathan** And any revenue potential target that we have?
- Dhruv Sawhney** No, I am not giving those till they start looking at it. We expect to have good growth in our export services income through these, once these existing offices come into force and through the time of setting up new ones, we are getting very good response let me tell you, better than we had expected. The first thing is to scale up personnel, we are more concentrating on settling them down.
- Ravi Sawaminathan** Regarding the GETL order, we had won sizable orders from Argentina. How often such large orders keep repeating?
- Dhruv Sawhney** There can be many in one month and also can be many in few months; the encouraging factor is stronger enquiry pipeline. And when we say enquiry pipeline, our target is active and hot rather than just budgetary. I am not talking the budgetary ones where people just ask you for a quote, but ones where you have to start giving a lot of technical details. And this is about 2 gigawatts, so that is not a small figure.
- Ravi Sawaminathan** Okay, the enquiry pipeline for GETL is around 2 gigawatt?
- Dhruv Sawhney** Yes.
- Ravi Sawaminathan** And internationally there is a lot of consolidation which is going on currently, Siemens has acquired Dresser Rand and GE has acquired Alstom. Does it have any impact on our business as such?
- Dhruv Sawhney** We are carrying on as we have been carrying on.
- Nikhil Sawhney** It does not change the nature of competition for us.
- Ravi Sawaminathan** And any impact of Brexit on our business, we have sizable exposure to Europe.
- Nikhil Sawhney** No, it does not really, because you see our Visas and all that, we have to get different Visas anyhow, Schengen Visa and UK Visa, one does not help the other. So we are not seeing any impact.

- Moderator** We have the next question from the line of Janaki Raman from Franklin Templeton.
- Janaki Raman** Do we think the current levels of sugar price is good enough for the industry to generate cash, improve its stretched balance sheet so that one, two years down the line they can really think about investing in co-gen?
- Dhruv Sawhney** Yes, I think earlier than one, two years. Some of them can do it pretty quickly, I mean the groups. As you know, I am sure you follow those also, there are difference between one group and the other group. It is good cash flow, good viability now for the next two years. So there are many groups that do not have stretched balance sheet. So we are looking at that as a good potential.
- Janaki Raman** And in the previous upcycle of sugar, what exactly was the approximately size of this co-gen business?
- Dhruv Sawhney** If you look at four years ago, it was very substantial, I do not have the figure on me now. The domestic market, if you look at the domestic market in the last quarter to what it was at its peak in 2012, I think it is four times, the whole market is four - five times, I am including sugar, process, co-gen and everything. But we are talking about, this drop in Q1 really has surprised all of us at TTL as well. So the upside is very substantial, few cement plants are doing brownfield some paper, steel is at a standstill right now, food, so all these things have to have some brownfield coming soon, all of them have to have some brownfield coming soon, they are not even looking at new plants.
- Janaki Raman** And since you are in the capital goods industry where technology also keeps evolving, broadly what are your thoughts or what is the framework that the Company uses on R&D?
- Nikhil Sawhney** Yes, that is a good question. You see, the Company generates between 30 to 40 IPs every year and for the last couple of years the Company has received the Government of India's award for the highest number of design patent registered. We do take it very seriously from a perspective of not only protection of IP but also the generation.
- Dhruv Sawhney** You know, what our R&D is that we look at best in class globally in our landscape and benchmark on the following parameters, what the customer looks at. The first is efficiency, the second is robustness, third is delivery and fourth is the competitive pricing. Now, to do this we have a very strong R&D internally, we have these continuing relationships with the top design houses in the United States and doing specialised work for us where the IP belongs to us, we have increased that now with the university of Cambridge, we have done some association with them and we are strong with the Indian Institute of Science and IIT Bombay here
- Nikhil Sawhney** There is also short-term cycle development and longer cycle development which feed into both, like product enhancements and new technology development also.
- Dhruv Sawhney** And we come out with about 8 to 10 new variants and models every year, I think we have the largest number of such things of any manufacturer in our line globally. This is just very quick responding to the market, and the second is, we have a very good system of feedback from the field staff as to what could be the offerings of our competitors, even though they may have a higher price point. So we try and match what the customer wants without increasing cost very much.

- Janaki Raman** In your export business, I am sure there will be enough competition there, do you find bulk of the competition from the developed market manufacturers or you also see a lot of competitors from Asia as well?
- Dhruv Sawhney** Developed market.
- Nikhil Sawhney** You know, we have Japan which is part of Asia.
- Dhruv Sawhney** No, developed market competition.
- Nikhil Sawhney** Chinese
- Dhruv Sawhney** Yes, some of them come with finance packages and which no one can then touch that, because it is given as a project, especially with China. There is enough business and they are not so much of that in our field because this is too small for those huge billion dollar ones.
- Janaki Raman** You mentioned earlier, you sell your products in 50 or 80 countries, I did not get the number right.
- Dhruv Sawhney** 50, we have enquiries from over 80.
- Janaki Raman** So that is a reasonably large number, what is the minimum economic size in a particular country in terms of install units or install capacity, what is the minimum size that starts giving you profits?
- Dhruv Sawhney** You can have it with one.
- Nikhil Sawhney** Well, firstly the fact is that the product on a lifecycle basis, and you see from a competition perspective as far whatever our research shows, we are probably one of the only companies that makes a profit on the product. Therefore, so when you look at minimum economic value as far as the value for country goes, even one sale validates efforts that go into it.
- Dhruv Sawhney** We look at making substantial margins on the product. So if I have a new country and there is one order, it is fine because its cost is in the product.
- Moderator** We have the next question from the line of Karan Bateliai from Asian Market Securities.
- Karan Bateliai** Sir, just wanted to check about our aftermarket business, how much is the manpower strength we have in the overseas and the Indian markets, if you can share some manpower strength and some kind of number.
- Dhruv Sawhney** It is a little granular. All we can say is that, when I am mentioning that these are centers opening then these are things that keep growing, so that market information of disclosing how much you are doing in one particular one versus another, all that you could take from this is that the manpower strength internationally is growing.
- Nikhil Sawhney** The majority of all fresh recruitment is international.
- Dhruv Sawhney** Yes, that also. All the new training people, all the new recruits are all for international market, in fact, we are switching people also.

- Karan Bateliai** Secondly sir, about the breakup which you said in the presentation, I think last year in the fourth quarter you gave a very elaborate breakup of further segmenting everything between domestic and exports. So could we help that breakup of products domestic and product exports aftermarket?
- Dhruv Sawhney** We are now concentrating on market information, we take it as a way we are giving it now. We want to preserve this format for the future, the market information. It is a sensitive information also as you would have realized.
- Karan Bateliai** And sir, domestically, what would be the size of the market, any indication in terms of total market size as of now for below 30 megawatt?
- Dhruv Sawhney** It is a depressing figure, about 100 megawatt. And even if it picks up we do not think it is going more than 700 megawatt in the whole year.
- Karan Bateliai** Currently how much is it, sir?
- Dhruv Sawhney** About 100 megawatt.
- Nikhil Sawhney** This is half a size of what it was last year.
- Karan Bateliai** And sir, can you share how much is the total megawatt that has been commissioned by GE Triveni thus far, the JV?
- Dhruv Sawhney** As I said, wait for another quarter, because we are having a lot of things being in the commissioning stage. So the definition of commissioning also means when it gets up to speed or when it is just started. So I would not like to, sort of, take a call on what has actually commissioned, but my point, I will reiterate again that a number of the large sized international GETL orders are going to be commissioned in the next few quarters, which will change the whole perception of where the JV is from international, sophisticated, consultants and the customers' view.
- Karan Bateliai** And sir, how much total CAPEX we are planning for this unit and when you are expecting capital commissioning?
- Dhruv Sawhney** No, we have already finished our CAPEX there, it is minimal, a few crore.
- Karan Bateliai** How much we invested and when it will be commissioned, sir?
- Dhruv Sawhney** As I said, the first turbine is expected to be rolled out before Q3, before the end of the year.
- Moderator** We have the next question from the line of Anuj Sehgal from Manas Capital.
- Anuj Sehgal** I wanted to check, so your export growth is phenomenal but I would imagine that the markets there would not be growing at this pace. So who are you gaining market share from and why?
- Dhruv Sawhney** No, we are gaining market share. But let me tell you, some of the markets are growing, because I mentioned the sectors to you, people are moving to green energy and to waste-to-energy, people are going for combined cycle, they are going for biomass project and there are many incentives given for renewable energy in a variety of developing and developed markets. So, this field has a growth rate much higher than the industrial activity in that country. So the market is growing, that is first point. The second is that we are taking market share from

variety of both developed country players and developing country players. But the global market is huge, so we started on an international scale from quite a small base. So when we are showing these growth rates, they are substantial in terms of percentages, but there is a huge scope ahead.

- Anuj Sehgal** And what is enabling you to gain share from, let's say, the developing market players or developed country players? And maybe, as you mentioned earlier in your remarks, you were also gaining share from some players who are based in Latin America. So what is enabling you to gain share from these domestic players?
- Dhruv Sawhney** A better value proposition for the customer, we are able to give them international benchmark, efficiencies, product robustness, shorter deliveries and a good pricing. And now, the final thing which we have is that we are having service centers internationally which can service them in times of emergency, anything, even forget the income that we get from it, we are providing a service and a confidence factor to those customers, that is helping a lot by having these service centers.
- Moderator** Thank you. We have the next question from the line of Srinath M from Motilal Oswal. Please go ahead.
- Srinath M** My first question is, given the domestic uncertainty, exports is you can say a key element of our growth strategy, rather business strategy. Can you try and make it more granular? For example, whatever little I know, we are targeting the small time entrepreneurs because our bargaining power with them is typically higher.
- Dhruv Sawhney** No, not at all. I would say that the majority is not that.
- Srinath M** So we would be targeting larger business groups as well?
- Dhruv Sawhney** Yes, there are very large waste-to-energy groups not only in the developed markets but in the developing markets. Secondly, process co-generation, you have variety of very sophisticated consultants and big groups. Thirdly, even in sugar you have huge groups.
- Srinath M** So, are we seeing a repeat business, for example, which would be very sustainable kind of a model going forward?
- Dhruv Sawhney** Yes, some of our customers we have got substantial repeat orders.
- Nikhil Sawhney** We have in excess of 85% - 90% repeat order base from the same client.
- Dhruv Sawhney** We have not lost anything that existing client has, even in the last few years and we come out with another one, we have not lost anything.
- Srinath M** That is one metric, the other metric is, of our total export sales for example, how much would be repeat business, that currently may not be substantial.
- Dhruv Sawhney** No, because people do not keep up, where the repeat business is in the services.
- Srinath M** That is right, but for example, if we have large groups who have presence globally and if they are happy with our product in one of their units in one geography, you would expect...
- Nikhil Sawhney** We have not lost orders.

- Dhruv Sawhney** No, you see, for new non-conventional, the normal type of energy business, non-conventional type, the industrial growth in the developed economies has not been large, you know the growth rate, they haven't been putting up too many new projects, they have brownfield expansions but not new projects. But whichever our customers are, especially when our products have been commissioned and that is improving month-by-month, we are getting very good response from them for their new projects. And by this response I mean they are pushing for us to response to their enquiries right now.
- Nikhil Sawhney** But whichever orders have come up on a repeat basis we have secured them from the customers which we have acquired.
- Srinath M** But would that be a focus, to try and get as many?
- Dhruv Sawhney** 100%, our focus is on all, the staff that is interacting with the customers takes them all, we do not want to lose anything. And we have the capability of addressing both.
- Srinath M** The second, very interesting piece according to me about the Company was this third-party turbine maintenance which could be a huge opportunity. How are we progressing on that front?
- Dhruv Sawhney** Very-very well, that is a very key point and a very good question. We have found that one of the great differentiating factors that we have is that a lot of this market was being serviced by local players who never had the sophisticated high speed balancing ones that we had and were not OEMs and they have the design and that facility. And the cost given by the established developed OEMs is another league. So this is one of the pushes of us having these service centers and expanding them is this business, other people's turbines, exactly.
- Srinath M** But are we seeing traction, I mean, for example the famous one-off order we know where we have shipped the turbine back to Indian and reverted back and still we have been cost effective and all that.
- Dhruv Sawhney** Many of the rotors are being shipped to Bangalore.
- Nikhil Sawhney** So we are seeing a multiple growth in this business as well.
- Dhruv Sawhney** And we are viable even in many places of air freighting it to Bangalore and air freighting it back.
- Srinath M** So we are seeing traction, this is what you are saying?
- Dhruv Sawhney** Absolutely.
- Srinath M** And third is more of a financial question, it was an extremely healthy payout in the first quarter itself, for example, over 50% of profits. So, do we see this as a policy where we will be declaring dividend every quarter like the global companies kind of do?
- Dhruv Sawhney** No, we will be giving out our dividend policy in the forthcoming quarter, but we have to still take it to the Board.
- Srinath M** So there is no disclosed dividend policy yet?
- Dhruv Sawhney** No, not yet.

- Moderator** Thank you. We have the next question from the line of Shaily Tibrewala from Edelweiss. Please go ahead.
- Shaily Tibrewala** Sir, my most of the questions have been answered, just one thing. What explains the gap of ₹ 10 crore between consolidated and standalone financials and a ₹ 3 crore EBITDA on that?
- Nikhil Sawhney** So you see, we have certain subsidiaries which like we talked about our offices outside India which is based out of England and then the subsidiaries which are based Dubai after that, and they have revenues. Now, these entities are essentially servicing entities but also offer certain services in terms of product marketing also and they would have independent revenue. But essentially for you to compare the data, these are functions that may have been conducted out of Bangalore earlier and may now be actually conducted separately. So, I think from an operational perspective you should look at them as one. It is just the question that the business has grown, to answer your question.
- Shaily Tibrewala** I mean, is the thing that the service centers which we are establishing overseas, I mean, that gets booked under the TTL standalone, right?
- Dhruv Sawhney** No.
- Participant** Okay, those are the different subsidiaries altogether?
- Dhruv Sawhney** Some of them are and the trend will be the other way, I mean they are able to do everything there. And that is why we are saying, really, that please look at the consolidated things now because even for us we look at it in that manner internally.
- Moderator** Thank you. We have the next question from the line of Bobby Jayaram from Fulcrum Investments. Please go ahead.
- Bobby Jayaram** Did you get all your orders through a bidding process and what is the asset value of your export value?
- Dhruv Sawhney** The difference between one and the other is 1 to 100, the small turbines for the palm oil industry are 1 megawatt, very complicated ones are 30 megawatt. So there is no standardization, in this there are various segments and they have different, this is not a standardized product, it is engineered to order line and so it is not possible to give a figure for the average. And secondly, as far as the catering to the customer, there are very different performance parameters.
- Nikhil Sawhney** But to answer your first question which is tendered and non-tendered, a majority of our customers, by majority I mean in excess of 95% are non-government clients
- Dhruv Sawhney** But they have offers from everybody, it is not a negotiated deal like that, they all have offers and they go through a process that any private sector person would go through. In the case of some of the sort of state organizations, we do fulfill tenders, let's say, in Southeast Asia, we have been quite successful there too.
- Moderator** Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor over to the management for closing comments. Thank you and over to you.
- Dhruv Sawhney** Thank you very much, everybody. It has been a nice Q1 investor call. And I just would like to close by saying, with your help and cooperation we are looking forward to a very nice set of numbers in the next few quarters as well. We have a

good sustainable growth model and one that satisfies the customer base globally. So we have a certain shift in the model that we were a couple of years ago in to both the export field and into services where the sustainability is even more. And so I think we are now better ensured against any sectorial hiccups or any geographical hiccups. So, I would like to say that I am even more optimistic about the business than possibly I was same time last year. So it is a good model to go on. Thank you.

**Moderator**

Thank you very much. Ladies and Gentlemen, on behalf of Triveni Turbine Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.