



Triveni Turbine Limited

Q4 & FY 22 Earnings Conference Call Transcript May 16, 2022

Moderator: Ladies and gentlemen, good day and welcome to Triveni Turbine Limited Q4 & FY 22 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 the conference call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you. And over to you, sir.

Rishab Barar: Thank you. Good day everyone and a warm welcome to all of you participating in the Q4 & FY 2022 earnings conference call of Triveni Turbine Limited. We have with us today on the call Mr. Nikhil Sawhney - Vice Chairman and Managing Director; Mr. Arun Mote - Executive Director; Mr. S.N. Prasad - President, Global Sales - Product; Mr. Sachin Parab - President, Global Sales - Aftermarket; Ms. Surabhi Chandna - Investor Relations & Value Creation along with other members of the senior management team.

Before we begin, I would like to mention 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 invite, which was mailed to everybody earlier.

I would also 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 will start this call with opening remarks from the management following which we will have an interactive question-and-answer session. I now request Mr. Nikhil Sawhney, to share some perspectives with you with regard to the operations and outlook for the business. Over to you, sir.

Nikhil Sawhney:

Thank you very much, Rishab. Very good afternoon to everyone. I'm very pleased to take you through the business updates and the earnings for FY 22 for your company Triveni Turbine. FY 22 has been a year of many milestones for Triveni Turbine, the company has achieved its highest ever turnover of ₹ 8.52 billion, which is a growth of over 21% over the previous financial year.

Similarly, on the order booking front, the company has reported its highest ever order booking of ₹ 11.8 billion, which provides very good visibility for growth in FY 23. This is also coupled with the opening order book that we have for FY 23 as of the 1st of April, which is a growth of over 52% over the previous financial year. The company's domestic enquiry book has shown an increase of 57% over the course of this year compared to the previous financial year. And this has been led by sectors such as Co-Generation, Food Processing, Distillery, Pulp & Paper, Chemicals and a variety of different sectors including Cement, Sugar and Oil & Gas.

International enquiry generation increased by 25% compared to FY 21. And geographies which generated increased demand were from Southeast Asia, followed by Europe and a variety of different sectors including renewable energy based Independent Power Producers (IPPs) as well as certain process industries led to this growth in enquiry book. The total enquiry book has seen a growth of over 36% over FY 21 and is skewed to about 60% of the enquiry book coming from the international market.

Triveni Turbines has installations in over 75 countries and enquiries from over 110 countries, and so it is looking to expand its reach continuously to better serve its customers. The Company's product portfolio is also well poised in the near-term, with growth in both the 30 MW to 100 MW segment, which it is revisiting with the renewed vigor, as well as the API market segment in which it offers energy efficient drive turbine technologies and products.

The Aftermarket segment is also showing good growth, both in terms of being able to have installations in a variety of new markets, be it in terms of large, ultra-critical and supercritical technologies, large utility turbines, including applications such as Geothermal and a variety of specialty applications and other rotating equipment. The Company is also adding capabilities across a variety of different internal functions including Human Resource, Manufacturing, as well as Technology. And I would be happy to take you through these during the course of our interaction.

As far as financial performance is concerned, the revenue from operation for the financial year was at ₹ 8.52 billion, which I've already stated, which is a growth of over 21%. EBITDA for FY 22 was at ₹ 1.92 billion which is a 15% growth and net of margin of 22.5%. PAT for FY 22 is at ₹2.7 billion, an increase of 164% year-over-year, which is aided by an exceptional item of income, which we have accounted for in Q2 of this financial year.

During the current quarter, the company acquired 70% stake in TSE Engineering Pty. Limited (TSE) in South Africa for a cash consideration of South African ZAR 11.9 million, which is an equivalent of ₹ 57.6 million, to further strengthen the company's position in the Aftermarket business in the South African Development Community (SADC) region.

The Board of Directors has also recommended in this previous board meeting a payment of a final dividend of 85%, which is 0.85 per equity share of ₹ 1 each and the second special dividend at 70%, which is ₹ 0.70 per equity share of ₹ 1 each for FY 2021-22, subject to Shareholders' approval. The EPS for the financial year stands at ₹ 8.36 per share.

For the quarter in specific, the revenue from operations increased by 33% over the corresponding period of FY 21 to ₹ 2.37 billion and EBITDA came in at, just shy of ₹ 497 million at the margin of 21%, which is an increase of 71% over the previous financial year.

Profit before tax at ₹441 million was an increase of 87% over the previous financial year, and profit after tax at ₹330 million with an increase of 42% over the same quarter of the previous financial year.

The total consolidated outstanding order book stands at ₹ 9.7 billion as of the 31st of March 2022, which is higher by 52% when compared to the previous financial year. The domestic outstanding order book stood at ₹ 5.4 billion and the export outstanding of order book doubled in FY 22 and stands at ₹ 4.3 billion as on March 31, 2022.

The export order booking during the quarter, the details are part of our investor brief, was at ₹ 740 million, which is high by 2% and during the full period of the financial year stood at ₹ 4.7 billion, an increase of 122% as compared to the last year.

The company achieved as I have already said, total order booking of ₹ 11.8 billion in financial year FY 22. And this is the highest ever in its

history, as against ₹ 6.4 billion during FY 21, which is an increase of 84%, which has been driven primarily by with an export order booking, which is of course as you know, with a higher margin.

On the Product side, the order booking during the quarter improved significantly to ₹ 2.2 billion, which was 75% higher when compared to the corresponding period of the previous year. And the product segment turnover was ₹ 1.7 billion during the quarter, an increase of 32% over the previous year. Aftermarket segment registered an order booking of ₹ 639 million during the quarter, growing by 57% when compared with the corresponding period of the previous year. The aftermarket turnover was ₹ 619 million during the quarter, a growth of 35% over the previous year.

Aftermarket has contributed to 26% of the total turnover in Q4 FY 22 and 27% in FY 22, which is largely similar to previous year's levels. Despite the growth in turnover of products, Aftermarket has equally kept pace and we believe that this to be the trend going forward as well.

Enquiry generation during Q4 FY 22 remained strong in both the domestic and international markets on a year-on-year basis. And we believe this will lead to very good visibility of orders in the coming year, which would give visibility for turnover in FY 24.

The total investments of the company as of 31st of March 2022 stands at ₹ 7.59 billion, this is versus ₹ 3.41 billion as of the 31st of March 2021. The net working capital for the company is at a negative i.e. ₹ -1.53 billion due to higher customer advances of ₹ 2.88 billion versus ₹ 1.68 billion in FY 21.

The global market has been steady, if we look at it in the entire market from zero to 100 MW, though the zero to 30 MW has seen greater growth, while the higher than 30 MW segment has seen a decline in the market over the previous financial year.

Triveni Turbine's domestic market shares continues to be robust at near 50% and international market share has also increased during the current year. The customer care business has focused on upgrades and automations as well as AMCs (Annual Maintenance Contracts) to further its business prospects and would continue to do this so as to increase its sales as well as its reach to its customers.

I must point out that while turnover has grown by 21% over the FY 21, our profitability which is at the Profit Before Tax (PBT) levels have grown by approximately 18% over the previous financial year. The decline in margins has been led primarily by an increase in raw material cost by about 4.5% over the previous financial year, which has been driven by an increase in commodity prices, but also increased domestic sales as a percentage of turnover. Domestic sales as a percentage of turnover in FY 22 was at approximately 70% of sales turnover, while in FY 21, that same percentage was about 56%.

We believe going forward with an increased percentage of export as a percentage of our order booking as well as our carry forward order booking, this portrays a good visibility in terms of margins for the coming quarters as well as financial year. But more so is a fact that with a majority of costs already been absorbed into the system and being passed on in new contracts, we believe that we would revert to our long-term averages of higher than 20% PBT margins in the long-term and medium term and short term as well.

With that, I'd be happy to take questions. Over to you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touch-tone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking your question. Anyone who wish to ask a question may please press '*' and '1'. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan:

Yes, sir just wanted to check with you regarding the breakup of order inflow between the zero to 30 MW and 30 to 100 MW and how much potential is there for us? If you can just give some quantitative figures as to how much more can we grow in the 30 MW to 100 MW range, if we can do that, it'll be great sir

Nikhil Sawhney:

Okay. I will get Mr. S.N. Prasad, who is our President for Global Products to comment on this. But in the past quarter, we did not see any finalization of above 30 MW in our visible enquiry book. So, of both the domestic and international markets, Prasad can give a little

bit more insight, but you are very right, Ravi that this market segment is somewhat new for us. We would be entering this and so therefore growth in this market segment would increase at a faster pace than our historical order booking.

But going forward, we feel that we would not like to segment the market between zero to 30 MW and 30 to 100 MW, because it ends up just giving complications and a mixed message to a lot of analysts in terms of where the company stands. But having said that, we do see a very good participation in this growth. As you can tell from our order book, we do have a very strong order book in terms of growth. But Prasad, if you can address Ravi's question, in particular about 30 MW to 100 MW and what traction do you see and where do you see Triveni's order booking growing in this market segment?

S.N. Prasad:

Yes. In 30 MW to 100 MW in FY 22, we have a good traction. In terms of enquiry pipeline also there is a substantial increase in the enquiry pipeline, but in 30 MW to 100 MW the gestation period from enquiry to conversion, it takes a little longer compared to sub 30 MW. But when we get into FY 23, yes, we are chasing some of our enquiries, which we are confident that FY 23 will be better than FY 22.

In FY 22, we picked up one domestic and one international order, which have given us a good acceptance in the market. So, FY 23 based on the current pipeline, it will be much better than FY 22, what we see right now. So, the traction is from all different industry segments. So, starting from process Co-generation, Steel, etc.

Ravi Swaminathan:

Okay. And the 30 to 100 MW or rather, here after I will call it the higher range. So, basically that is more from exports or we seeing the enquiry pipeline is more from exports or domestic, also are we seeing in terms of ordering, in terms of enquiry?

S. N. Prasad:

Yes, both domestic and export, both the tractions we are having.

Nikhil Sawhney:

Ravi, as you can see our domestic enquiry book has increased quite substantially by over 57%. There's broad-based enquiries, which are coming from a variety of sectors, larger turbine orders tend to come from either large-scale process industries or from the steel industry, and both of which are seeing good fixed capital formation.

Ravi Swaminathan: Got it sir. And if it is a margin profile at an EBITDA level for these kinds of orders, higher rating orders. They are better off than the lower rating. Is my assessment right on that?

Nikhil Sawhney: No, in general, the margin profile is driven more by the geography of customers rather than the size of Turbines. So, in typical domestic orders, will tend to carry similar margins and export orders will tend to carry similar margins, regardless of the type of Turbine. As you would understand, these are customized products. So, depending on the level of customization, the level of complexities, margins would go up as well. But in general, geography is a better teller of margins than the range.

Ravi Swaminathan: Got it sir. And my final question is in terms of the ongoing war in Europe, and there are talks of recession in U.S. Are you seeing any signs of that, or is it still we are seeing very good growth in terms of enquiries and pipeline etc.?

Nikhil Sawhney: I let Prasad come in on this as well, but we had to reduce our order book by about ₹40 odd crore in this past quarter, because of certain orders that we took out for certain steel mills, which are currently being invaded in Mariupol, in Ukraine and in other parts, because of just lack of visibility. But in direct, the Ukrainian market is not a very large market for us. So, for direct orders, but in terms of its impact on a broader basis, we've seen high commodity prices, and therefore long gestation projects are on the table.

This stretches from pretty much all geographies. Europe in specific which may be more impacted by this war, the investments into renewable energy is probably getting a renewed focus. And one of the orders that we picked up in this past quarter was from the largest waste-to-energy producer globally. And this is for a 29.5 MW turbine, 20 kilometers from the Eiffel Tower in Paris. So, it's very prestigious order for us, but investments into renewable based application and renewable based projects in Europe continues to be strong. And we play a very strong role in that growth.

But Prasad, would you like to comment a little bit about what is impacting other markets?

S. N. Prasad: Yes sir. As you rightly mentioned in this quarter, we have taken out around ₹ 40 crore of orders what we picked up from Ukraine in Q3, because of the visibility and the current scenario. We don't know

whether these projects will go through or not. Even though we have all the advances in place, we have taken out from our booking.

Sir in Europe as you mentioned, yes Municipal Solid Waste and Process Co-Generation segments are doing quite well. And in U.S., our presence is not that strong. So even whatever anticipated recession in U.S., it may not impact us for FY 23 numbers, because we are not considered those markets into our estimates, either Russia, Ukraine, or U.S. The balance market where we are operating especially in Renewable Energy markets and Process Co-generation market, they are quite strong. We are hopeful there will not be any downfall in that side of the market.

Moderator: Thank you. A reminder to our participants, please press '*' and '1' if you wish to ask a question. The next question is from the line of Ankit Babel from Subhkam Capital Ventures. Please go ahead.

Ankit Babel: Sir, good afternoon and I'm sorry, I joined late. So, pardon me, if I'm asking any repetitive question. My first question is, what kind of order inflow growths you are expecting in current financial year, that is FY 23. So, this year I guess your order inflow was around ₹ 1,184 crore in totality. So, on this base, what kind of growth or what kind of absolute numbers you're targeting this year?

Nikhil Sawhney: We don't specifically talk about this, but as the growth in our enquiry book, which is over 36% over the previous financial year, would give you an indication of what our ambitions are in terms of increase in order booking. Our targets are stiff, the market is tough, there is competition, it is not as if this is a very easy market to compete in. We do have a very strong value proposition we believe. So, our attempts are for good growth in order booking. If you see half of Q1 is already gone by, and we're very optimistic on what that tells us for the coming quarters.

Ankit Babel: Okay, and you did mention about that margins will improve because of better export sales in the coming quarters, and also from the Aftermarket products. But considering the order book, which you have and expected order flows, which you are expecting this year. So from a top-line point of view, I mean what are your views? How much growth can we see there on a base of ₹ 850 crore?

Nikhil Sawhney: Well that's what I try to allude to earlier, which is that on base of ₹ 850 crore, we had opening order book of approximately ₹ 640 odd crore.

And so, there's always a book in bill in Q1 for product and aftermarket for up to Q3, which lends towards the turnover of any financial year.

And so, given the fact that we have an extremely strong opening order book, which has increased by over 52% to ₹ 970 odd crore, while some of these are long duration contracts in the 30 MW to 100 MW segment, which will be spent over to FY 24, including our visibility of good order booking in Q1 FY 23, we believe that there will be substantial growth in this current financial year. Enquiry generation in this financial year gives us confidence about order booking this current year, which leads to confidence for FY 24 as well.

On the margin front, like I said, I think we did a very good job in terms of being able to preserve margins in FY 22 despite the fact that we had large commodity price increases, we had chrome Ingrid prices increasing by over 60%-70%, steel, copper prices increase as well. And so, absorbing those costs, and at the same time, dispatching turbines which are predominantly for the domestic market, I think we did well in terms of being able to preserve our PBT margins for the full financial year at about 20%.

I must tell you that that steam turbine is a customized product, and the margins are different from order to order. And so while quarterly, you will see variations. For the full-year, it is a better indication to have this breakup like I told you. The fact that you will have higher dispatches in the export market compared in FY 23, as compared to FY 22 leads us to believe that with great degree of confidence that margins shouldn't be the biggest pressure.

But having said that in this current financial year, which is FY 22, we expanded our employee base by over 10% as this has been a variety of high value-added segments and roles. We believe we will continue our growth in personnel in the current financial year as well. And so therefore, they will be increase in sort of capability building and capacity building from HR and personnel perspective, which we believe gives us good visibility to not only get more orders, but to execute these orders in the coming years.

Ankit Babel:

Okay. And Sir what is the outlook on the API business, any breakthrough orders you're expecting in this year?

Nikhil Sawhney:

Yes, that's a market segment that we have low market share in. We see a very good potential in that market. I think that in specific, we would only see good growth in this market going forward. Our

registrations are high and we've had good traction in FY 22. And we believe that that will only increase in FY 23. This market is quite consolidated in terms of the number of buyers that you have and the number of clients that we have. Without being too specific because there is a degree of competitive information in a lot of this, a lot of what we're talking about. We believe that this is definitely a segment of growth for the company where we are offering extremely competitively priced, energy efficient turbines for our end user market.

So, this really does play to the broader theme of providing very efficient, energy efficient turbines for us. But Prasad, would you like to comment a little bit more on the API segment?

S.N. Prasad: Yes sir. On API segment as you rightly mentioned, our market share right now is miniscule market share, but because of our approval there across the globe, and our enquiry pipeline is quite strong in API, and the quarters to come, years to come, this is going to be interesting segment for us.

Ankit Babel: Okay, so that's helpful. And lastly, one question in the recent press release there was an announcement that one of your promoter, Triveni Engineering is selling some 22% stake in the company, out of that around 10% to 12% would be bought by the existing promoters in their individual capacity. Just wanted to understand the remaining 10% would be sold in the market or it would be like any other promoters willing to buy out or what will happen to the remaining 10%. How will the sale process happen in that 10% stake sir?

Nikhil Sawhney: Okay. As you know, since I'm an interested party, I'll get Surabhi who heads Investor Relations, to answer that question for you.

Surabhi Chandna: The Board of Triveni Turbine has been informed of the announcements made by Triveni Engineering and these are in the public domain and on the stock exchanges. We have been informed of the promoters wish to acquire the 10% to 12% stake in TTL that you also mentioned about. The process is being run by Triveni Engineering and it is our belief as well that the balance amount is available for minority shareholders and the Board of Triveni Turbine views this positively because it will help expand the liquidity and the free float of the stock.

The transaction has been informed that it will be at the arm's length pricing, which is market driven. So, those are the comments on the promoter stake sale et cetera, announced by TEIL to TTL.

- Ankit Babel:** So, one confusion. So, the floor price was decided at ₹171 for the promoter to buy it from Triveni Engineering, but there has been no pricing decision or pricing any information on the pricing for the remaining 10%. So, would it be market driven and any timeline for that?
- Surabhi Chandna:** That is correct. So, the terms and conditions say is that prevailing price or a floor price and hence it's a market driven pricing.
- Ankit Babel:** Even for the promoters also?
- Surabhi Chandna:** Whichever is higher, so the language that if you see the announcement mentions that it will be minimum of ₹171 or prevailing market price whichever is higher, hence it is market linked.
- Moderator:** Thank you. Anyone who wish to ask a question at this time they may please press '*' and '1'. The next question is from the line of Vimal Sampath, as an Individual Investor. Please go ahead.
- Bimal Sampat:** First question is in the press release, you have mentioned that the company is adding manufacturing capacity. So, how much I mean, is it a big thing or last time you said about ₹ 35 crore. So, is it the same thing?
- Nikhil Sawhney:** Board does not approved any other CapEx, so the CapEx as we have is as stated, that capacity expansion is underway and its currently partially already completed and it would be done significantly in the coming quarter, which has expanded our capacity from about 150-160 odd turbines to over 210-215 turbines.
- Bimal Sampat:** Yes. Okay, so that is about 30-40%, we have increased correct. So still we will be left with lot of cash. Any decision, I mean Board is contemplating or anything in the pipeline because buyback...also.. about the cash on the books?
- Nikhil Sawhney:** The Board has not contemplated anything. The Board in its previous Board Meeting has announced both the final as well as special dividend, which complies with our dividend policy of distributing 30% payout ratio on net profit.
- Bimal Sampat:** Okay. And on that South African acquisition. It is basically for aftermarket only or even in future, it will be a production based?

Nikhil Sawhney:

It will never be a production base to the extent that it could be full-fledged manufacturing, there is a workshop there which will deal with the local market in terms of a variety of different requirements that Steam Turbines may have, which can be done locally. It will be ably supported, but of course by the whole manufacturing base. We believe that there may be some further CapEx in this entity in the coming years, which will be met only through internal accruals of that specific entity itself.

But I let our President Global - Aftermarket, Sachin Parab to tell you a little bit more about this particular acquisition, its visibility, but also on the general aftermarket outlook both for South Africa and globally. So over to you, Sachin.

Sachin Parab:

Yes, good afternoon. To answer your specific query about South Africa. This acquisition is primarily meant for our Aftermarket business. And we do not contemplate any manufacturing activity there for the Product business. This is definitely going to support all the customers of Triveni Turbines in the SADC region. So indirectly, it's definitely going to benefit our product business. Primary objective of this acquisition was to build our refurbishment business, which is our multi-brand service offering.

Our target objective was to better service our customers and give them the confidence that we are closer to the customers to take on more jobs, more complex jobs, and a variety of jobs in the refurbishment business, which is as I said, the multi brand service offering. So, this will definitely help us grow our enquiry pipeline for the aftermarket business in the SADC region in Africa. It will also give us an opportunity to access the other markets in the African continent with our manpower base in South Africa.

So in general, this is a stepping stone for our growth for the refurbishment business in the African continent. And as mentioned by our VCMD, to dwell on the aspect of Aftermarket outlook, we have a very good enquiry pipeline from different parts of the world, including Africa. The Indian market too, we have seen a very good traction in terms of enquiries for the refurbishment business as well as our part sales and service business which is the Triveni Product Support Group. So, we are quite buoyant that FY 23 we'll see better growth than what we achieved in FY 22 for the aftermarket business. Thank you.

Moderator: Thank you. The next question is from the line of Priyesh Babariya from Batlivala & Karani Securities India Pvt. Ltd. Please go ahead.

Priyesh Babariya: Yes. So my first question is regarding capacity utilization. What is capacity utilization as of now as we make around 200 to 220 steam turbines per annum. So, what's the right now capacity utilization as compared to the previous financial year?

Nikhil Sawhney: Okay, and what is the second question?

Priyesh Babariya: The second question is regarding the market share. So domestic market share is around 50%, so what is our international market share as of now?

Nikhil Sawhney: Okay, so I'd take the second question first. And then I would ask Arun Mote, our Executive Director and CEO to talk a little more about the capacity utilization and any constraints that he perceives on that front, including the capital investment and by when it would be operational, et cetera.

From a market share perspective, as we said in the past, we aim to maintain a dominant market share in the domestic market. This is part of strategy so that we're able to have the appropriate cost structure which is necessary for us to leverage it globally. Internationally, our market share is dependent on our visibility. We do not have full visibility in the international market. And so, the market share to the extent of the orders that we do see is quite high, but we do not see a majority of orders.

So therefore, it is very difficult to read anything into what is our market share internationally. We tend to say the growth in our enquiry book is more reflective of our operations internationally, because once you do get an enquiry, that that is half the battle with the customer, that means he's accepting you as a supplier.

So that is the answer to that question. Arun, could you give a little bit more light on any capacity constraints or what is the capacity utilization that we have right now?

Arun Mote: As regards the capacity, as our Vice Chairman has said, we have about 150 to 180 numbers of turbines that we can make in the current capacity. We are adding a one full bay in our new Sompura plant. The execution of this expansion is already under the way and we should be able to complete it by mid-August or end August.

This will give us capacity between about 220 to 250 numbers of turbines varying between all the sizes. Here the handling capacity will be close to about 300 tonnes. So that would mean not only 100 megawatts, but even the bigger ones can be handled, which can be for the refurbishing area. This is the internal infrastructure.

As regard to subcontractors, we are increasing our subcontractors by 25%. We are giving preference to our old employees, who have retired by helping them locate facilities, helping them in expansion, helping them in getting finance. And that's how things are working out. We will be increasing the subcontractor business as percentage substantially in the coming year. We have no extra addition of capital except what our Vice Chairman has said about ₹ 35 crore to ₹ 40 crore for expansion of these.

As regard to manpower, we already recruited 60 persons in Q4 and part of Q1. And we expect the staffing to be complete for our expanded business by August to September.

Moderator: Thank you. The next question is from the line of Ankur Shah from Quasar Capital. Please go ahead.

Ankur Shah: Just wanted to understand the 30 MW - 100 MW market since now it's a standalone opportunity for us? And what are our plans to compete with stronger companies. Obviously, up to the 30 MW segment, we have a good market share and a good hold. But like, how do we plan forward to, because this is expanding our market size and suppose the 30 MW success can be replicated into a 100 MW success. It will be a great thing for the company. Can you draw some lines on the plans, which we have on how we are telling to overcome the challenges which you face?

Nikhil Sawhney: Yes, it is a very good question, because 30 MW to 100 MW segment has historically been a market, which is 1.5x the size of the below 30 MW. So, there is a substantial increase in market size, the addressable market size for Triveni Turbines to operate in a standalone basis. And we're quite excited by that. So, there are two, three different issues around that. One is in terms of technology, from a technology perspective, over the last 10 years, while we had a joint venture, which ran and did execute projects within the 30 MW to 100 MW range. As far as the executed projects from that joint venture were concerned, over 50% of the executed projects were done on Triveni Technology.

So, we do have references on that technology range, which is applicable for the market in which we are addressing. So that is one. We further continue to do technological development in this range, both in the lower say 30 MW to 45 MW to 55 MW segment as well as higher to be able to get energy efficient, cost efficient products to our customers, which is the same methodology we use in the below 30 MW segment.

So, the blade profiles and the structure analysis and the fluid dynamics that we would use would be common to a large extent amongst these product ranges. As you would know, the market segment above 30 MW for us is the same principle market, which is industrial in nature, where it's heavily customized.

And so, our product philosophy and design philosophy of being modular and being able to execute these projects to a high degree of customer confidence stays consistent. The second part, which is a little bit more difficult is the sales aspect and marketing aspect to get customer confidence to be able to quote. And this is a process that happens slower, but our ambition is over the medium term to have equivalent market share, as we do have in the below 30 MW segment to the higher segment as well. And we are making all efforts both in terms of our agent network, our customer engagements as well as having a greater on the ground presence, which will be supplemented by our aftermarket business to give greater customer confidence in the higher MW segments.

The higher MW segments tend to be driven by companies, which are larger in nature and therefore have supply chain departments which process orders as opposed to smaller companies which are more entrepreneurial in nature in terms of placing orders. So, there is a greater degree of customer confidence that has to happen from a branding perspective as well. And we are aware of all the steps that we need to take. The journey will be slow, but we are confident that we would be able to get there.

Ankur Shah:

Just a follow-on. So just I'm trying to understand the use case. Let's say there's a cement company, which was using Triveni's 30 MW or under 30 MW products, but now because the expansion of capacities is also taking at on larger scale, they might enter into a captive power plant, which is let's say 50 MW or 75 MW. So is Triveni being invited for that tender or as of now that is getting difficult for us.

Nikhil Sawhney: It is as if you have an insight into our enquiry book and order negotiation. We are fully participating in all these discussions and ordering processes. Prasad, can you expand it, give a little bit more color on this?

S.N. Prasad: Yes, when we are participating on these markets, where we have supplied the machines in sub-30 MW, customers give the enquiry to us in that 30 MW to 100 MW segment. And some of those success what we got in last year also. One of the orders is a similar success like that. So, we are focusing on building the enquiry pipeline and increasing our visibility. Once that is there, the sales process and what customer differentiation factors, more or less in sub 30 MW and above 30 MW, it is more or less similar grounds in terms of service capabilities, and the sales network.

So, we are confident on that. Since the sales process is more or less same. So once the enquiry pipeline is built up, we'll be able to see the success at a faster pace.

Ankur Shah: Okay, okay. And is the margin profile of this range because, obviously, we are entering as a challenger or a new company, is the margin profile of Triveni brings that under 30 MW we are the only company who is making profits on our product, on the product business. So in the above 30 MW range, how would be the pricing intensity and how are we planning to compete like, will it be within the existing margin range of the company?

Nikhil Sawhney: Yes, I mean, the thing is Triveni Turbines doesn't directly compete on price. We offer our customers a value proposition. Reduction price doesn't take place as you imagine, because these are customized products. So, the price for one customer always would be different from price to another customer.

But having said that, the pricing philosophy is similar amongst all product ranges. There is no discounting that happens based on market entry. It's more from a perspective in geography, in terms of customer expectations and the competitive intensity within certain geographies that determines the margin levels.

Ankur Shah: Okay. Thanks for that. Second question on the capital allocation. Like what I can imagine is that Triveni Turbines largely is a working capital negative business, and it doesn't require that much capital even to expand or to gain, because in general, we are getting advanced receipts from our order bookings. So, now like considering the one-

time payoffs, which we got from the settlement and the cash generation, which has happened because of a good business year. I was pretty surprised that Triveni is going ahead with the heavy cash balance sheet into the next year. So, what would be the considerations which the Board has discussed in the meeting, which allowed them to take them a stance that we want to run a capital heavy balance sheet, in spite of the business favoring non-capital intensive business?

Nikhil Sawhney:

Right. The direct question of the higher cash balance was addressed to the extent that the Company decided, or the Board maintained the dividend policy as a percentage of payout ratio over 30%, which incorporated the gains that we had made an exceptional item in Q2. I think in specific the cash balance question is something that will be looked at dynamically, it is only something that we've seen a large jump, that as of 31 March, 2022 has seen a cash balance of about ₹ 759 crore as opposed to ₹ 384 crore as of 31st of March, 2021. And so this new doubling has only happened on the past year. We have to wait for a little bit to see how this whole thing plays out from a perspective of capital requirement of the business.

You're right that the business does work on negative working capital basis. It does not have a huge capital investment plans. But currently nothing has been as we brought to the Board and not neither the Board contemplated on this direct matter. But we're conscious of it. I have to say that we're conscious of the matter, but it hasn't been addressed specifically.

Moderator:

Thank you. The next question is from the line of Amar Kedia from Ambit Capital. Please go ahead.

Amar Kedia:

Hi Nikhil. And congratulations on an excellent set of numbers for FY 22. My first question is that within the Product and the Aftermarket business order inflows that you have been put in, is it possible to get at least a rough breakdown of the export and domestic for the year or split for the year?

Nikhil Sawhney:

Between the aftermarket and product?

Amar Kedia:

Yes, on anyone, because then we can work it out backwards, so any one business you can get the state between export and domestic?

Nikhil Sawhney:

Yes, Amar in general, I don't think we give that that breakup, but let me talk about it in a different manner. The margin level in both export

and domestic in the Aftermarket segment, which is for spares and service is pretty much the same, there may be a little bit of difference. But that's dependent on order to order. The refurbishment market segment has a slightly lower margin. But the international and domestic markets have similar margin profiles. Export will be slightly higher, but it is not as significant as it is on the product side. Product has a much bigger difference in terms of domestic and international markets in terms of the margin profile. So I don't know if I'm answering your question. But this is a roundabout way of giving you an answer.

Amar Kedia:

Okay, okay. All right. Second is on this Drive Turbine market, you've been there on these approvals? I remember I think a few years ago you had received a large order either from Kuwait or I don't remember the exact one, but I think this was about three years ago. So maybe if you can take a minute or two to just tell us what has been your overall progress on the drive turbine market ever since you started getting those approval?

Nikhil Sawhney:

Okay, great question. On the Drive Turbine market order that we talked about was with Kuwait National Petroleum, several years ago. It is a successful installation and of course that led further to better registrations with customers. As Prasad talked about in this call, it says little while ago, our market share currently is miniscule. And we're making great strides in increasing our presence. Some of that is reflected in our order book directly. And the rest is reflected in our enquiry books.

This is not only in international markets, but also within India itself, which has requirements for energy-efficient Drive Turbine installations for both upstream and downstream oil and gas processes. So, we see a very good market here. We pretty much have four growth avenues for the company right now. One is, of course, the Refurbishment and Aftermarket sales that we've talked about previously. We have the 30 MW to 100 MW market segment, which is growing well with increased focus. The API market segment of Drive Turbines is going to grow because of our very low market share. Again, to give you an idea, the entire market for Drive Turbines in our opinion is approximately the same value size as the below 30 MW segment. So that's pretty much doubling our market size there also by approaching the API segment more aggressively and more comprehensively.

And the last, of course, is the fact of the below 30 MW growth, which is happening through our increased fixed capital formation and increased spend on Renewable Energy, which has happened to the form of decentralized power generation, especially for Renewable Energy. So, those are the growth avenues.

For the year past, we've seen a growth in the order book - opening order book by 52%. And so that gives us good visibility, even though some of those orders will get translated into FY 24. But that combined with our book and bill gives us good visibility in growth in this coming year. And this will be added also by the API market segment, which has somewhat shorter duration dispatches.

Amar Kedia:

My other question is on your working capital for this year, obviously have seen exceptionally low on the back of very strong customer advances. But that's also a function of the order inflows. So how do you see this panning out? Do you expect your working capital to remain at a much low level or do you think that as the order inflow overall normalizes that will come back?

Nikhil Sawhney:

There are two, three areas behind this. One is, of course increased customer flows. The second is our reduced inventory level. So what you saw in FY 21, even when we had negative working capital, that was because of a reversal of inventories. And the fact that we got even more streamlined in our modular manufacturing process and design process so that the multiple implications of that which is both in terms of cost reduction and raw material saving, et cetera, and manufacturing cost saving, but that also led to negative working capital in those years.

We don't see a buildup of inventory, which is going to be disproportionate to our growth in sales. So inventory will grow to the extent, that the sales will grow that to be. Order booking, we believe will continue to grow and have a good growth. So therefore, in the short, medium term, we don't see a reversal in this negative working capital. At worst, if it comes to a situation and we don't have a receivable cycle, which is for receivable at the end of Q4 it is always higher than it is in other quarters, because usually Q4 is a high dispatch quarter.

But having said that, it's all largely under control, we don't seem to have an issue that given the fact that we get good customer advances of anywhere between 15% to 20% to 25%.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital Services. Please go ahead.

Alisha Mahawla: So, first question was for the order book that you have right now, the inflows of the order book. How much of the growth is because of increase in prices? Or what is the volume-led growth?

Nikhil Sawhney: You see every Turbine is customized. So, let me answer this question in another way, if you look at the increase in raw material cost from about 50.5% to about 55%, in this previous financial year, out of that 4.5% approximately 2.5% was driven by increase in raw material costs directly and another 2% was driven by a little more than 2% was driven by the change in product mix, being heavily domestic market focused. So, majority of the growth in order book has come because of volume-led growth.

Alisha Mahawla: Okay, understood. And with respect to your book-to-bill 0.7-0.8 kind of book-to-bill is what we will continue with, because you were saying that some orders that may spill into FY 24?

Nikhil Sawhney: I don't know about 0.7-0.8. But we don't typically give the break up as to how much carry forward is going into FY 24. But majority, I would say over 90% would be executed in this current financial year. They would of course be book and bill for product in Q1 and aftermarket, all the way up to Q3.

Moderator: Thank you. The next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Yes sir. Hi, thanks for the opportunity. Just a few fundamental questions, how the company enter into Aftersales contracts. Do we enter into Aftersales contract, while we sell our turbines. And if not, do we hire agents or a separate sales force for these types of contracts?

Nikhil Sawhney: You see, every order is customized. And so we aim to maximize the engagement with the customer. So if the customer that wants greater confidence during the initial sales process to include spares, which are outside warranty spares, we'll be happy to engage in that. Otherwise the conversation starts. We need to hand-hold the customer for the lifecycle of the product which stretches anywhere from 20 years to 35 years for turbines, maybe even 40 years for some turbines. So the engagement is continuous and the engagement on the Aftermarket services like what I did talk about right now, a majority

of push and Aftermarket services right now is happening on three verticals.

One is upgrades, which is upgrading on the same area, changing rotors to have better rotor dynamics and efficiency. So that there is a better value proposition. And a very quick payback, I mean matter of months payback to customers. Second is a high degree of automation, which enhances our service offering and gets new service streams on to the customer. And the third is a more integrated offering to take greater liability, which is through AMCs. Now, all these offerings depend on customer to customer and where the sales process cycle, it happens. A lot of this is dependent directly on our capabilities. So, it's very difficult for an extensive agent and sales network to do it.

But we do leverage our agent and sales network as well. So there's a combination of everything, but it depends from order to order how it happens.

Aditya: Yes, so can we repair the orders for which we have not supplied the turbines, so are we also receiving orders for those?

Nikhil Sawhney: Yes, that is a whole market segment called Refurbishment, which we call as third-party services.

Aditya: And for company in the process of commercializing for super-critical SCO2 turbine, so this is just completely new market or is it an improvement of the existing turbines that we see in market?

Nikhil Sawhney: It's fundamentally a different product, it is fundamentally a different market segment. There is a degree of cannibalization if you do look at it from a condensing model perspective for steam turbines. But this is something that that we believe, prototyping is over, piloting is currently underway for certain applications. And this is a medium-term project for the company where we will be able to show really world meeting technology and a very strong value proposition as well, so we are very excited about it, but it's not something that's going to give any revenue in the next couple of years.

Moderator: Thank you. The next question is from the line of Amit Mahawar from Edelweiss. Please go ahead.

Amit Mahawar:

Yes, I just have one question on the Aftersales now. Our business is now almost ₹ 220 crore to ₹ 230 crore aftermarket and almost 27-28% of revenues. Generally, in last four, five years the way we ramped up our sales force like in India and out of India, how have our market share would have grown broadly on a global scale, and four, five years down the line, what is our general target on positioning of Aftermarket as a percentage of sales or the global market share?

Nikhil Sawhney:

Thanks Amit, it's very difficult to have market share data on aftermarket, because majority of sales go directly to OEMs and are not reported. So, we look at absolute growth of this business with the assumption that that very frankly, as far as the global market for because what is our market, we talk about rotating equipment as our market, is not only limited to steam turbines. We have a negligible market share, so therefore, there's only room to grow. And so for us, the benchmark is absolute growth here, rather than any market share growth that I think is not meaningful for us.

But what is meaningful for us is the market share that we do have for our own steam turbines, Triveni branded steam turbines, that we are servicing. We aim to have that in excess of 95%, where we are servicing our own turbines that market share is very important to us to ensure that we have a long-term committed relationship with our customers. It doesn't happen always, but it's very important for us to maintain a very, very high level there.

The growth in this business will be proportionate to an extent on the installed base that we have. And so, the increased offering that we can give our customers, a larger installed base than the larger the offering that we can have on the Aftermarket side and that will continue to grow very well. We cannot really price gouge just market because we want to have a long-term relationship with our customers. It's very important. Margins are high regardless, there's no reason for us to be excessively greedy, we have to ensure that the customers are happy with paying what they want to pay.

So that's for the Steam Turbine side, as we expand this onto other ranges where Triveni Turbines are not directly the market segment that we're talking about, which is in the refurbishment side. Here, it would be a question of what is the value addition that we play at. We could have very low value addition services that we offer such as overhauling, or all the way up to life extension upgrades, which requires much more technology and much and possibly much more liability also, which also then affords much higher margins.

We don't view this business from a market share perspective, we look at it from absolute growth, and we aim that that this market, that we have to grow this market considerably in the years to come. I think we have very good successes in the coming quarters. And I'll give you an indication as to how this business will grow. But we seem to be hitting a threshold in this business where this will independently grow from the product business itself.

Amit Mahawar:

Fair, fair. Thank you. But maybe one bookkeeping, so vis-à-vis in the current revenue, what is the share of revenue for Triveni's refurbished Turbines as a percentage of sales in aftermarket vis-à-vis say four, five years ago?

Nikhil Sawhney:

Yes, Amit, we don't give the breakup of aftermarket between refurbishment and sales. But in general, if the entire business is growing by upwards of 25%. The sales of our own turbine services have been on a lag. So the fact that we've had 20% plus product sales growth in the current, at the current year doesn't mean that the Triveni Turbines based aftermarket has grown by 20%. Our growth would be served like with a three-year lag, to that extent, that is an extent that Triveni base services have grown of which is the lag. But the refurbishment has grown far quicker, and we believe that that will continue to grow far quicker going forward.

Moderator:

Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to the management for the closing comments. Thank you and over to you.

Nikhil Sawhney:

Thank you very much. Ladies and gentlemen, we are very happy to end Q4 on a very positive note. We are extremely optimistic for the years to come. I think our indications of order booking and revenue in the coming quarters will give you an indication of the growth that we see not only for FY 23, but for FY 24. Triveni Turbine I think is placed at a cusp right now for growth, both from a technological as well as HR perspective. There will be some challenges that we will face along the way, but we think that as the management we are very well placed for the future. Thank you.

Moderator:

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

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