



**Triveni Turbine Limited**  
**Q2 and H1 FY 20 Conference Call Transcript**  
**November 07, 2019**

---

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 and H1 FY 20 Earnings Conference Call of Triveni Turbine Limited. As a reminder, all participants' 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishab Barar of 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 Q2 and H1 FY 20 Earnings Conference Call for Triveni Turbine Limited.

We have with us today on the call Mr. Dhruv Sawhney -- Chairman and Managing Director; Mr. Nikhil Sawhney -- Vice Chairman and Managing Director; 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 invite Mr. Dhruv Sawhney to share some perspectives with you with regard to the operations and outlook for the business. Over to you, sir!

**Dhruv Sawhney:** Thank you very much indeed, Rishab. Good morning, everyone and welcome to the Q2 & H1 FY 20 Earnings Call. It is a very good morning here, even though there is a smog, but pollution is a little less. But our results, I think, make up for that.

We have an exceptionally good quarter and an exceptionally good half-year. We have achieved the highest ever turnover and PAT for the quarter and the half-year in the history of Triveni Turbines. And this is quite creditable considering the overall environment domestically and internationally.



Our income from operations have a growth of 19% at ₹ 4.6 billion and PAT has an exceptional growth of 65%. These are on account of improved margins, improved turnover and of course, a reduced tax provisioning from the recent changes in the corporate tax.

The improvement in margins is in-line with what one has mentioned during the previous earnings call and is back to the levels that we feel we can sustain over the long-term and that are the expectations, I hope so, too. And these are, as you know, quite exceptional in the capital goods industry and especially in the rotating machinery industry, not just in India, but internationally, for both products and overall company.

I would like to just take you through some of the points that we have right now and also then discuss the future outlook, which is very bright and good considering that the environment is still quite tense in the international sphere and in the domestic sphere in the power generation area.

Our outstanding order book at ₹ 6.87 billion is very good. We have declared a 50% interim dividend and we see very good traction to sustain this optimistic forecast, not just for the balance part of the current FY 20, but into FY 21, both for order booking and where execution is concerned.

Just to look at the domestic market first. Our main areas of orders in the future are in the distillery segment, as you know, there is a very big push in India for ethanol and this is really taking off. The Government has announced extremely good pricing, and they have an encouragement on funding, subsidized funding for the industry. They have also encouraged the oil companies to come out with tenders and a very large tender has already come out and this will be supplied.

So this augurs very well and besides this, we are seeing very good traction in the pulp and paper both in the half-year that has gone by and in the inquiries that we have in hand. The sector that has also been good sustaining in the process sector, which is mainly in the chemical, pharma and a little bit in fertilizer. Inquiry based on this also during the first-half year and Q2 has been very good. Inquiries are okay in the textile sector. But I think, they are taking time for converting and this is mainly due to the export push, which the Government is now focusing on. So we think that this will also be a little bit of a growth sector in the next six months and definitely in FY 21.

Internationally, our concentration has been good and this is because we are diversified geographically, very large diversification orders in 70 countries. And the main sectors for us internationally are waste-to-energy, biomass, waste heat recovery and surprisingly, pulp and paper as well.

Now, we have orders from these and have very good inquiries from these. But these are sectors where we believe, we can sustain our growth. And there is, it is over a wide area. We have seen for ourselves revival for inquiries from Central and South America has just been very nice, waste was not too large there. And so that is very encouraging because we are seeing very good traction and order intake. We have good traction in Southeast Asia and believe that this will sustain. We feel that some parts of Africa are good and this will also augur well for H2 and FY 21.

Europe is having a slowdown. But there is scope in the waste-to-energy market and also in limited biomass. And we hope to have better traction there. Turkey has been exceptional for us, even though it has had problems domestically. But power



order, inquiries have been diverted into orders and we expect that to continue because we have a very good market share there.

I think, the exceptional point here is that Triveni Turbines probably is unique in Indian capital goods and manufacturing companies to have a strong global market share. We continue to be Number #02 and third competitor is quite far behind. These are from international organization databases and this has to do with our spectrum of products.

We have been able to attack the segments that are in the market today. So we have the product for waste-to-energy, for biomass and for waste heat recovery, which is still very good growth areas, while economies may be going down, but these are certainly places where more and more orders are coming in over a diversified range. And secondly, our R&D now had plateaued in terms of its testing capabilities.

As I mentioned in the last call, we have had our new generation high-efficiency blades and other stages of the turbine tested in the best laboratories in Italy and our test bed is now fully operational and has been testing our new range in both lines from 10 megawatts all the way up to 45 megawatt.

So our R&D facilities have come to bear. The next two areas where I see we have succeeded well is in our cost control. Inventory management is extremely good now, and we feel we will be able to have better cost controls going forward.

Value engineering is the key, which differentiates us from others and helps us to preserve our margins. That is also continuing, and we are having good traction in finding diversified supplier bases and improving productivity in the two plants that we have.

The two areas I would like to touch upon for the future, which has come for us is, one is oil and gas. We have a very low share; these are drive turbines mainly and some power generation. And we have been fortunate in having a breakthrough with the Kuwait National Petroleum Company with Fluor Daniel as a consultant. Now, these turbines have been delivered. The commissioning of them was delayed for a while, but in the next six months, we hope to get them commissioned. But this is an area where there is a huge potential. They are probably at the 1% level there or even less and so limited competition. But the problem is getting registration. So we have now managed, we have got registration from Abu Dhabi. We are getting registered with SABIC in Saudi Arabia. We are moving very fast domestically with EIL. So this is a long process, but the growth for the next few years in this line is very-very high.

The other line that we find extremely good is in the waste-to-energy line. So we have been able to tackle the various parts of waste-to-energy in both cold countries and hot countries and the equatorial regions. So our products are now sticking in very much better with the customer requirements and with the same efficiency and margin levels that we expect.

I would like to mention, looking at the range of what is happening to power generation three years - four years - five years down the road. This globally is going to move and look at supercritical CO2 turbines, where the costs are maybe a quarter to one-third of what they are today of steam turbines.



And now we have solidified our work with the Indian Institute of Science. So our research projects there, which are two years - three years - four years to come to fruition for commercial operations in a big way are proceeding at a world-class level.

So we are really looking at the two players or three players globally that maybe doing this, and we have solidified our relationships formally with the Indian Institute of Science. And I think, that is also another area which we are contemplating on.

We are looking very much so at the defence sector in turbines, and we are having a unique dialogue with especially the Navy and we are the primary focus for them, both for current line and for the future.

So we would really say that we feel that we will be able to have our projected growth in the top-line and preserve our margins. We hope to end the year at similar margins, which we have experienced in H1, we feel will carry through to the full year.

Order bookings, we expect at the end of financial year FY 20 to be good to allow us the same growth for FY 21. So all-in-all, being a second largest player internationally, having a diversified portfolio and in segments which are there today regardless of the growth of the economies did well for Triveni Turbines. Thank you.

**Moderator:** Thank you. We will now begin the Question-and-Answer Session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

**Ravi Swaminathan:** Just wanted to know, in terms of the international markets, why there was a sharp fall in order booking? I mean was it just related to postponement of orders or was there kind of shrinkage in the market also, overall market also?

**Dhruv Sawhney:** That is a good question. This, as I said earlier, is a lumpy market. Yes, there has been postponement of two or three projects in diversified territories. Basically, I wanted to cover this point that quarter wise booking is lumpy. But our targets for order booking globally, the international, for FY 20 are still the same. We are fairly confident on that and that is the good part. Because we are in different areas, the orders that have got postponed is not really in terms of them dumping the project. It is in terms of them actually closing and giving the advance, and that is when we take it into recognition. We have a very strict policy of order booking recognition. So I think, we are expecting a much better order booking in H2.

**Ravi Swaminathan:** Got it, sir. I mean would we end with similar orders like what we had done last year in terms of exports.

**Dhruv Sawhney:** Yes, we are looking at the overall booking for the year being similar to last year, absolutely. That is what our target was. And I might say here, another thing, sorry to interject. The inquiry base is pretty good. The inquiry base actually has gone up. So this to me is very encouraging for order booking in FY 21 because even with order postponement because of the spread of these orders and in the segments that I mentioned as well as the geographical spread of inquiries. That is pretty good.

**Ravi Swaminathan:** Got it. How much is the inquiry pipeline, sir, international and domestic? And how much was it relatively last year?



- Dhruv Sawhney:** About the same. But when you look at the inquiry pipeline I give you figures of 5 gigawatts; it does not mean because then you have to start looking at which are budgetary inquiries and which are serious inquiries. So we actually categorize them like that. But all I can say is that we have not seen any dip in inquiry generation because of the sectors we are in, which is encouraging. Now to expect finalization exactly as per our plan is difficult. But overall, for, let us say, half-year or full year, there is pretty good growth in the total numbers. And I might mention here that we are quite happy with the domestic sector both order booking potential and inquiry pipeline. This might be surprising because people are asking us how is it when generally because it is a sector that we are in. We are not getting too much in the steel and cement sector but the distillery, pulp and paper, the pharma and food processing chemicals are still bringing out all the inquiries and creating orders. So this is going to continue.
- Ravi Swaminathan:** Got it. And in terms of the oil and gas space, so how large is the opportunity there, will it move big, is it a needle mover for us? And what is the difference I mean from a layman's point of view, what is drive turbine? And how is it different from our conventional turbines?
- Dhruv Sawhney:** You see in the oil and gas sector, which includes refineries and fertilizers and all, these turbines drive pumps, blowers, compressors, they drive them. So all refineries have to have substitutes, they have motor and a turbine. So it is a huge field you know the sophistication in how they place orders. But let me tell you, the real kicker is the very large spares and services. This sector has much higher than the normal service and spares, maybe double of the other sectors. So when you look at it in the future, let us say, three years from now it is pretty good.
- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead. Kirti Jain from Sundaram Mutual Fund, your line has been unmuted. Yes, please go ahead with your question.
- Kirti Jain:** Sir, in the coming half also, do you expect the domestic ordering momentum to sustain, sir?
- Dhruv Sawhney:** Yes, I can say that with the stage where the inquiries are and yes, I expect that to sustain. And also going into H1 21, that is as far as you can normally say. I mean going more than that is not correct. I am not wanting it to make any projection of going up or down but sustain.
- Kirti Jain:** Okay. So what would be the catalyst, sir?
- Dhruv Sawhney:** The sectors, I said distillery, the catalyst is the ethanol program. It is a very good investment opportunity and people are going into it. Same thing we are finding in small paper, there is still sectors of pharma, chemical process industry. These are not waste, the market for waste heat recovery, which is where you recover some excess steam that you have been letting out and now revive it is more so when there is a stressed economic situation because these are quick returns and people are looking for doing that. So that is there. There is a movement towards municipal solid waste also a bit. I think that will take a little time, but that is a good growth area as you know, there is a big move on the pollution front, we have not taken that into our consideration, when I say that domestic will sustain.
- Kirti Jain:** Sir, our aftermarket business was a little muted for the half as a whole like we have 1% growth in the aftermarket.



- Dhruv Sawhney:** Yes, it is lumpy. It is again very lumpy it is a good point, I did not cover that. The refurbishing sector, this got a little delayed. But we have got extremely good inquiry, especially from the international market. Now refurbishment is pretty similar to an order, in fact, except that your margins are good. And so while a number of places do not want to order new equipment, they are looking at the refurbishment, but this is so new in terms of what they did earlier. I guess the decision making is taking a little longer. So in the international market, the lumpiness is as much, if not more, in the refurbishment sector, service sector, aftermarket sector. But we are expecting our target of bookings in the aftermarket to be better than last year.
- Moderator:** Thank you. The next question is from the line of Harish Mehta from BNP Paribas. Please go ahead.
- Harish Mehta:** Sir, currently, what is your market share in India? Also, if you can give a breakup of product wise and top 10 countries in terms of revenue contribution?
- Dhruv Sawhney:** You are asking me for very confidential information, market-oriented information that is not really public. So the market share, especially product wise, we do not disclose. But I can say that we have over 50% market share in the domestic market.
- Harish Mehta:** Domestic market, okay. In terms of segments, sir, can you share that, globally?
- Dhruv Sawhney:** I gave you the segments where we are getting orders from; distillery, pulp and paper I am selling to various segments we are getting orders from, I do not want to go into what part is in each segment.
- Moderator:** Thank you. The next question is from the line of Srimant Jain from Unifi Capital. Please go ahead.
- Srimant Jain:** I have two questions. The first question is, on low inventory level and the growth forecast that you have for H2. Sir, in the opening remarks you mentioned that H2 is also likely to see good revenue growth. But if I see our inventory level, they are quite low. I mean, these two seem to be contrasting, can you help me to connect?
- Dhruv Sawhney:** No, I think the inventory level, which has got lower was some old inventory, which we have used. So I do not think that these two things are connected in turbines. The inventory level that we had were not conclusive on future growth, meaning orders work-in-progress, if that is what you are getting to. Also, you must know that 50% of our turnover comes from bought out items, in the turbine island. So that is not in the inventory in our books, it is in the inventory of our suppliers, alternators, condensers, electrical distribution boards, that is with all turbine manufacturers. And now, increasingly to increase our turnover and our top-line both domestically and internationally, we are enhancing our scope of supply. We are taking on a bit more because the customers are wanting us to do it. We are able to preserve the margins in that. And so by taking on enhanced scope of supply in the turbine area, such as piping and other things, we are able to further the top-line growth.
- Srimant Jain:** Sure. Sir, second question, in terms of our order book to an early participant, you indicated that for the full year FY 20, our export order book could be similar as to what we did in FY 19. So this implies that our H2 order book has to be 2.1x the H1 order book and exports. So is my understanding correct?



- Dhruv Sawhney:** Yes, it is substantially going to be higher. You are quite right and so that is a question of the orders getting postponed. They have already seen good traction in the month of October.
- Srimant Jain:** And secondly, on the order book front on the domestic side. Here, again, you have mentioned that the H1 momentum shall continue. Now if I were to again, run the numbers, it implies that in the H2 of FY 20, our order booking in domestic would be twice what it was in H2 of FY 19. So am I understanding it, I guess?
- Dhruv Sawhney:** No, I am talking about the momentum versus last year. So you look at what we did last year order booking and what we are going to project for this year and similarly, what happened in the domestic market for H1. And again, here we may have an exceptional quarter because people decide earlier, it may get slightly postponed to the next quarter. But we are not seeing any change in the orders that are getting close to finalization or the orders that are active for finalization in H2. So that is how I am able to make the prediction.
- Srimant Jain:** So just for my understanding, in H1, the domestic order book was ₹ 290 crore. Did this have any orders which were preponed and would have affected in H2, otherwise? Or is it the normal order book as a course of business, this ₹ 290 crore
- Dhruv Sawhney:** Yes, this as a normal order book. Some of them were coming over from last year, and some of the ones of this year may go over to Q1 of FY 21. But by and large, you just take a figure and double it like that. But I am giving a trend and a basis for that. So I do not see any big dip in the order booking in the domestic market in H2.
- Srimant Jain:** Okay. It will be greater than H2 last year?
- Dhruv Sawhney:** And it will be roughly similar to what we are having in H1.
- Srimant Jain:** So then it impacts doubling of the last year. Last year, we just had ₹ 148 crore of orders in H2.
- Dhruv Sawhney:** Well, I am not getting into the orders as I said, if you are trying to get me to give you an exact number of order bookings for H2, that is not really possible to project because these are not things that you are 100% confident when the customer is ready to place the order. But I can say that overall order booking for the year will be higher than what it was last year. So that is where I want to leave it.
- Moderator:** Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** Sir, it was quite heartening to see a large order win of ₹ 76 crore in GE JV. So if you can share some more insights as to, is it a single order and from which sector?
- Dhruv Sawhney:** Yes, that is a good question. It is a single order and it is a large turbine and it is in the combined cycle and it is in West Africa. And it is high end, I would just want to say that, you know what, the operations of GETL are normal. Marketing is as it was before, both domestically and internationally. And the inquiries are pretty good. But in the higher megawatt ranges, the time of finalization is even more uncertain because of the economic situation, generally.
- Manish Goel:** Right, okay. So this you said is from West Africa for combined cycle power plant?



**Dhruv Sawhney:** Correct.

**Manish Goel:** Okay. So has this share of order being flown through to the standalone in Q2 as well?

**Dhruv Sawhney:** Yes.

**Manish Goel:** Okay. So if you can give some more outlook on in terms of how is the pipeline for this large turbines for the JV?

**Dhruv Sawhney:** No, I think the inquiry type pipeline is quite good. Now, the problem is that this particular order has been going on for almost a year, where we were thinking the matter would be finalized. It is a long period, you know I did not even talk about it because it is at least two quarters- three quarters, we were feeling that it could have been done in any quarter. Now we have similar ones at, let us say, early stages or medium stages. But again, even in these line there is activity in waste-to-energy in some process industries limited less now in sugar part. But more so in waste-to-energy, waste heat recovery and biomass. Similar to what is happening in the 5-30 megawatt.

**Manish Goel:** So what would be our closing order book as on quarter two in GE JV?

**Dhruv Sawhney:** That is around ₹ 105 crore.

**Manish Goel:** Sure, okay. And this order, which we would have got from the JV would be classified under domestic or international in standalone order book, sir?

**Dhruv Sawhney:** Domestic.

**Manish Goel:** Okay. So probably this is what is one of the reasons why our domestic inflow has been quite good in Q2?

**Dhruv Sawhney:** Yes, though it is actually for international.

**Manish Goel:** Sure, okay. And sir, just looking at first-half numbers, probably the skewness is quite large for domestic inflow and international inflow, like domestic inflow is up 32%, while international inflow is down 43%. And overall, we are down 7%. So sir, like for half two, our order inflow has to be quite good for us to have a growth visibility for FY 21? And are you confident towards that?

**Dhruv Sawhney:** Yes, that is a good point and that is what I want to give you. We have done a very detailed analysis and we have fairly good commitments that we will be able to meet our targets of total order bookings. Now you did point out one of the cases where domestic comes to international, I mean, international comes into domestic. In EPCs also, sometimes that may happen, while the project is overseas, the order is from an EPC to us. But again, you have a good traction in total order booking. So I would say that we are confident of making our numbers of order booking for the year FY 20. So therefore, I am able to say that FY 21, it looks like with the same growth path that we are thinking of now. And you know if we are thinking of early double-digit in FY 20 top-line and we are saying the same that way the order booking is going.

**Manish Goel:** Okay. So ideally, we should hope for our FY 21 revenues strongly crossing ₹ 1,000 crore, sir?





**Dhruv Sawhney:** That is the preliminary budgeting now.

**Moderator:** Thank you. The next question is from the line of Harshit Patel from Equirus. Please go ahead.

**Harshit Patel:** I had just a couple of bookkeeping questions. So out of our ₹ 130 crore aftermarket order intake, sir, could you give us a split between domestic and exports?

**Dhruv Sawhney:** Just a minute. I am getting it from my colleague here. Any other questions?

**Harshit Patel:** Sir, similarly on the outstanding order book front as well, so if you could give us a breakup between domestic and exports for aftermarket then it would be really good.

**Dhruv Sawhney:** Narayanan, do you want to take that?

**C. N. Narayanan:** Harshit, it is around 75:25 is ratio in terms of order inflow.

**Harshit Patel:** Okay. And in terms of outstanding order book?

**C. N. Narayanan:** Outstanding order book, it is almost 40:60.

**Harshit Patel:** 40:60, you said?

**C. N. Narayanan:** Yes.

**Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

**Kirti Jain:** Sir, you had highlighted you have an order booking target, so any color on that, sir, what is your order booking target, sir?

**Dhruv Sawhney:** No, I cannot give you that. I am just saying that we are projecting our growth figures. So you look at the order booking target in similar numbers. These as someone pointed out, our order booking this year is really the turnover in FY 21. So this year's orders are mainly from what we had got last year. So keep that in mind and when I am giving some broad feeling of where our growth is going, that is more for what you could keep in mind rather than a definitive number because these things are capital goods. And capital goods can be decided in one quarter or second quarter and the situation is so diversified today that, even earlier, you cannot really have a fixed number.

**Kirti Jain:** Sir, in terms of capital allocation, any plans that we have?

**Dhruv Sawhney:** Good question. Well, that one very good thing is that here, we have a very good cash situation, which is because of our PAT. Our current cash is probably ₹ 150 crore, it was about at the end of the quarter ₹ 125 crore, but ₹ 150 crore now. And with reducing inventories that is there. We do not have any capital allocation as such in terms of need for this. We are just using it for keeping our liquidity, but we are going in the direction of taking on a larger section of orders around the turbine, which we do not really need capital for. It is the working capital we are managing extremely well. We do not have any borrowings and we have cash. And even for

the increased turnover, we do not contemplate any borrowings. And so some slight usage of the cash that we have on hand is not very consequential.

- Kirti Jain:** Okay. Sir, how much like the content increase will happen, sir, because of the captive manufacturing or which you have highlighting in terms of the higher content you highlighted, sir?
- Dhruv Sawhney:** Just that is where we are trying to keep our growth figures similar to what I had already said. The low double-digit cost, that is what we are trying to achieve in the long-term.
- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead,
- Dhaval Shah:** Sir, just one small understanding. Orders, these actions which you take in the domestic market the segments which you mentioned, all of them are for waste-heat recovery, is it for that purpose only?
- Dhruv Sawhney:** No, they are not for waste-heat recovery only, there is quite a lot. The distillery segment our new distilleries coming up. In the pharma sector, there are some types of process co-generation I would not just put it into one sector. That is why we are quite happy.
- Dhaval Shah:** Got it. So as you mentioned that when the sentiment is a little weak, people try to save cost. But the demand which you are seeing is not from the cost savings and it is more from the actual expansion side.
- Dhruv Sawhney:** And where they are able to actually, see the waste heat recovery is a cost saving device. It may need a capital, but the cost of the turbine island is not that substantial in our range.
- Dhaval Shah:** Okay. And sir, what is the progress in India with regards to burning of the municipal waste and creating power out of it?
- Dhruv Sawhney:** Good question. It is slow but it is a great market for us. Now the million-dollar question is how long will it take? The problem here is the collection and the separation of waste. People are moving in Delhi. They are asking people to, in our colonies also they are putting out facility. So you need the separation of waste, it is going to happen. It has had to happen, and it is going to happen and we are very ideally situated to supply a key component in it. But these projects have to actually be floated and given out. And for that, you need the collection and separation of waste. The technology and the product were actually incineration; this is fairly simple.
- Dhaval Shah:** Okay. So first the entire chain of collection, separation has to be established?
- Dhruv Sawhney:** Yes. And then when you get it, it is automatic. So I think people who are looking at the projects are waiting for this to happen.
- Dhaval Shah:** Okay. But from the Government side, how is the progress being done to set up this entire chain of collection, is it a priority? Are you seeing some swift moves on that side?



- Dhruv Sawhney:** Yes. So many municipalities are moving well. Even in Delhi, where we live, now the colonies are encouraging people to do this. Because you see, you know the pollution and the question of garbage lying around. And India is very firm that it does not want this. So there is only one way of actually disposing of it, it is incineration, which is where we come in. That is the good factor for us as a product supplier.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.
- Anand Bhavnani:** Two questions. One is, our other expenses, there are ₹ 37 crore this quarter versus ₹ 25 crore in Q1. So is there some one-offs this time around or can you help to reconcile the difference?
- Dhruv Sawhney:** The other expenses. Yes, we had mentioned to you that we were doing some re-engineering and costs last couple of times, which is in at Q4 of FY 19. So those have been taken into account. We have fully written them off and H1 is at the same level.
- Anand Bhavnani:** Yes. So that is another question, right. Last year also in Q2, you had high other expenses. So is it like whatever these additional expenses are, they will always be in Q2. Is there some cycle to it? So, last year it was around ₹ 33 crore and this year it is ₹ 37 crore, whereas this year in Q1 it was ₹ 35 crore. So what is the way we book these expenses, is there some cyclical pattern?
- Dhruv Sawhney:** I do not think there is any cycle for any quarter. These are just how it happens, the expenses. I do not think there is a cyclical pattern to this fixed cyclical pattern at all.
- Anand Bhavnani:** So let us say other expenses, if I were to remove one-off from the Q2 number from the ₹ 37 crore?
- Dhruv Sawhney:** You can take the numbers as they were there; it is difficult to forecast. They are not very substantial, the differences in the quarter.
- Anand Bhavnani:** Then these other expenses would vary depending upon mix of aftermarket versus product as the business?
- Nikhil Sawhney:** The expenses are heavily influenced by two factors. One is dispatches and therefore, transportation and packaging depending on export and domestic. And the other is order intake and therefore, the marketing commissions that are given to our agent network depending on order intake. So therefore, it is very difficult to correlate on a quarter-to-quarter basis or half-yearly because it depends both on the product dispatches as well as order intake.
- Moderator:** Thank you. The next question is from the line of Abhishek Pamecha from Vibrant Securities. Please go ahead.
- Abhishek Pamecha:** I have got two questions. First is sir, how is the growth in the aftermarket space driven, that once we see the installations, how does it go?
- Dhruv Sawhney:** No. There is a cycle of spares that some come with the order and some come up in regularity of the running of the installation. After a certain amount of time, there are many components that need replacement. And so that is where we are seeing our spares. That is on Triveni Turbines. But we are now very strongly moving into the



field of refurbishing other people's turbine, especially internationally. That is a big growth area for us. All the turbines of other manufacturers who are maybe not even in business or not concentrating on it that much, people are willing to want to upgrade those turbines and not necessarily by a downturn because of the economic constraint. So that is a good market that is also in something aftermarket.

**Abhishek Pamecha:** Okay. Sir, if we can basically segregate in terms, so the refurbishment part would be a lumpy one, but there will be a trend in terms of the aftermarket space, which is for the already installed base of ours

**Dhruv Sawhney:** Yes, I do not want to get into the detail of that. These are market-oriented decisions and so we look at the growth in aftermarket as a total and give that because when you do the refurbishment, some time ago, you get spares even for that. But the time lag of when they do it and when you can forecast it, we are moving in that direction. And electronically, now, we are fairly close to having a remote monitoring device, which we are working closely with the information providers to do, where we will be able to offer this in the next six months to nine to a customer where he will automatically be able to predict when a spare part should be ordered. This is very similar to what is there in the airline industry or with gas engines and stuff. So we are trying to get up to speed with that, which is quite revolutionary in our line. That is just to increase the quantum of spares and the predictability of our own order bookings and the servicing of these customers and also, to help in the differentiation of our marketing. So that is the line that I thought I might bring up, which was just for aftermarket growth.

**Moderator:** Thank you. The next question is from the line of Payal Lad from Progressive Share Brokers. Please go ahead,

**Payal Lad:** Yes, I wanted to understand things that can you just brief about the petition which is due for hearing like would it have any impact on the kind of business in terms of technology or marketing?

**Nikhil Sawhney:** The matter is sub-judice right now, I think factors have been taken as it comes.

**Dhruv Sawhney:** I see, okay. If you were talking about the GE Triveni, I would say that as the Vice Chairman has mentioned, that matter is sub-judice right now. But our businesses are carrying on quite normally in the joint venture. As we have seen with the recent order bookings. So operations and marketing and execution are quite normal.

**Moderator:** Thank you. The next question is from the line of Adil Khan from ICICI Bank. Please go ahead.

**Adil Khan:** Sir, just one question from my side. So earlier in the PPT you said one of the focus areas being sugar sector, the distillery segment due to the ethanol push. So what kind of demand are we looking at? And also, the future outlook of that, sir? Just can you give us a ballpark number

**Dhruv Sawhney:** No, ballpark number is difficult. But you have heard the announcement of the Prime Minister and the Minister in this line. We, as a country are close to 5% - 6% blending and the target is to go up to 20%. So it is a huge, how long it will take but the government is pushing it in a lot for obvious reasons. One is that it kept our balance of trade and oil imports can go down, foreign exchange. And secondly, it is very environmentally friendly. Thirdly, it allows the sugar industry to diversify and be able to adequately compensate the farmers. So if they are able to diversify their



income up from sugar into ethanol. So the encouragement is very much there. The figures that you want are given by the government. But how long it will take to get there, which is quadrupling what we are today, is not a very easy thing to put down, in fact. But certainly, we see good growth going forward every year, for at least five years, if not more.

**Moderator:** Thank you. The next question is from the line of Chirag Muchhala from Nirmal Bang Equities. Please go ahead.

**Chirag Muchhala:** Sir, two questions from my side. So first is, what is the domestic market size now for the 0 megawatt to 30 megawatt steam turbine segment? And second connected question is that, that now that we are seeing some kind of better orderings from the domestic market, are we also seeing better pricing and margins? And the cut throat competitive intensity that we had seen over the past few years, is it declining?

**Dhruv Sawhney:** I would say that the market size is not the same. It is a little better than what it was a year ago. If we look at the in 2014 - 2015 and 2012 and 2013 - 2014, our margin pressures are a little better. I would not say they are anywhere near where we want them to be in the international market. But to answer that question, they are better than we had experienced in the last few years.

**Chirag Muchhala:** Okay. Sir, market size, can you quantify?

**Nikhil Sawhney:** For the half-year, the market has grown by about 30% year-on-year to about 530 megawatts.

**Dhruv Sawhney:** A little more maybe, yes.

**Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

**Anand Bhavnani:** Sir, I just wanted to congratulate you first in the press release, you have mentioned that you are the second largest by a magazine who has done a survey. So congratulations. And again, if you can share more information from that survey, how has our market share grown, which is the largest in the world ahead of us and what is the difference? Some data points and then I will come back to you with my second question.

**Dhruv Sawhney:** Well, I cannot go into specifics. I would say that we are quite close to Number #01, one and two have very little difference. The gap between two and three is quite large.

**Anand Bhavnani:** Okay. And sir, with regards to our gross margins, steel prices have weakened quite a bit. And do you see any scope for our margins to be better led by lower raw material prices?

**Dhruv Sawhney:** No, our raw material is not much in steel. We are in castings and forgings. It is not a fabricated item. And some of the raw material is in very high-quality blades, special steels and some of these items are even imported because supply chain base now is grown even for the raw material.

**Anand Bhavnani:** Okay. And lastly, sir, with GETL, our run rate has been fabulous for the first-half. How is the outlook like for H2 and for FY 21?



**Dhruv Sawhney:** It is difficult to talk about when these order finalizations will happen. But as I have been saying, we are having adequate traction in terms of inquiry generation and orders that we are pushing in a variety of geographies internationally, less domestically in that line. That I can say that there is not that much of the higher range inquiries coming up. And the sectors you know, which I had talked about, so I expect similar performances going forward.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

**Dhruv Sawhney:** Well, thank you very much for joining us on this H1 Earnings Call. We are very happy with our team efforts for achieving this record performance in terms of PAT for both Q2 and for H1. And it augurs well, our orders on hand, our inquiry base, both domestically and internationally, we are happy that we are in the right segments both in India and overseas, that are not being affected by the so-called global slowdown or problems in various geographies. And our exceptional efforts in technology and R&D and in value engineering is what is making us preserve this growth and good margins. So I expect this to continue, we can see visibility well into FY 21. So with that, I would like to thank you all for joining me today.

**Moderator:** Thank you. On behalf of Triveni Turbine Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

