



Triveni Turbine Limited

Q3 & 9-Month FY '20 Earnings Conference Call Transcript February 03, 2020

Moderator: Ladies and gentlemen, good day and welcome to Triveni Turbine Limited Q3 and 9-month FY '20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 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 Q3 and 9 months 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; Mr. Arun Mote, Executive 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, and welcome everybody to the third quarter FY '20 earnings call. I would like to begin by presenting you the 9-month consolidated key highlights. As we have been saying, operations of a business like ours are lumpy quarter-to-quarter, so I should concentrate on the cumulative 9 months results and then go into our feelings of the future, both for the end of the year and for next year.

The net income from operations for 9 months consolidated is at Rs. 6.64 billion, a growth of 11% year-on-year. But our record is the PAT in the history of the company at Rs. 1.08 billion, a growth of 50%. Again, I would say that this is extraordinary for certain quarters and it's not something that happens every



quarter. But we are very happy that the 9 months results have come out with such a good bottom line.

We have a strong outstanding order book at Rs. 6.94 billion. The total order booking during the quarter in Q3 was good, and appreciably better than what it was in the first half of the year at Rs. 2.1 billion, a growth of 11% year-on-year. And this enabled us to bridge the gap, which was there in the first half, which I mentioned during the last conference call. The order booking for 9 months is just marginally lower than last year at Rs. 6.36 billion versus Rs. 6.45 billion. We expect to end the year with the same, if not, better order booking than what we achieved in FY '19.

During the 9-month period under review, the turnover was 11% higher than the last year's period. And here, the domestic side has grown very substantially by 24% and international was marginally lower. In order booking, I would like to highlight that in Q3, our international order booking was very good. We started off the half year, in the half year we had a deficit of 43% versus last year in the H1. That's come down to 25% at the end of Q3 and we expect good orders and we already have some in Q4, so we expect to end the year at the same sort of order booking as we achieved in FY '19, if not slightly better.

In the international market, there has been a lot of turmoil, as you know. And for us, some of our key markets were affected, namely Pakistan, Turkey and the Middle East. But the future is looking extremely good because we have big growth of inquiries from Southeast Asia and from Europe. We have 42% of our inquiries are from Southeast Asia, 25% of them are from Europe. And here, we expect this good order conversion, I mean, good inquiry conversion into orders. So FY '21 order booking also is looking up. And the mix is what we are very encouraged on that where we are seeing domestic growth also and at least the same amount as international growth. So we have had a rectification of the situation that might have happened temporarily in H1 of the current year.

If we look at the 9-month period, net income, which was at Rs. 6.64 billion, that has an EBITDA of Rs. 1.49 billion for the 9-month period against Rs. 1.22 billion, a growth of 22%. And our PBT again has a growth of 28% and is standing at Rs. 1.38 billion. As I said earlier, the PAT was a very good 50% growth at over Rs.1 billion and giving us an EPS not annualized of \$3.34 per share.

I'll be going into the domestic and aftermarket in a few minutes and exports, but I would like to just stress for a minute about our research development. The company has a strong focus on technology development through this very dedicated team of design and development engineers. And the push that we have had on efficiency of our products and making them more cost competitive has really borne fruits. And we are very encouraged now with proven results that we are at the front line of customer expectations on the value for the product looking at both efficiency and cost. And that is one of the reasons why we are encouraged by our order conversion, inquiry conversion and the spread of our geographical inquiries and order booking.

The company's efforts in design and testing is being closely supported by our collaborations with various international design houses and universities both in India and overseas. That's really the backbone of our support system. Our new test bed, which we put up and this is definitely the most modern test bed for a turbine facility globally, it has come into operation and it's already making the contributions of bringing down cost and time in our development cycle.



I think one of the points I would like to mention in design and development is a new segment that we have got in order from, which is the Geothermal segment. We have received an order for a geothermal turbine refurbishment, which is a very prestigious high-tech order. And here, the markets are in good growth both in Australasia and in Africa and with good margins. So this is a good breakthrough that we have had in the last quarter.

The research that we are carrying out with institutes for the development of supercritical CO2 cycle turbines is carrying on and we have talked about it before. And we are very encouraged by the close cooperation that we are having both in India and overseas in this absolute frontline technology line. And this will continue for the next few years. But we are making good progress here and that's also a very encouraging fact.

A market that we have been talking about for some time is the oil and gas market, and we have developed new turbines for this market. I'm happy to report that in January, which is actually Q4, we have now received further breakthroughs in drive turbines and really it's taken a long time to get these breakthroughs. But the market, as you know, in the oil and gas for drives of small is very good. At the moment, we have just started. So the upside is big for FY '21 both in terms of margins and in terms of orders, even though the scale may be lower and the numbers are higher. But these are the developments that I would like to share with you on the design and development.

I would like to just quickly mention about our joint venture, GE Triveni, as communicated to you in June, Triveni has filed a petition with the National Company Law Tribunal and this has now moved to the National Company Law Appellate Tribunal and the matter is sub judice. It's reserved for orders. But this is not affecting our turbine business. The JV has received orders of Rs. 830 million, and the performance of the JV in the quarter has been okay. It achieved a total revenue of Rs. 1,170 million and a profit after tax of Rs. 158 million. So we are carrying on normally as we were before. I just want to mention that in the domestic market, we are seeing, which may be a little different to what this renders, the situation is not bleak in the future. If anything, we have seen a slight upturn and we expect that to stay where it is in our segmented lines. They are coming from both the process co-generation, distillery segment, the biomass IPPs and the renewable space.

Comments on our aftermarket. At the moment, our percentage of aftermarket to total sales is down at 23% versus 27% previously. We expect in Q4 this to correct and we expect it to come back to 25%. And in H1 next year, we hope to be higher than 27% again. And so this is the encouraging order booking in aftermarket, both especially in the refurbishment international sphere. So this is the encouraging fact, which we have looked at. Now, we have got very hot inquiries and good traction in different geographical areas. So the aftermarket business is where we are seeing positive growth in FY '21 both in terms of execution of orders on hand and in terms of order booking for the balance for '21-'22 and '22-'23.

On the export front, as I mentioned, we are expecting much better traction in Q4 and in FY '21, where we can see visibility in the first half. Again, it's the forefront that we have got in terms of our product. The acceptance of our new products in the market both in terms of efficiency and costs and different geographical and product segments that we are catering to.



I would say that with our orders on hand right now, which are good, and more substantially the inquiry pipeline both internationally and for the aftermarket, we look forward to a very good performance at the end of the year for FY '20 and a good performance going forward into the first half of '21, which we can see now.

The cost control efforts that we started last year have borne fruit and we are increasing these, and we'll be accelerating awareness initiatives in the next 6 months-9 months. The penetration in new geographies are working and has strengthened the company's performance in the export market. We now have orders and installations in over 70 countries. And looking at future markets beyond the 70, the segments, as you know, Biomass, Paper, Process and Co-generation, Sugar Co-generation, Distilleries, Palm Oil and the new segments of Waste-to-Energy and the Oil & Gas.

We believe that this strong inquiry and order on hand pipeline, and the aftermarket business, which is picking up with the international market augers well for Triveni Turbine into the next 6 months to 9 months where we see visibility immediately. Thank you.

Open it to questions, please.

Moderator: Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: First question is regarding the drive turbine. You had mentioned that you had won an order in the fourth quarter. Just wanted to get a sense how large is the opportunity there? And what is the size of possible quantum of order that you had received in fourth quarter?

Nikhil Sawhney: Ravi, the point is that, as the Chairman said, the drive turbine market is a market where we have very low part installed base ourselves. So it's a market for us where we look at in terms of approaching it in a manner where we can expand a new product category and segment. So the fact that we are facing success in it, leave the matter, it is a large turbine order, let's not getting into the values of it, but we think that this proves our contention that we have a reasonable product for this line. We have products, which will sell well, and this is specifically into the Oil & Gas segment itself, which is a more lucrative end of the drive turbine market. So it's something that's very encouraging and it's something that we have been talking about. Yes, it'll take time for us to establish a good market share, but we are on our way. We think that we will get more traction as we go along.

Dhruv Sawhney: The Oil & Gas market is different to other markets because there they replace their turbines. These drive turbines are small costs for the Oil & Gas sector. So they are replaced very often versus other power generation process industries. So that's why even though the Oil & Gas market may go up and down, the drive market for oil and gas is a fairly stable one.

Ravi Swaminathan: Got it. So I mean, is it like they replace pumps with these drive turbines or how is it?

Dhruv Sawhney: No, the turbine drives the pumps. The drive turbine drives the pump. It drives the compressor. It drives the floor.



Ravi Swaminathan: Okay. And that gets replaced often, you are saying?

Dhruv Sawhney: Yes, it does.

Ravi Swaminathan: And these orders are from the Middle East, mostly?

Dhruv Sawhney: Yes, they're. You got it.

Ravi Swaminathan: Got it. And in terms of exports, you had mentioned that there is a healthier inquiry pipeline. So basically, what could be the size of that pipeline? Initially, you used to give numbers in terms of gigawatt. How is it now vis-à-vis how it was last year for export and domestics if you can give us some idea, it will be great.

Dhruv Sawhney: As I said, we are expecting order booking to be the same as last year. The inquiry from Southeast Asia and Europe is very good. I'm getting the figures of 2.5 gigawatts.

Ravi Swaminathan: Okay. And last year, how was it, sir, at a similar time?

Dhruv Sawhney: About the same. But I'm telling you why we are more encouraged is because the areas that they are from are not the ones that went back.

Nikhil Sawhney: Are more diversified.

Dhruv Sawhney: You see, we earlier had orders from Pakistan and from Turkey and all, now those markets they were not available to and Turkey dried up and Pakistan went elsewhere, even though it was a very major market for us, and as you know, we had a major market share of sugar co-generation in Pakistan.

Ravi Swaminathan: Got it, got it. And my final question is with respect to the JV. I mean, we continued to keep receiving orders from this, in spite of the case, which is going on currently. So is it like these orders are the ones which we had bid for earlier during better times and that is getting converted into orders now? Or is it like -- so basically, joint venture continues to bid for order, in spite of the misunderstanding between the 2 parties?

Dhruv Sawhney: We continue to bid for orders.

Moderator: Thank you. Next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Just a clarification on the international. I'm looking at your press release, which mentions 28% growth in the order booking and you mentioned healthy inquiry, but you mentioned the order booking will be similar to the last year. So can you help us?

Nikhil Sawhney: But as for the quarter, Q3 showed a growth versus last year. But for the 9 months, it's still a deficit over last year if you look at the numbers. What the Chairman was pointing to is the fact that for the full year, the international market, we would be meeting up with the numbers, at least from that front, while the domestic market, as you see, itself has grown quite considerably. So we are looking positively at the opening order book starting FY '21.



- Bhavin Vithlani:** And as you also mentioned about encouraging pipeline on the aftermarket, some more color on that will be helpful.
- Nikhil Sawhney:** This is just because we are a month into Q4. So we have visibility on orders that we have placed. And so that's what he was saying in terms of being able to get a better order book and opening order book in the aftermarket segment as well getting into next year.
- Dhruv Sawhney:** But as far as I can say, one very encouraging, it's a bit of a long haul, but a huge market, is the refurbishment of other people's turbines, especially internationally, of other mix. And we have received orders, and some of the inquiries are very hot. And those are very good orders and good margin orders and a good scope, where you're able to get growth in various different segments and various different industry segments and geographical segments.
- Nikhil Sawhney:** So you see the area of aftermarket stretches from 2, 3 areas. One is, of course, the parts for our own turbines, the other is a service for our turbines and then is for third party. For our own turbines, that organically is growing at about 7%, 8%, 10% a year based both on a larger installed base as well as certain inflation on the pricing side. Service, similarly. And so organically, and these, of course, at good margins, and so we are able to get a good contribution from that. The refurbishment area is dependent on multiple different product offerings that we have, which stems from anywhere from overhaul to higher value addition services, such as reblading and upgradation of the power output from a turbine. Now this all depends on where we sit and our proximity to customers and our relationship with customers. It's very difficult to provide you great clarity on how we can do this apart from saying that the conversation that we are having are at such an advanced level with customers that give us confidence and some of those already translated into orders. So it's a question of just moving ahead with this segment on a geographic basis where we can cater to customers' expectations better.
- Dhruv Sawhney:** But as you know, here, where the real breakthroughs have been for us. We have got people with other make turbines, who have agreed to air freight the rotor back to us and we refurbish it, we engineer it and give it back to them with a better efficiency and freight it back to them. That's a very substantial transportation logistic, which they feel we are still very competitive in doing it plus not having the turbine work for some time.
- Nikhil Sawhney:** And when we do this, we are looking at it as relationships with groups. So, one of the largest groups in India has placed an exclusive contract with us for aftermarket service of third-party turbines with some confidence, of course. But the fact is that we started approaching it from a basis where we can occupy our overhead better in terms of sales and support.
- Bhavin Vithlani:** But this large group business, you're talking about internationally and not India.
- Nikhil Sawhney:** No, this is in India, but the approach is the same internationally.
- Dhruv Sawhney:** Internationally, also we have a good group from South Africa.
- Bhavin Vithlani:** And given this, could we assume that a double-digit growth next year seems to be a higher probability?



Dhruv Sawhney: We were not wanting to put any forecast out. It's too early. But I can say that we are encouraged and we expect growth.

Nikhil Sawhney: We would expect that. And we are...

Dhruv Sawhney: I would like to say growth rather than putting numbers.

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

Anand Bhavnani: I have 3 questions. The first question is, at early in the year, you had indicated that we have no offices set up overseas to run more business and we have been spending on it. So if you can update us as to how that is panning out? How many offices have been opened? And is there any business generated out of this initiative?

Dhruv Sawhney: I'll take all 3 questions. Give me the other 2?

Anand Bhavnani: Yes. The second is in terms of business, this year you indicated we lost quite a bit of business which earlier used to come from Pakistan and Turkey. If you can quantify it as to what was our total, let's say, revenue contribution from Pakistan in FY '19, similarly for Turkey?

Dhruv Sawhney: No, we don't go into these commercial. These are fairly sensitive commercial matters to give out such details. We haven't done that in the past also.

Anand Bhavnani: Alright. And the third question was on capital allocation. Last year, you did a buyback, and the time period to consider buyback is again approaching. So are there any updates whether the buyback is on the cards?

Dhruv Sawhney: I can tell you, we finished our Board meeting, but nothing has been discussed. But we are sitting on about Rs. 150 crore. So the liquidity of the company is good and liquidity in the company is expected to be good. So we are in a little different position to many other manufacturing companies in India, where we are having treasury operations. We have very conservative treasury operations and rather than anything else, and the balance, I would have to say, needs to be considered by our Board. But I can take your first question, and I want to be a little bit open with everybody. We looked at our handling international sales through the offices and are handling them from Bangalore. And we found that the value-add from having the quality and the number of people we have to send from Bangalore to support it was still quite a lot. So we were not getting as much value-add as we thought we were going to get, that we could do it just as easily and at a cheaper cost than as effectively that more from Bangalore. So while the travel costs may be sadly increasing from Bangalore, we were getting better coverage and the results have been good. So we wound down some of the operations down slightly in the international sales offices. That's all. But we are not looking at opening any new ones.

Anand Bhavnani: Okay. And sir, in case of our existing setup, we are not anticipating any additions in FY '21. We have enough capacity, right? So there will be no CAPEX, that's safe to assume that?

Dhruv Sawhney: No, we have got plenty of space in capacity utilization with the new factory. And CAPEX is very small, similar to what we have in the current year of about Rs. 23



crore, which is not much. That is so some balancing and some testing and some R&R and some design software. And we have acquired a bit of CAPEX, I mean, the figure is similar to this year, which is just around Rs. 20 crore-Rs. 21 crore. Automation, IoT, so we are growing very heavily. We are in a project management, Primavera. So we are more on the technology side, both in terms of design technology, automation, and speed of doing business.

Anand Bhavnani: Sir, and if I may squeeze in 1 question, we had taken some cost control initiatives. So is there any benefit left or we have already gotten all the cost benefits?

Dhruv Sawhney: No. We have taken it, but we have looked at areas of further cost benefits. And some of our design efforts are continuing to go in this direction. So we are spending money for cost reduction. And we will continue to do that. We feel we can still get more cost out in the next 6 months to 8 months. Arun? Absolutely.

Arun Mote: We'll continue to have the savings in Q1, Q2 and then further on.

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

Harshit Patel: Sir, I had 2 questions. The first is, some time ago, there was an order from Central Pollution Control Board that even captive power plants will have to put FGD systems. So if they do that, their cost goes up, and consequently, their internal return ratios come down. So does this affect any way the demand for our kind of turbines?

Nikhil Sawhney: No, one thing, to explain something, no one is setting up a power plant, a captive power plant, to export to the grid. There may be a consequence if it's a biomass-based pipeline, which has a different sub-zero air pollution control. But from a cost economic perspective when steam is used as part of the process, the cost of that steam net will always validate the company to set up a power generation plant at site.

Dhruv Sawhney: What you're talking about is not really applicable to the type of power generation people we sell to. And so it's really not a consideration at all. People are happy to go for air pollution; they are going for zero discharge and things which is in boilers. And so it's not really like that, the turbine part is very, very small, if at all.

Harshit Patel: And sir, another question would be a bookkeeping one. So in our outstanding order book for aftermarket, sir, can you break that up between domestic and exports?

Nikhil Sawhney: I don't know what level of detail we gave, but I think the detail is in our investor brief. You can take it from there.

Harshit Patel: Sir, that's actually not given in the presentation. Earlier, you used to give this detail. That's why I asked.

Dhruv Sawhney: Well, if you get back to us offline, we'll give it to you. I don't have it with me right now.

Moderator: Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.



Manish Goyal: A couple of questions, sir. First, do you see any risk on executing the current order book or potential order inflow from the outbreak of the virus in China?

Dhruv Sawhney: No, we have no orders from China

Manish Goyal: No, not China, but say probably it's like Southeast Asia?

Dhruv Sawhney: Southeast Asia, not really. We continue to export. And the people who are chasing up are not really...I don't find anything. I myself, I'm thinking of traveling this month.

Manish Goyal: And sir, sorry to harp again, but just on your initial remarks in terms of order inflow, which was similar to FY '19, just back of the envelope calculation shows that the order inflow number would more or less remain between Rs. 210 crore and Rs. 220 crore, which will again be equivalent to number, inflow number which we had in the Q4 of last year. So ideally what it implies is that the order book, which is already 8% down in the first 9 months and looking at Q4 execution, which is always the best quarter, my worry is that your order book may decline more than 10%, which in turn probably reduces the growth opportunity for FY '21.

Nikhil Sawhney: No, that is net of what you're talking about.

Dhruv Sawhney: Yes, we have said that we expect to have an opening order book on 1st of April 2020, which will be same if not slightly better than what it was on April 1, 2019.

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

Anand Bhavnani: Sir, I just wanted to understand for our domestic as well as international market, is there a threat of refurbished turbines of, let's say, Chinese mix being a more cost-effective option for customers.

Dhruv Sawhney: No, zero. We have refurbished Chinese turbine. They are not able to, let me tell you that in the power generation market in our range, the Chinese don't seem to be keen with their manufacturers at all. I mean, there are so many of them. They are quite happy to concentrate on the Chinese market and on the Chinese-funded project. I wanted to also mention to you that from an international data source of steam turbines, in the first 9 months of FY '19, for which the data has been given to us by this, when we are a subscriber to the source, in the 5 megawatt to 30-megawatt line globally, we are #2 in terms of number of number of turbines and megawatt of turbines, units sold internationally. So that is, I think, a very commendable thing that we have achieved. We did that in FY '18 also and there are no Chinese anywhere in the horizon in that. So that's why we know where they are.

Anand Bhavnani: Sir, and just secondly wanted to understand if you were to keep aside the loss of business in Pakistan, Turkey, any other significant disappointments for us in the first 9 months of the financial year?

Dhruv Sawhney: No, I mentioned it to you. These are the 2 places. And some parts of the Middle East, which we have also compensated now.

Nikhil Sawhney: Disappointment in Africa also.



Dhruv Sawhney: But Africa, I personally hadn't thought to but there are other parts of Africa that have picked up this Nigeria part, so that's total Africa though. But let me give you more is to say where we are finding encouraging inquiries and growth from, which is Southeast Asia. And I don't think that it's going to be affected by the virus. And Europe, there, we are seeing good traction in inquiries. But when I talk about inquiries, I talk about things that look like active inquiries. So we categorize our inquiries also into 3 categories of completely budgetary and very active.

Anand Bhavnani: And sir, in terms of inquiries, any quantification, like are the inquiries same as last year ?

Dhruv Sawhney: They are very diversified. But as you know this is -- we don't even want to speculate on that internally. It varies from country to country and segment to segment. So the risk mitigation for Triveni Turbine is to approach all.

Anand Bhavnani: And in case of sugar distilleries in India, are we seeing any pick up further from the existing levels?

Dhruv Sawhney: There is some pickup.

Anand Bhavnani: Okay. So would you expect FY '21 to be better from a sugar distillery sector perspective?

Dhruv Sawhney: It could be in terms of orders, but it's not very substantial, but it'll be about the same, if not slightly better. You see the turbine component is not a very large megawatt.

Moderator: Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: Sir, my first question is on domestic market. Do you see any signs of improvement from the core sectors, like cement, steel?

Nikhil Sawhney: Yes.

Dhruv Sawhney: Yes, cement and waste heat recovery. Good traction in waste heat recovery and cement and steel.

Lalaram Singh: Okay. But greenfield is still a long way ahead?

Dhruv Sawhney: Yes. But this is quite good. I mean, this is free up capacity. And this is something that, you know, greenfield they take a long time to plan and by the time of the financing and all, we don't even put that into. If an inquiry comes, it doesn't mean we know it's an active inquiry. But these are things that customers act on fairly quickly because for them, the ROI is quite fast.

Lalaram Singh: So within waste heat, cement is doing well. Even in steel, do you see positive traction?

Dhruv Sawhney: Less, but, you see, we achieved recovery, which we are saying is the recovery for the ROI for the person is quite good. So while cement, maybe they're not thinking of big Brownfield expansion or Greenfield expansion, this is a sort of a balancing pollution control cost. So because it comes into these fields, for the large cement companies, this is small CAPEX.



Lalaram Singh: Got it. And is my understanding correct that steel has a lower penetration of waste heat compared to cement?

Nikhil Sawhney: No, it's the other way around. Cement has a very low penetration.

Dhruv Sawhney: Yes, so we are having more potential coming in cement.

Lalaram Singh: Okay, got it. Second question is on the gross margins. This quarter, we have done around 48%, and we have seen good improvement over the last 4 quarters. So do you foresee the gross margin to stabilize at these levels?

Dhruv Sawhney: Yes, that's the correct statement.

Lalaram Singh: Okay. And we have also made very conscious effort to control the OPEX and I see that it has been pretty constant over the last 4 quarters. So our employee base, has it gone down or is it constant? Because I don't see that employee expense going anywhere over the last 4 quarters to 5 quarters.

Nikhil Sawhney: No, we look at cost at every level in terms of moving people around and reskilling, etc. But from a total overhead perspective, we have put a lot of control and focus on administrative expenses that include travel. You see, like the Chairman was saying, international marketing is being handled largely by Bangalore. So those will then reflect under administrative costs, and you also then have other overheads. So we are tightly controlling matters. People, we have always a need to expand higher value-added segments such as design engineering, R&D, and we keep expanding our personnel there, but we rebalance our requirements based on the situation as it exists today.

Dhruv Sawhney: But as you noticed, the OpEx is still fairly constant.

Lalaram Singh: Yes, that is very commendable.

Lalaram Singh: Sure. Next, which is on the Oil & Gas business, so you said that's a very lucrative business, that was because of its repeatability or lower product life cycle, that is we had more repeat orders or is it because profitability?

Nikhil Sawhney: Both.

Lalaram Singh: Okay. And why profitability higher there? Is it lower competition?

Nikhil Sawhney: Exactly, and high specifications.

Lalaram Singh: Okay. And what would be the motivation of the clients or customers to switch to Triveni lower cost?

Dhruv Sawhney: And the design, infrastructure and the other, we are a big global player in steam turbines. And so why would we not have the same expertise then. And lastly, I think we have an edge over others in service.

Lalaram Singh: No. But given that we have been in this business for last, more than, I think, many years, so why did it take us so long? I mean, is it because of a high switching cost is there, which took us so much of time?



Dhruv Sawhney: There is a huge R&D cost to get it and a huge qualification. You know, to get registered with these oil companies is a long process. They're very, very huge and Kuwait National Oil Company, Aramco are not easy to get registered with.

Lalaram Singh: Okay. So going forward, if I take a 5-year view, is it fair to say that this part of the business can be at 15%, 20% of the overall business?

Dhruv Sawhney: Well, we are going to have some brainstorming. It's a useful point you mentioned. But actually, once we have a few more breakthroughs, I would say that's not a conservative figure. That's an easy figure.

Lalaram Singh: Within Southeast Asia, what is driving the demand, which you're saying, the inquiry has been very positive?

Dhruv Sawhney: Sectors of process industry, biomass, waste-to-energy.

Nikhil Sawhney: Solid municipal waste incineration, waste-to-energy.

Dhruv Sawhney: Waste-to-energy and the processing industry that are also just like the cement plants and what's happening domestically are happening there. Small power additions they're doing and the returns are coming.

Lalaram Singh: Okay. In Europe, it is mostly renewable, is it biomass?

Dhruv Sawhney: The AI return, and municipal waste-to-energy

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

Kirthi Jain: Sir, the sugar distillery, which had to be set up in the Maharashtra region, have they started to come up, sir?

Arun Mote: Yes. We are getting orders and they're from all over the country, not necessarily one area.

Dhruv Sawhney: Maharashtra, are we getting?

Arun Mote: Maharashtra, we are getting. South we are getting, North, we are getting. All over. There's no specific area

Nikhil Sawhney: They are getting executed, yes. They have been executed also.

Arun Mote: And that these are typically 4 megawatt to 8-megawatt orders.

Kirthi Jain: Okay. Sir, how is the potential going forward, sir, in the next year, sir?

Dhruv Sawhney: I think I've already mentioned that quite in detail both in the international sphere and also given you the strong inquiry base that we have. So it's very positive in terms of order bookings for next year and if that is what your question is, and that is the growth potential for the balance part of FY '21 and going into '22. So we really look at order booking and that looks okay.



Kirthi Jain: Okay. Sir, lastly, sir, when we see our backlog, it's at Rs. 694 crore. And during one of the earlier questions, you had highlighted that our aspiration is to be flat on a Y-o-Y, that Rs. 723 crore kind of number. If we see and assuming even a flat number Y-o-Y, which will mean Rs. 280 crore of revenue, I mean, order flow ask, sir. Isn't it a challenging ask, sir, for Q4? It would mean a highest ever order...

Dhruv Sawhney: That is aftermarket. It is challenging. You've done the math right. But we are looking at both aftermarket and product.

Nikhil Sawhney: In Q4.

Kirthi Jain: Yes, okay. So we are confident to do around that, sir?

Dhruv Sawhney: But you know, let me tell you, if suppose we get it in end of March or it goes into first week of April, the spreading out of quarter-to-quarter is good. We have to show the visibility going out into H1 of next year, and the second thing, let me tell you that the execution period of order varies from 3 months to 14 months. So we really look at picking up orders to fill in our turnover requirements.

Arun Mote: Okay. Sir, JV has been profitable on a YTD basis. How do you see for next year, sir?

Dhruv Sawhney: The business is normal.

Kirthi Jain: Okay. No, like last year there was a loss. Like next year also, will we be a profitable company, sir?

Dhruv Sawhney: When I say normal, if we have been showing profits, there's no reason why we shouldn't do that again.

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

Anand Bhavnani: Sir, on Oil & Gas, we have been having a conversation on these calls for 3-4 quarters now. So just wanted to get a sense as to how many companies in Oil & Gas space have we kind of applied?

Dhruv Sawhney: If you go to one company, let's take Pertamina or Petronas, there are 12 different divisions in the Oil & Gas company of Indonesia and Malaysia and Kuwait, so it's huge. And each one, when they prequalify, it's a very big thing because then they have to send you the inquiry.

Nikhil Sawhney: And it's an expensive process for them also.

Dhruv Sawhney: And their verification and their diligence, and these people, their eye is not on getting another person in. They're really not, they say we already have two parties, why do we want another one. You need a lot of perseverance and our Middle East office is doing a lot in that. So is our Southeast Asia office. They concentrate on that. We are really with the EIL in this and domestically.

Anand Bhavnani: So currently, you mentioned Middle East and Southeast Asia, we have offices. We are not putting any efforts in the U.S. market.



Dhruv Sawhney: You have a good point. We are thinking of now.

Anand Bhavnani: Okay. And in the Middle East and Southeast Asia, as of today, do we have any approvals to be a pre-qualified vendor?

Dhruv Sawhney: Yes.

Anand Bhavnani: Okay. And would it be like fair to say that if we have, maybe 2 or 3 approvals by the end of FY '21, for next 15 years, maybe 2 approvals, 3 approvals in, would it be a good situation from our perspective or would it be undershooting, overshooting?

Dhruv Sawhney: No. I would want more.

Moderator: Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: Sir, sorry for my ignorance, but may I know what is the issue in Turkey?

Dhruv Sawhney: The issue in Turkey is the internal situation in the economy there. The people have put their projects on hold.

Lalaram Singh: So this is a recent phenomenon, or has it happened over the last 12 months?

Dhruv Sawhney: Last 15 months, 16 months, you've been reading about it. So the project, we may not lose the project, but they've just been put on hold.

Moderator: As there are no further questions, I now hand the conference over to the management speakers for closing remarks.

Dhruv Sawhney: Thank you, everybody. Thank you very much for the very interesting questions. And I would like to end as we started the call that we have had an exceptional 9 months' performance. And going forward, we are very encouraged with the inquiry pipeline, the orders on hand, the new geographical segments that we have been able to attack. And we have talked so much about Oil & Gas and geothermal, and Southeast Asia and Middle East areas and Europe. And so we look forward to a bright future in not just in the last quarter, but in FY '21. Capacity is there, technologies now are in the front line, and we feel that our service element is really very big distinguishing factor for Triveni and its competition and also from the bottom line. Thank you.

Moderator: Thank you very much, members of management. Ladies and gentlemen, on behalf of Triveni Turbines, that concludes today's conference call. Thank you all for joining us, and you may now disconnect your lines.