



Triveni Turbine Limited

Q1 FY 26 Earnings Conference Call Transcript

August 05, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited Q1 FY 26 Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you.

Rishab Barar: Good day everyone and a warm welcome to all of you participating in the Q1 FY 26 earnings conference call of Triveni Turbine Limited. We have with us today on the call Mr. Nikhil Sawhney, Vice Chairman and Managing Director; Mr. S.N. Prasad, Chief Executive Officer; Mr. Sachin Parab, Chief Operating Officer; Mr. Lalit Agarwal, Chief Financial Officer; and Ms. Surabhi Chandna, Investor Relations and Value Creation.

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 now like to emphasise 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, Mr. Sawhney.

Nikhil Sawhney: Thank you, Rishab. A very good day everyone and a warm welcome to all of you participating in this Q1 FY 26 earnings conference call for Triveni Turbine Limited. The performance of the Company in the quarter gone by, is disappointing, there are many reasons for that, and I'll be happy to go into those. Largely the disappointment in the decline in sales was due to deferment of orders because of the conflicts that have happened between in the Middle East, Israel-Iran as well as with India's conflict as well with Pakistan. These deferment of Mechanical Run Tests (MRTs) and inspections by clients have led to a deferment of dispatch based on contractual as well as revenue recognition terms.

While 17 quarters of growths of the Company, this chapter in our growth is on pause, the longer-term story of the Company stays very much intact. The Company has a very strong enquiry pipeline, a good visibility into market, new product, new developments coming on stream. And while we had already

cautioned in the previous conference call about the revenue of the Company being lumpy. As the business of the Company has moved into larger value contracts both in API as well as in higher MW categories, when deferment of orders happened, this show themselves out more in the results of the Company.

But having said that, let me take you through some of the specific results, and I'll be happy to take your questions during the Q&A. The revenues of the Company stood at ₹3.71 billion, a decline of 20% year-over-year, and EBITDA declined by 17% to ₹958 million. The margin for EBITDA stood at 25.8%, an increase of 100 basis points year-over-year. Profit Before Tax (PBT) came in 19% lower at ₹873 million with a PBT margin of 23.5%, an increase of 20% year-over-year. Profit After Tax (PAT) stood at ₹644 million, a decline of 20%.

Quarterly order booking was at ₹5.36 billion, a decline of 16% year-over-year and an outstanding order book as of 30th of June stood at ₹20.74 billion, a record and an increase of over 20% year-over-year. Cash and investments stood at over ₹1000 crore (₹10.05 billion)

Order booking for the quarter, as I said was a decline of 16% year-over-year to ₹5.36 billion. This is due to lower export demand across products and aftermarkets. The order booking was impacted also by geopolitical tensions. We have certain situations of clients and export clients who given the India-Pakistan conflict and the risk of force majeure decided to not place orders on us, but on European parties where this risk was perceived to not be as large.

Having said that, global uncertainties persist, and we exist in this market despite the uncertainties. The U.S. (United States) market also presents certain uncertainty in terms of placement of orders and those deferments are part of our active marketing efforts. As you could imagine, placing orders without knowing what the tariff levels would be, it would be a great amount of uncertainty on our end clients.

While the enquiry book in the United States has gone up by over 175% and gives us good visibility into orders that may be placed in the coming quarters, similarly to what we had talked about in the Indian market where we've seen very good growth in the enquiry book in FY 25, but a deferment of orders. And we see that in Q1, orders are being placed in sectors ranging from steel, cement, sugar, large value, large capacity orders. We believe that this will continue into the rest of the year as well. So we're quite optimistic on the domestic market from a capital investment perspective, but equally so in certain global markets.

While we've seen an overall growth of the domestic enquiry book has grown by about 130% and the international enquiry book has declined by about 5%. Certain markets in the international market have grown, as I told you, the North American market has grown quite considerably. We've had good growths in the Central Asian region as well as in Africa. There's been certain decline in our enquiry book coming from the SAARC region as well as Southeast Asia as well as Europe. But overall, on a balanced basis, we seem to think that the year presents as good opportunities as we've had for order booking in the

previous year, but obviously, with an expectation of growth in order booking for this current financial year.

At the same point in time, our revenue is something that would be back ended, as I've talked about already. We are very optimistic on execution of our orders, but we have to temper it with the uncertainties that exists in the geopolitical situation, both from a perspective of dispatch and therefore, revenue recognition and revenues, but also in terms of order booking. Despite all these risks, the Company is continuing with what its mainstay is to focus on technology, technology innovation and introducing new products into the market. And with that, we're very proud and very happy to talk about a very new product development that we've had on, which is our new Heat Pump. We proactively undertake new product and technology initiatives to diversify our portfolio across various energy transition products and this includes heat pumps, chillers, steam compressors, gas expanders, which use carbon dioxide both in supercritical as well as transcritical forms.

And it gives me great pleasure to formally introduce our newest product launch, India's first CO₂-based high-temperature ultra-efficient heat pump capable of delivering heat up to 122°C and achieving a Coefficient of Performance (COP) of 6. This is indigenously developed and the product marks a major step forward in offering clean and future-ready heating solutions to India's industrial sector. The CO₂-based solution has been developed in technical collaboration with the Indian Institute of Science (IISc) in Bangalore, combining academic research and industrial engineering legacy of Triveni Turbines.

To give you a little bit more information, unlike the conventional heat pump that uses synthetic refrigerants with high global warming potential, this new solution uses carbon dioxide, a natural, non-toxic, non-flammable refrigerant with zero ozone depletion potential and a global warming potential of one. This launch comes at a time in countries including India, accelerating efforts to phase out hydrocarbons under the Kigali Amendment, which was a subsequent amendment to the Montreal Protocol.

This heat pump is up to 3x more efficient than conventional electric heating solutions and is significantly more efficient than average commercial heat pumps. Globally, a COP of 6 for high temperature heat pumps operating above 100°C is considered a best-in-class, especially under tropical climate conditions. The heat pump has been successfully tested at Triveni's newly commissioned heat pump test centre in Bangalore, where it met full performance benchmarks.

The applications for this would include industrial customers, ranging from the pharmaceuticals, food and beverages, chemicals, textiles, distilleries, pulp and paper and district heating & cooling and support applications including steam generation, pasteurisation, distillation, dehydration, dyeing, metal cleaning, drying, etc. We're very optimistic about this. India presents a unique opportunity for us to prototype and commercialise this development though we think that the market is more global than for India. But this just gives an indication of the innovation that Triveni Turbine is able to put forward. We will

be coming up with new products to align with this offering, which will help expand our market and give us greater visibility into sustaining growth in the coming quarters.

As I talked about the fact that while this quarter has seen a decline, our growth trajectory in the longer-term basis is still very robust, both from a perspective of resources that we put into technological development for our steam turbine lines to further improve efficiency and ensure that we are reducing cost continuously.

Given that fixed capital formation will continue in certain end-user industries, specifically also in terms of renewable energy generation, it makes us quite confident on the growth path that we have. That coupled with our newer innovations of CO₂-based products both in terms of supercritical and subcritical carbon dioxide turbines and heat pumps and other products that we will be introducing gives us greater visibility.

Of course, challenges exist given the global uncertainty orders will be lumpy, dispatches may get impacted. And so therefore, revenue may be lumpy. As I've said, for this current year, we will be back-ended quite significantly in our growth. We believe that the future years hold good promise for Triveni and its products. The challenge is for us to be able to reach more global markets and ensure that customers maintain their high level of satisfaction with our products, and is a constant endeavour.

We're happy to go through some of those efforts that the Company is leading in terms of ensuring that we are best-in-class in the customer's mind, from a customer satisfaction perspective that we are best-in-class in terms of technological offerings in front of our customers. And ultimately, we're able to sustain our growth not only in terms of product, but to help work with the customer through the life cycle of the product, which will aid in our aftermarket revenues.

We continue with our other initiatives, including digitalisation and expansion of our international subsidiaries to ensure that we are able to get the required return on capital employed that we have in those subsidiaries. The subsidiary performance of both the South African and the U.S. market has been underwhelming for this current quarter, but we believe in the coming quarters that we should have some upticks both from refurbishment as well as new product orders.

With that, I'm very happy to take questions. Back to you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from Harshit Patel from Equirius Securities. Please go ahead.

Harshit Patel:

Thank you very much for the opportunity. Firstly, on the domestic market, we have seen quite a bit of revival in our fresh orders. Last time, you had mentioned that the domestic steam turbine market up to 100 MW had declined

by about 10% in FY 25. Any update that you have seen in 1Q FY 26? Or these are pure play market share gains?

Nikhil Sawhney:

No. The market has grown quite considerably in Q1. Though our market share has improved also. But the fact is we already have a large market share in India. Taking our market share up is only incremental. It's going up to, while we may have been about 46% - 48% last year, we're about 53% - 55% right now in the market segments that we operate in. The market itself has expanded quite considerably. Prasad is here, maybe you could give insights into the segments as well as the growth and how you see that.

S.N. Prasad:

Yes. Coming to the domestic market, as our Vice Chairman mentioned that market also substantially increased in Q1. And another interesting part is the enquiry pipeline from domestic market. What we are seeing even in our last two quarters, we started seeing that traction is increasing. Even this quarter, around 131% enquiry pipeline is increased especially from steel, cement and some of the process cogeneration industries started contributing to this increase in the enquiry pipeline. This is giving a good traction. Even coming quarters, I think domestic market are going to be a robust market. We may come back to the levels of FY 24 in terms of the market sizes, because as we know FY 25 domestic market was at its lowest levels. We are hopeful that we'll come back on that.

Nikhil Sawhney:

I think we've actually has growth over 2024 actually, because the market seems to be quite robust, but we'll see, we'll give more clarity on this after Q2.

Harshit Patel:

Understood. My second question is on API drive turbines. I understand that we have had quite a lot of success in the domestic market, wherein we have captured a very high market share. Any colour you can give in terms of export orders, order book currently, potential pipeline that we have from Middle East and the other countries as well?

Nikhil Sawhney:

Firstly, I don't think we talk about specific product successes. But, yes, you are right that we have had very good entry and very good customer acceptance on our drive as well as power generating API turbines. The drive turbines, of course, are coupled along with moving equipment, be it a pump, compressor, other driven equipment, fans, etc. And so, some of these orders are placed directly by the OEM-driven equipment on us. And some of them are placed by the ultimate end clients on us. So, it depends on market-to-market. While the acceptance of the product has been very good, our technological level and price levels are also very competitive in this market. Prasad, maybe you can give a little bit more colour on where this drive market will go?

S.N. Prasad:

Yes. Coming to the drive market wise, yes, we are there driving cooling water pumps, compressors, boiler feed water pumps. More or less, every equipment, whatever can be driven by steam turbines. We are in the approved vendor list. Even enquiry pipeline is quite strong. As you rightly mentioned that in the domestic market, last year, we have a good share when it comes to drive turbine markets.

Traction wise, the international markets in the drive application quite strong enquiry pipeline is getting built up in oil and gas international market. We have noticed around 250% year-on-year growth in enquiry pipeline in oil and gas. But as you know, in oil and gas, enquiry to order conversion, it is a little longer gestation period compared to industrial power generation because of the specification and process, but we are confident that these effects are going to drive real good growth for us.

Nikhil Sawhney:

One of the things that you may have noticed in our results is that despite the fact that turnover came down by 20% that our margins were quite robust. And this is driven by the fact of good overhead absorption of the business based on the profit margins based on our revenue split. Aftermarket as a percentage of revenue is 31%, which is approximately the same as it's been in previous quarters.

But this is the type of orders that we're taking, which are better in margin, which of course, from the API segment as well as from the export market, given the fact that as a market over the last couple of years has grown the intensity of competition remains, but the effort that the Company has made in terms of lowering cost in terms of material costs as well as expanding its supply chain relations to have better price realisation from our supply chain is bearing fruit. We're quite confident in the fact that margins will be reasonably robust this year.

Harshit Patel:

Understood. Just lastly, if you can update on the execution status of the CO₂-based energy storage system order that we had from NTPC, also has any clarity emerged in terms of what kind of margins we will be able to post in this new area that we have added?

Nikhil Sawhney:

I think you know that we won't talk about margins, but it's, of course, not a negative margin or contribution order for us. As a company we don't work on a subsidised basis. The scope of the work is reasonably comprehensive. It is just shy of Engineering, Procurement, and Construction (EPC) in a sense and so therefore, you wouldn't know full cost until we actually end up finishing the job. We have obviously taken a number of contingency factors which we'll find out only towards the end.

As far as the execution goes itself, everything is on track for us to deliver it. We have delivered CO₂ turbines to the same party in this current quarter as well, and so that will go to an application, but we've had a very good successful installation in one of their sites in Italy and the performance has been as stated. We're quite confident in being able to deliver our commitment to NTPC both in terms of the performance of the project, but more so in terms of the time. And Sachin, maybe you could talk a little bit about the cost, how you see that?

Sachin Parab:

Good afternoon. As our Vice Chairman has mentioned, the execution of the project, CO₂ turbine for NTPC is well on track as per the plan, and NTPC is also updated about the progress that we are making. Important to note, as our Vice Chairman said, is that we have already executed a similar project in terms

of a CO₂ turbine for the same technology partner, the same application, and that was very much in time and in cost.

We are confident that we will be able to achieve the same with the NTPC project as well. But as mentioned by our Vice Chairman, it is just short of an EPC. There are several areas of civil construction that are involved, and we'll be able to look at accurately the margins only after completion.

Moderator: Next question is from Jai Chauhan from Trinetra Asset Managers. Please go ahead.

Jai Chauhan: Good afternoon. Yeah, thank you for the opportunity. I just have one question, you have recently launched India's first CO₂-based high temperature heat pump with COP of 6, right? Could you just provide some colour on the addressable market size for this product domestically and internationally? And what kind of revenue contribution we can expect from this product line over the next 2-3 years?

Nikhil Sawhney: Yeah. The fact is that actually the applications are currently catered to by disparate, catered to by separate equipments. The fact that we are going to be introducing a heat pump that has both a cooling and heating application and at the same time is somewhat unique from a perspective of this efficiency that is being delivered. That's part of the reason is the efficiency is being delivered actually.

When we do look at the market size, like I said in India, it will be limited in its current application of how customers will use it because the comparables will be Hydrofluoroolefin (HFO) heat pumps or other competitive technologies. We believe that the market for these type of products is for us to work and develop. It's a little premature for us to give the market size, which we have worked out internally. It's robust enough for us to pursue, but I'm a little hesitant right now to provide any indication of contribution of these new technologies to our revenue.

All these things that we will introduce into the market as we see customer acceptance of it, we will come back and tell you how these products fare. But we would have to say that these new product introductions would not contribute more than a couple of percentage points to our revenue. Once it become more meaningful, we'll provide more colour, but it is a lot more development work for us to develop the market. We believe a lot of it will be driven internationally.

Jai Chauhan: Right. Got it, understood sir. Like I guess in your opening remarks, you mentioned about the differentiation of this product. And what you said just now, just contradicting that point. Can I know like what exactly is the differentiation? And is there any differentiation in this product?

Nikhil Sawhney: No. The point is that the efficiency of this product is unmatched. For a heat pump to deliver temperatures of over 120 degrees is also unheard of in our type of temperature because this is a tropical climate in which we are applying this. So, what is the technological innovation to be able to achieve best-in-

class results in terms of efficiency and operating parameters. The next is a factor in terms of what customer usage may be. The customer usage and applications will, like I said, vary from everywhere from drying to distillation to steam generation. Now it doesn't mean that suddenly we're going to become a boiler company and that's not our ambition either. This is a product that which will have a different channel for sales, it will not be the same channel that we are using currently. And so, the development of the market is slightly longer-term thing for us to be able to introduce this product into the market.

Moderator: The next question is from Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Thank you for the opportunity. My first question is on the international pipeline. You did highlight that the enquiry book has declined by 5% and including SAARC and Southeast Asia, plus a few other geographies. Just wanted to understand, we have been growing international business from the past two years getting into newer markets. With this slowdown in current situation, has that changed for us, still we are looking for a newer market? What is the response in the incremental market, which we have been getting into the past.

Nikhil Sawhney: Let me just complete that first. It's a good question because actually, our ambition to drive deeper into markets is continuous, and we think that we have a long way to go before we have covered a lot of our international markets completely. This is both in the largest markets that we cater to, which is Europe, while we have seen a decline in enquiry flow still represents a very large segment of demand for us and order booking.

This is driven by the fact that the energy transition market in Europe is very robust and resilient. There's a lot of money behind that theme. And as the fuel sources become available, this is something that, that companies are very ready to invest in. In other markets such as the United States, it is more of going deeper to expand the enquiry levels in what is a \$25 - \$27 trillion economy. The reluctance, while the enquiry levels have grown in the U.S. market, the placement of orders there is getting quite deferred. And this is actually quite similar globally that given a lot of uncertainty that exists, we are finding that enquiry to order conversion cycles have become a little longer. It's difficult for me to point out exactly how much is getting elongated from customer to customer or geography to geography, but there is definitely a little bit more hesitation.

But the requirements are still there, the demand is still quite robust, which is what the enquiry book suggests. Now to what extent will it flow back into us in terms of order bookings, that is something that we'll be able to provide colour on as we go on. We're quite optimistic right now the sales team is quite geared that despite these uncertainties that we will meet our targets. Prasad, do you want to add any colour on that?

S.N. Prasad: Just to add that, yes, these things also what we are seeing maybe temporary movement that is especially Europe and all because of the geopolitical situation in Q1, everybody wants to cross their fingers and wait and watch sort of a scenario. But going forward, by seeing the requirements in Europe and all

these things what we are seeing last one month plus, I think we may be back in the enquiry pipeline as well in international.

Amit Anwani:

Right. Sir, my second question is on the deferment and dispatches which you already alluded to. Considering that this year would be back-ended and lumpy with respect to dispatches. I wanted to understand 2 things. Has there been any change in the growth outlook, which you were looking 3 months back and now since the dispatches are deferred for this year? And will there be any permanent slippage of permanent loss because of these issues which you're looking for? And what was the deferment in revenue for Q1, which got deferred because of the delays in dispatches?

Nikhil Sawhney:

Unfortunately, we're not going to be able to give you a rupee figure to the dispatch to the amount of revenue that got deferred. But as you would understand, when uncertainty exists, project timelines are getting extended. There are two different issues that I'd like to highlight. One is what happened in this quarter in specific, which was MRTs and customer inspections that have to happen before dispatch takes place and without that inspection taking place, we can't dispatch and so therefore, we can't recognise revenue, which is impacted by different conflicts in this current quarter.

At the same time, what is happening also is that long project cycles by themselves are getting extended, which has a longer-term impact in terms of how we forecast revenue to be and dispatches to take place through the course of the year. We are still as we've said in the investor brief as well, we are continuing with our outlook for the growth trajectory that we have in the Company. That is not stopping. But very frankly, there is already an expectation that some orders that were meant to be dispatched in this current year will get deferred into next year just because customer acceptance in terms of lifting will be deferred.

But that is after taking that into consideration is why we are talking about the fact that the Company will continue to grow in the stated way that we've grown in the previous year.

Amit Anwani:

Sure, sir. Lastly, on the heat pump, any addressable market where we'll be growing local, global, any competition? Any colour on the addressable market there? And what kind of revenue by when are we expecting any contribution from this product?

S.N. Prasad:

This heat pump application, as our Vice Chairman mentioned, this is a very, very unique opportunity in terms of giving 122 degrees and with the COP of around 6. The applications while if you see any of the process industry, starting from distillery, food processing, the usage, the fitment is there in many industry segments. But the only thing is, see when we are telling 122 degrees for majority of the customers, so unless they see that, they don't believe this thing. So that is the reason, we established the demo unit at our Peenya facility at Bangalore, which is giving a lot of results.

Initial maybe a couple of quarters. So, where we are focusing is industry-wide, segment-wise, we are inviting customers consultants, and we are showcasing

this thing, both in domestic and international. If you see heat pump addressable market globally, if you see, there's a huge market. We are talking about around \$2.5 billion market. But this fitment will not be, because some of these things are low heat requirement sort of a scenario and so we have to create the market for this thing.

That is the reason we invested a lot of time and energies into this development along with IISc. We believe that this is a considerable market for us, but it will take some time because we have to drive this market towards this application.

Nikhil Sawhney:

It's important to point out that one of the unique things and why this efficiency is possible is because this is a high-pressure system. And that's why applications cannot come into sort of residential use, etc, because of the difficulty of maintaining the high pressure and the risks from the high-pressure system. Now Triveni is used to working with systems like this because this is what the Company does. We perform in high-pressure, high-temperature applications. The constraint of our high-pressure system also has to be looked in terms of where the applications may be executable.

Moderator:

Thank you very much. We take the next question from Balasubramanian A from Arihant Capital Markets. Please go ahead.

Balasubramanian A:

Good afternoon. Thank you so much for the opportunity. Small modular reactors have an emerging opportunity, what is the addressable market? And how does the brand compete with against local OEMs?

Nikhil Sawhney:

We provide bottoming solutions to the heat that is produced from reactors. And the addressable market here is actually at this current point in time, quite small because it's only start-ups and those types of applications currently, which are currently in the enquiry book. Am I correct, Prasad?

S.N. Prasad:

Yes.

Nikhil Sawhney:

But the fact is that essentially, we provide heat and power solutions and small modular reactors continue to be a growing market for us. We see it representing an increased percentage of our enquiry book. It's not a significant percentage, but it is continuously increasing, so do applications such as geothermal, and this is both from foreign requirements, but also indigenous startups. You have companies in India, which are also looking at it. We will announce in the coming quarters of new developments that the Company is undertaking in the Organic Rankine Cycle market. And so those will be new low heat recovery systems that which will have better applications in micro reactors. But having said that, the Company itself has a large experience in dealing in the nuclear sector. We have refurbishment and aftermarket opportunities with the Nuclear Power Corporation in India as well as with other nuclear utilities globally where we offer not only services, but parts. We have the idea of quality that is required. We have the idea of the documentation and the systems that are required. We understand the robustness and the reliability that is necessary in the system, both from a product and aftermarket perspective. So, we're optimistic of this particular market of nuclear power.

Moderator: Thank you. Next question is from Chirag Muchhala from Centrum Broking.

Chirag Muchhala: Yeah. Thank you. My question is on the aftermarket services. Just wanted your feedback on the latest growth potential in aftermarket, including refurbishment orders from overseas, because from order inflow or revenue point of view, the segment seems to be, from inflow point of view around ₹150 crore or so is the run rate that we are seeing for past two years. Any further growth that can be expected from refurbishment point of view? And also, a linked question is that this heat pump as well as the new carbon dioxide based various products that we are planning to launch, is there a scope of aftermarket services in those also?

Nikhil Sawhney: Let me answer your second question first, and be quick on that. There's aftermarket potential in every business. The question may be in services or spare parts, but you need a installed base and running for some period of time before you can actually approach it. The heat pump has as a percentage of sales, lower rotating equipment. Rotating equipment is what actually gets more spare requirements because of wear and tear, while the carbon dioxide turbines will have higher wear and tears in general. So therefore, in general, would have more aftermarket spares requirement. Your first question was on?

S.N. Prasad: On the refurb market.

Nikhil Sawhney: Refurb, that's a very astute observation, a very good question. To be honest, we have underperformed in this current quarter on refurbishment. In fact, our growth of refurbishment even last year should have been better. But all of this is a little skewed by the fact that we had large service contracts from this utility in the SADC market. While that was high revenue value, the profitability was lower.

As we've been successful in a lot of those endeavours, we've moved up the value chain to a higher value refurbishment contract. Looking at the refurbishment value in specific, I admit that it slower than what the growth that we want and the fact that we think that there is much more growth in this market segment itself. You have to understand that we want to move up the value chain continuously also to do higher value-added work in the refurbishment so that we can earn better margin and add more value to customers from a technological perspective rather than generic services.

But a lot of that is driven around having on-the-ground presence in certain locales to be able to build customer confidence, so there's a lot more work we need to do there, you are very right. We need to perform much, I alluded to this initially in my introductory remarks, when I said that our U.S. and South African subsidiaries have underperformed there and it's largely in refurbishment.

Moderator: Thank you. Next question is from Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Hi, Nikhil. Thank you for giving me the opportunity. I just wanted to understand how important are these physical inspections both for completion of order as

well as for order pipeline. Given the fact that some of the customers whom we have been dealing with, are for quite some time now. And there is always an option of probably digitally checking some of the turbines. What I'm getting at is that once probably these people continue to travel, will the pipeline and executions improve and some of the orders that we have lost to our European counterparts, right during the quarter, are they expected to revert? The macro situation will take its own sweet time, but something which was very unique in Q1 and is not expected to repeat. Is that largely taken care of?

Nikhil Sawhney:

Well, so there are two different questions. One is on order booking. Order booking, well, we hope that there's no more situation where a force majeure situation can arise in India, which is India directly in a conflict. So, we think that that from a customer interaction perspective, seems to have subsided. There is no longer a concern in going into Q2-Q3-Q4, etc. From a dispatch and revenue recognition perspective, Prasad, maybe you can talk about what customers' expectations and how.

S.N. Prasad:

Yeah. This is a very unique situation in Q1 because for these turbines being very critical, what customers normally expect is a Mechanical Run Test, where we run this turbine using this team in our factory. That is one of the unique propositions that we offer to the customers. So normally, customers visit there, they witness the whole process, then they sign off.

What happened because of the various travel advisories in Q1 by various countries because of the prevailing situation at that time, these people delayed that. Once they delay, the overall project, as you know that turbine being a critical equipment, there is a delay in their inspection. There is a delay in dispatch. Overall project schedules also, got little extended. But going forward, also MRT is going to be critical and this is a differentiation point that we offer to all our customers across the globe. Whatever is the machine we manufacture, we offer a mechanical run test. We are going to continue that.

Nikhil Sawhney:

But we have offered this digitally to customers in the past and depending on customer to customer, they do accept it. Some of these things were too late for us to organise with the customer in this form. But I think that you bring up a good point that we should have that continuously in place with the customer.

Moderator:

Thank you. Next question is from Amit Mahawar from UBS. Please go ahead.

Amit Mahawar:

Hi, Nikhil. I just have two questions. First is in Q1, if I adjust for disruptions, a lot of companies in the last two quarters have seen disruptions on physical exports, etc. What would have been the order and revenue broadly? And broadly, I want to understand if FY 26 as a company can we grow orders, maybe flat or in double-digits and colour there?

Nikhil Sawhney:

Most definitely, both revenue and order book will and should grow. Coming to your first question, Prasad, please.

S.N. Prasad:

Yes. Both should and order book wise also. As we mentioned, that enquiry pipeline is a quite strong. Last one month, the traction is positive and various negotiations are going on as per the schedules. Definitely, we are going to see

the growth trajectory continue as our Vice Chairman mentioned in the beginning, both on revenue and order booking. We are confident.

Nikhil Sawhney: In Q1 in specific, while we are reluctant to give what was the deferment exactly, what you have to understand is that about 50% plus or maybe 60% of the purchase order value are bought out items, which don't enter our factory. These inventories will fully hit our finished goods inventory on our balance sheet. But you can have an indication of the increase in working capital that we have because of two factors, which is an indication of our ending cash reserve, which I talked about because you have two items here. One is that because of delayed dispatches, you had a buildup of finished goods inventory in the factory, but also you have a deferment of collections, which also doesn't happen because the dispatches don't take place. Net-net, it has had an impact both cash flow wise, but we think that we'll recover this in the coming quarters. You should expect the Company from a year-on-year performance to sort of meet in H1 or by 9 months, it should be exhibiting growth over the previous year and significant growth in Q4 versus last year.

Moderator: Next question is from Rohit Chawla from NV Capital. Please go ahead.

Rohit Chawla: Thank you for the opportunity. This quarter, our sales declined by almost 20%. And if you see the domestic decline by 24% and export by 16%. So, export understandably because of the geopolitical conflicts. What are the reasons for domestic sales being subdued?

Nikhil Sawhney: The Company works of an order book. Very frankly, we execute what we have in our order book and last year order booking in the domestic market was weak. I hope that answers your question.

Rohit Chawla: The order book is now 20% Y-o-Y. This order will be executable over the next 9 to 12 months, if my understanding correct?

Nikhil Sawhney: No. Actually, so some of the larger capacity orders will be executed in FY 27. But the fact is we do have book and bill in the current year because all the spares and aftermarket orders are executed within a time frame of anywhere between 2-4 months. We have order booking of that which will be executed within the year also. So that's why we're confident, not only given the fact of our opening order book position, but also the book and bill, which will come from these aftermarket segments, which have short duration execution cycles.

Moderator: Thank you. Next question is from Raj Shah from Enam Asset Management. Please go ahead.

Raj Shah: My questions got answered. Thank you.

Moderator: Thank you. We take the next question. Next question is from Aditya Gupta from Tara Capital Partners. Please go ahead.

Aditya Gupta: Hi, good afternoon. Thank you for taking the question. I think you alluded to some change in competitive dynamics also in your opening remarks. Did I hear that correctly? If you could elaborate on that?

Nikhil Sawhney: There's a lot of echo. Can you just say your question again, please?

Aditya Gupta: There is some change in competitive dynamics also internationally and in India? Was that something you said in your opening remarks?

Nikhil Sawhney: The competitive dynamics. While we have a high market share in this segment, it is an intensely competitive segment with our largest competitor, being a global European multi-national. But we do have other manufacturers as well. There is intensity and competition because ultimately, the customers also demand it, in terms of having the best realisation of price as well as other factors that they consider.

The competitive dynamics exist. It's just that we think that we have a good value proposition to put in front of the customer. And we're quite confident that in certain markets we operate in a duopolistic situation. In other markets we operate in an oligopolistic situation. But it doesn't mean that competition is not there or intense. And it's not as if it's more intense than it has been in the past.

In fact, if you look at it over a period of time, it's become less intense because the number of competitors in the market have come down, but it's still a competitive market. When markets decline, competition is more on pricing. When markets expand, pricing is no longer the primary factor, but it is the other factor that come into consideration. It is a dynamically competitive market.

Moderator: Thank you. Next question is from Mayank Chaturvedi from HSBC Mutual Fund. Please go ahead.

Mayank Chaturvedi: Thank you for the opportunity. Just on your remark on revenue decline in the domestic piece of the business. I take your point that the orders inflows throughout FY 25 were slow, but still your opening order book for 1Q FY 25 was to 9% higher than what it was for 1Q FY 25. Of course, we were expecting a subdued revenue in domestic piece. But still, can you just elaborate on this 24% decline that has come in? And is it the run rate that one should expect going forward as well?

Nikhil Sawhney: Sorry, the 24% decline in what exactly?

Mayank Chaturvedi: Domestic business.

S.N. Prasad: So, this is based on the delivery schedules, basically, this is as per plan only when we plan because domestic deliveries as you know when they are finalising the orders, this has to be synchronised with the deliveries of the boiler and the site readiness. This is just a quarterly thing, but these are per plan. This is no surprise only in exports that we have seen the surprises, which were not as planned. This is based on the delivery schedules of the domestic orders.

Nikhil Sawhney: There's no dispatch deferment from the domestic market.

Moderator: Thank you. Next question is from Mahesh Patil from ICICI Securities. Please go ahead.

Mahesh Patil: Hi sir. Sir, my question is on the new market share, you mentioned that the enquiries are down there. However, in U.S., they have increased. So can you just elaborate on higher enquiries around Europe, any specific reasons for that?

Nikhil Sawhney: Any specific reason for the decline in enquiries from the European market. Is that the question?

Mahesh Patil: Yes.

Nikhil Sawhney: Our enquiries are based on the efforts that we make and so we can't have a conjecture on why the enquiries have come down. We can hypothesise that it's because of uncertainty, but the markets in which we are very resilient in the European context is renewable power generation. This is both solid municipal waste incineration which is largely driven by government or local subsidies. Biomass-based IPPs, which is based on availability of raw material, waste heat recovery, which is an energy efficiency-based application, then you have general fixed capital formation and district heating and some other applications.

When we look at it and break the market down, certain of these segments have been slower in terms of contribution to the enquiry book. But we think in general, the European market presents a very significant opportunity and continuously gives us about 20% of our revenue. It's a sizable market for us, in the export market, 20% of export.

Moderator: Next question is from Aditya Gupta from Tara Capital Partners. Please go ahead.

Aditya Gupta: Thanks for taking my question. Can you just confirm there has not been any order cancellation, right? I mean end of the -- and I think the net order inflow figure in the press release, but there's not been any cancellation, sir?

Nikhil Sawhney: Yeah, you're right. There's been no cancellation. In fact, actually, our expectation this current quarter was to be significantly higher in order booking. We are very close to actually being maybe 20% higher than the current number. But unfortunately, one of our end customers didn't place that order. But the current order book is all realisable, all current. We have taken out orders in Q4, which we thought were slow moving, when we do think that they are back in normal production, we will add them back into order booking. But as of right now, all orders in our order book are executable.

Moderator: Thank you. Next question is from Saif from ICICI Prudential. Please go ahead.

Saif: Thank you for the opportunity. On domestic market, you saw order inflow growth after the strong time after many quarters now, right? But overall, India, we have not seen that steep of private capex growth in the domestic market.

So what has caused that revival for you? And does that have any big orders or it's more of a sustainable order inflows you look at in the domestic?

Nikhil Sawhney:

No, I think it's quite sustainable. In certain sectors like say, cement, it's quite sustainable. In FY 24, we saw good demand coming from the steel sector, which did not exist at all in FY 25. As you know, then there was a safeguard duty that was put and that's led to an expansion again in the steel sector and metals in general. You have general growth in process cogeneration that is happening because of higher consumption and higher investments into end-user industries.

Certain sectors like chemicals, etc is a little slower right now and not really seeing it. But in general, we're seeing a growth over the FY 24 market size. And I think that this is broadly represented by all markets. So, you have sort of the newer demand from solid municipal waste incineration, waste-to-energy based applications, which are picking up more given the fact of that we have such a dire situation with waste in the country. So that gives us confidence, but also newer markets such as paper and plastic recycling, etc do present new opportunities. We think that that the demand from a lot of these applications is going to be quite resilient. It's not as if this demand will go. Prasad, do you want to give some insight into how your enquiry book is growing.

S.N. Prasad:

Yes. As our Vice Chairman mentioned that clearly will be a sustainable growth because the spread, it is not focused in only one segment, it is distributed between steel, cement and municipal solid based projects, IPPs, what we call, even where we said sugar, distilleries continue to grow that in the enquiry pipeline, even oil and gas, the domestic oil and gas with all these expansions. That way, this is well spread, if you see, whatever 131% growth we are talking of enquiries in domestic is across all segments, we are seeing the growth. So, these are sustainable growth, what we believe.

Moderator:

Thank you. Next question is from Samyak Jain from Marcellus Investment Managers. Please go ahead.

Samyak Jain:

Good afternoon, sir. I see that our other expenses have reduced by 33% on a y-o-y basis. While in the opening remarks, you did mention some cost efficiencies that you have gotten in this quarter, but I just wanted to double check, are this reduction in cost purely due to operating leverage or there are some one-offs as well?

Nikhil Sawhney:

I'll give you an indication as to what is the largest contributor to the other expenses is a part of our administrative cost and travel, is a commission that we paid to agents and that is directly reflected by revenue because when we recognise revenue and then we get payment is when we pay. Those other expenses will be quite directly proportionate to revenue growth.

In general, the costs are fully under control. Our fixed overhead is something that we've been able to absorb better because of just a better constitution of our product mix.

Moderator: Thank you. Next question is from Bimal Sampat, who is an individual investor. Please go ahead.

Bimal Sampat: Good afternoon. I just want some colour on our American subsidiary. I mean, with all these tariffs and all this, how are we looking at it for the next 1-2 years?

Nikhil Sawhney: So that's, again, a very good question, where we've underperformed in the U.S. subsidiary that this current quarter contributed to about ₹6 crore loss on the subsidiary which you would possibly see in the consolidated results. So, this is after absorbing those costs, we are reporting these results. But this is part of our plan. The fact is that we're investing in overhead there so that we can approach the market and to attack both the refurbishment market, which is for current third-party opportunities, also provide opportunities for current sales of new products.

Our ambition was to actually cater to our installed base in the Americas through our U.S. subsidiary. Unfortunately, given the trade conflict or the situation, billing of those orders for the rest of Americas outside the U.S. is difficult to do because of customer reluctance. They'd rather bill it directly on India, but it doesn't mean that the efforts that the people in the U.S. subsidiary are not benefiting the Company directly.

We think that the enquiry levels, like I said, have grown by about 175% for the U.S. market, and that gives us a good cause for what may come in the coming quarters. But we think that the uncertainty, given the direct tariffs with India presents some uncertainty in finalising the orders. If we stick at this 25-odd percent level, the value addition that we do in the U.S. would be more. We have to see what we have to do with the Company by having a local presence in the U.S. has the flexibility to decide what value addition it will do in which jurisdiction so that ultimately, we can be competitive in front of the customer.

Moderator: Thank you. Next question is from Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: Nikhil, if you can help us understand we've been bidding for orders in North America. We have SADC where you've covered. I just want to get this right that in FY 26 and FY 27 and maybe Prasad can chip in here. Do you think we will take a longer time and the kind of contracts we have, these are contracts which are large value, maybe 2-3 domestic contracts equate to the one large Northern order, the kind of orders we are targeting? Any colour on how FY 26 and FY 27, we should see or you think this market will take much more time. And you can compare with the SADC, again, where we had a very strong aftersales trajectory?

Nikhil Sawhney: I'll let Prasad answer first, then I'll answer, yes.

S.N. Prasad: Yes. What we see, delivery cycle wise or finalisation period these are quite normal. Whatever we have seen in the last 1-1.5 years because our entry into these large-sized contracts as you recollect, since the last 1.5 years we are participating in this, and we are winning. So, these delivery cycles continue to be the same level sort of the scenario, both in domestic as well as the international markets.

But coming to this FY 26 or FY 27, as our Vice Chairman mentioned that the growth trajectory, whatever today, we have seen that we are confident and things are in place. This is only a lumpy quarter what we have seen that. Going forward, even in FY 27, our attempt is to smoothen that lumpiness, but we are not very sure as you know that these contracts linked with the deliveries of other items as well as in large projects, especially in oil and gas. But definitely based on the current pipeline and whatever the confidence we are having on our acceptability, so there will be substantial growth there. We are on a positive traction on that.

Nikhil Sawhney:

I don't know if that answered your question, Amit, but I think that as we reinforce what Prasad has said that the nature of the Company taking larger value contracts means that we will be a little more lumpy. We've seen the impact of that this quarter and we are disappointed with that. It is learning for us also to smoothen it more ourselves, to not have these type of shocks that can happen because of things which are out of our control.

But in general, the market is quite robust. The Company is in very good footing. We think that our enquiry book indicates a good order booking and our order booking gives you an indication of the growth that the Company may have. So, in all fronts, we think that we're quite optimistic in the quarters to come. But of course, the fact is that a lot of the global uncertainty is out of our hands, we've tried and mitigated to the extent possible. I think Q1 has been a learning for us. And for that, we are disappointed.

Moderator:

We take the last question from Priyesh Babariya from Mahindra Manulife Mutual Fund. Please go ahead.

Priyesh Babariya:

Hi, sir. Good afternoon. Thank you so much for the opportunity. Just one question with respect to the customer acceptability and also from the perspective of how easy for the customer, it is to actually switch the vendors, let's say, like we observed or we experience in the first quarter per se?

Nikhil Sawhney:

I'm sorry, are you saying that once an order is placed, how easy is it for someone to change the manufacturer? Is that what you're asking?

Priyesh Babariya:

Yeah, correct. And even if it is not order placed, but let's say, how it is easy for the customers to actually, just like we experienced to the European counterpart?

Nikhil Sawhney:

Obviously, that's separated into two different timings. One is, we recognise orders in our enquiry book when advances are placed and our advances are non-refundable and they're quite sizable. I would think that the only thing that you have from a customer's perspective is delay or deferment of orders, not cancellation of orders once an order is placed. And that could happen for a variety of reasons.

Before the order is placed, of course, it's competitive. And the point is that the customer is free to choose from other manufacturers as long as they comply with the stipulations and specifications that he may have. While the number of

choice, the number of manufacturers out there is not enormous, it is very easy for someone to change manufacturers even at the last minute until an order is placed.

Moderator:

Thank you very much. That would be the last question. I would now like to hand the conference back to the management team for closing comments.

Nikhil Sawhney:

Thank you very much, ladies and gentlemen. Again, I'd like to reiterate the fact that while this was a disappointing quarter, the Company is quite confident on where it is placed. We continue with our recruitment, with our expenditures on a variety of different factors, including digitalisation and process improvement and customer satisfaction to ensure that this Company will be the benchmark for technologically driven mechanical equipment manufacturing in India, and we're well on our path to continuing to maintain our leadership in our current product range as well as to introduce new products to allow us to take leadership in new and innovative markets. Thank you very much, ladies and gentlemen. We look forward to addressing you again in the next quarter.

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