



Triveni Turbine Limited Conference Call Transcript November 02, 2018

Moderator Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited Q2 and H1 FY 19 earning conference call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to 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 Q2 and H1 FY19 earnings conference call for Triveni Turbine Limited. We have with us today on the call, Mr. Dhruv Sawhney – Chairman and Managing Director and Mr. Nikhil Sawhney – Vice Chairman and Managing Director, along with other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward looking in nature and a statement to this effect has been included in the invite which has been mailed to everybody earlier. I would also like to emphasize while this call is open to all the 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 Good morning Rishab, Good Morning everybody. Welcome to the Q2 H1 Investor Call for FY 19. We have a happy set of numbers to report. Our net income from operations stood at Rs. 3.9 billion, it has shown a growth of 14% and our PAT has also grown by 19% at Rs. 491 million. So, turnover in the first half has been at a record high, but equally encouraging is the 11% growth in the order intake in the first half. Substantial initiative taken by the board was the buyback of shares of a billion rupees, so tender offered at a price of Rs.150 per share for maximum 6.6 million shares, which would be just over 2%, 2.02% of the total paid-up equity and the buyback represents 22.53% and 22.24% of the equity plus free reserves as per the last standalone and consolidated balance sheet respectively.

So, let me just start off with the operations and like to comment on the buyback and also take you through the outlook in that. During the quarter, turnover for the quarter was almost the same in the last year, but if we really, I have always said we must look at cumulative results, so for the half year which is what we had expected, the



turnover is 14% higher and we expect the year end to be also closing at a much higher figure than last year.

The mix of exports has increased from 48% to 57% which is encouraging. This is part of the order booking of FY 18 and the aftermarket sales to total sales is about the same at 28% last year. One of the things that have happened is during the first half of the year, the domestic market has picked up very well, and one in terms of order intake and in terms of enquiries and this is spread over a lot of sectors. The domestic order booking in fact has gone up 41% over the same period last year, but of course, again last year was a little lumpy, but there is substantial traction in the domestic market. This is something that I have been talking about and we are expecting it and I said I would rather like to comment when we see the signs rather than when we expect to see the signs. Now, 1) we have seen the results, 2) I am confident of the domestic markets in the next 6 months and in the next year.

The overall consolidated order book is at Rs. 7.8 billion and it is higher than last year by 11%. So, during the half year under review, as I was talking about the domestic market which has improved, we are tracked all over and in the 5 to 30 megawatt global market in the first half of this calendar year, outside international sources have put the market share globally as number 2. So, I think that has been a very substantial achievement and well recognised internationally by researchers and this is spread over a large number of sectors as I will come to in a minute, but to stick on the domestic market for a minute, we have maintained our 60% market share and the inflows have come in as I said in a variety of segments which is chemicals, food and agro, cement, and also biomass, power generation, mainly sugar. Inquiry generation is also from the same sectors and we expect that to materialize both in order for the balance half of this financial year and going into Q1, Q2 of next year. So, we are seeing a very good active dispatch program for the next 1-1/2 years or so at least visible now.

The segments that we have talked about are also to do, I would particularly like to mention, infrastructure which is picking up, steel and cement domestically and that you all know from what you are reading about the sectors in other companies. A lot of the orders are still under finalization and on the active stage, which is why we expect the orders of Q3, Q4 to be quite good. In the aftermarket domestically, this has also shown good growth in order booking and while turnover has improved by 11%, our order booking is significantly higher by about 20% and so the total order booking aftermarket from the international market is now contributing almost 47% to the total aftermarket order book. In the services sector, the refurbishment part is exceptionally good and it is showing very good visibility, so we are looking at this as a future potential growth accelerator mainly internationally which is good and that has taken a long time coming, but our confidence which we have had in placing our export offices up and that is now seeing traction more in the aftermarket sector than in some countries like in Africa and other where the economies are still under stress. The aftermarket is picking up more than the product.

To now turn to the export, during the first quarter of the current financial year, we registered a lower, as I mentioned in the last call, order booking but this has been now made up well in the second quarter, which is sort of what I keep saying that we look at things cumulatively rather than going quarter to quarter. Now, again we expect the same thing in Q3, Q4. So, if you look at the results as it will be for the end of the year, the international sector is doing well, but I must stress here that the international sector in the past has been extremely stressed, so I think we have done exceptionally well when you look at our competitors, our peers and their various ranges in the power markets. You have read results of many others in this field and they haven't been very encouraging. So, keeping that in mind, I think our



performance is even stronger and is a great credit to the team. It is also credit to our foray 2 years ago in moving internationally and taking the decision to incur the capital and the personnel costs and moving forward and we are going to continue with these pushes. We are not really looking at opening new fronts, but we are consolidating on export bases and having them reach out further in the regions and that is proving to be a very efficient mechanism for order booking and more importantly enquiry generation.

We now have current orders and installations from over 70 countries and we are focusing on about 5 or 10 new markets in the next 6 to 9 months. We are confident of some breakthrough here as well. The focus internationally is biomass, waste to energy. There has been some slowdown in combined cycle and the oil and gas sector, but the inquiry base here has picked up very substantially and you are aware of the international oil prices which don't seem to be coming down in the near future. So, we expect good businesses from these sectors and this leads me on to GE Triveni, where the combined cycle is even more relevant. Because of the slowdown in this sector internationally, this has affected the order intake in the first half of this year, but we have an extremely active pipeline both domestically and internationally in the 30 to 100 megawatt, above 30 to 100 megawatt steam turbine field and we are confident of closure now before the end of the financial year. So, that is also going to give us a fillip for our performance in 19-20 for TTL, because these are the orders that would be executed in this line.

I would like to just talk on our buyback. We have the boards considered this as a very efficient way of returns to the shareholders. We have good confidence in our future order bookings and our growth. There are no problems of liquidity and we finished our capital expenditure programs, so these have been drivers and the confidence that we have on the future order bookings on both the domestic and the export market, so we have diversified risk also and this is helping us and considering that we have achieved well in the toughest market of the last 6 to 9 months and we expect the market to be better and we expect our market shares to be at least the same. We are confident of achieving that result but in a very important part of our push in the last 6 months has been the achievement of substantial gains in the technical / technology fields. We have had a new series of models and blades and we have had them now validated from the best organizations globally who get into the power field, University of Milan and others and their validation is something that is very useful in terms of order bookings in new sectors financially and in terms of our further research program. So, we now are feeling that we have both the technological sense and the marketing reach to pursue the program of both product sales and aftermarket sales globally. This technical program is going to be further added as I mentioned because we are having in the first quarter or the Q4 of this financial year a testing bench coming in with 3 megawatt diameter and this is something that is very few turbine companies have it in Asia. So, we are both technically moving in the design field and self-validation. We have very strong partnerships locally with the Indian Institute of Science which is encouraging for us and with the IITs in various parts of India.

The outlook as I have been referring to is good and in fact we expect a record year in our order booking in the current FY19. We expect FY20 order booking to be equally good in terms of reach and growth because of the active inquiry base and the spread of the inquiry base. The second encouraging factor is that this is happening for many sectors. It is not just concentrated on one sector. So, if some economies go up and down and we have seen that in one of our markets such as Turkey, it has been compensated by others while even we have managed to keep our market share in Turkey which is quite good. The new geographies that we are looking at are both going to be in Asia and in Latin and South America and parts of



Africa. The consolidated order booking position is with you and I would just like to highlight a few points that we have had 11% growth in order booking as I mentioned earlier and so on closing the order book now is 11% higher than it was at the same time last year but the aftermarket having contributed 22% growth over the last year. So, with that, I would like to open the floor to questions.

- Moderator** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We would take the first question from the line of Anand Bhavnani from Unify Capital. Please go ahead.
- Anand Bhavnani** I just wanted to understand, other income wise there has been a sharp rise in H1 this year as compared to last year, so if you can comment on this and help us understand if it is sustainable or are there some one-offs in this first half?
- Dhruv Sawhney** Normally, we follow hedge accounting in respect of our foreign exchange exposures and we remain very substantially hedged also. There had been some exposures which were not covered under hedge accounting because there were some requirements to be fulfilled, so this is as a result of settlement and restatement of that. These basically represent foreign exchange gains.
- Anand Bhavnani** This is like a one-off gain from rupee depreciation and would that be the right way to think about it?
- Nikhil Sawhney** Yes and they are all, they are business related.
- Dhruv Sawhney** And secondly looking at the fact, the rupee is depreciated very substantially, whatever hedging positions we are taking as of now coupled with forward exchange premium of about 4.5%, it puts us in a better, much better position that is about 4.5% on a dollar and about 8% on the euro.
- Anand Bhavnani** The second question is about our overall H2 kind of outlook, given the bullish commentary, if I were to compare last year, H1, H2 split was roughly 40 to 58, so are we expecting to have a similar split this time around?
- Dhruv Sawhney** I don't want to get into figures, but I have given you because we know you are never sure of when the order will get actually finalized, but certainly we have much better active inquiries, so order booking we are confident will be keeping up the pace of what we have done in H1. Now, exact dispatches will of course we expect the year to end much better than the last year in terms of turnover and exactly what percentage is I would not be able to really comment on just now.
- Anand Bhavnani** And sir, inventory wise, if I see there has been a build-up in inventory, so if you can comment on it like in terms of number of days, inventory at the end of H1 FY 19 is 200 days as compared to 185 days?
- Dhruv Sawhney** You know because we are capital goods Company, please don't look at that.
- Nikhil Sawhney** No, this is primarily driven by the turnover which is going to come in Q3 and it is based on certain finished goods inventory which is to be dispatched at the end of the quarter.
- Dhruv Sawhney** It will be done by the end of the year because they are orders that are in hand with a particular order of our GE Triveni which is to do with GE. It is a combined cycle plant and we have talked about it earlier, but now this is moving well, so we expect



to dispatch in the current financial year. So, you will see a change going forward certainly by the end of the financial year.

Anand Bhavnani And sir lastly on GE Triveni joint venture, you have mentioned that there was a delay in particular order ?

Dhruv Sawhney This is what I am talking about, this is the one referring to, same thing, and same one.

Anand Bhavnani Is that sitting in the inventory?

Dhruv Sawhney Yes.

Anand Bhavnani And sir just a small request. We get wonderful data for the consolidated entity in the press release, but for GE Triveni, also if you can similarly share details of opening order book, order booking, sales, it will help us tremendously?

Dhruv Sawhney Actually, Triveni Turbine part is only one part of the whole GE Triveni, so we don't go into that same amount of detail, but you will take in the projections and what we talk about the future, we do take whatever way I am expecting GE Triveni to achieve in terms of both turnover and in terms of order booking.

Anand Bhavnani Sir GE Triveni, do you anticipate as a whole FY19 will be better than FY18?

Dhruv Sawhney FY19 will be better than FY18, yes.

Moderator Thank you. The next question is from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.

Anupam Goswami I just wanted to know with the government mandate on sugar, ethanol, and we see a lot of distillery being set up, what are your thoughts on that, how much orders are getting on the distillery plants being set up?

Dhruv Sawhney It is a good point. I had it actually in my opening remarks, but I am glad you brought it in. Yes, we are very good beneficiaries in two ways, one is that with the movement of making ethanol from B-heavy molasses and from cane juice, the gas saving is higher, so that the power generation capacity, the gas available for co-generation goes up and then you have more capacity of turbines and more number of turbine possibilities. The second is the distilleries themselves have power requirement and some of them are unable to wheel to the grid, but this will come in 19-20. By the time, these distilleries get all permissions and the environmental clearances, etc. The Triveni group itself is putting up some, so it is very encouraging sign for Triveni Turbines.

Anupam Goswami So, the order will start coming in from 19-20, you said, right?

Dhruv Sawhney Well, it might start a little bit this year, but may lead next year.

Anupam Goswami And sir, could you repeat your market share in the international market and also in the aftermarket kind of missed that?

Dhruv Sawhney You see, aftermarket, in this it is almost impossible to get the total market, it is very difficult globally because they are local players and they are OEMs and they are third



parties who do work on other OEMs, so there is no data flow captured in that way, both domestically or internationally especially. Same is the situation in the product line. While we may as I said we quote that we are the second largest, it is difficult to really talk about market share because many things are not reported. You are looking at 75 to 80 countries, so it is not something we are sure of talking about the domestic market where we know all the inquiry.

Anupam Goswami But sir, you are catering to different industries, just wanted to have an idea on which proportion of your revenues come from which industry, if you can share that data?

Dhruv Sawhney No, we don't give the split, but I am giving you the spread of the industries because actually it is not important because it shift from time to time and quarter to quarter, so we actually have an approach of having risk mitigation strategy where we really concentrate on all. So, looking at this mix and looking at our spread is what gives me the confidence of telling you about the record of order booking potential for the current year and what we feel is an order booking in 19-20 as well, so today we are in a pretty good growth path, something that inquiry wise and all was scenario 3 to 4 years ago in the domestic market where we were not very much internationally. So, it is good days.

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

Kirti Jain Sir, first my question is with regard to there is like a short term in the power market, we are seeing spikes in the energy exchange markets and some demand improvement is also there. Are the inquiries improving on the industrial power side to put up more captive power in the domestic market and second is like export are there any weakness sir, because domestic, we have seen the press release that we have grown significantly. Export, what is hindering our growth part sir?

Dhruv Sawhney Please understand that our growth in the international market has actually been quite exceptional given the fact that the market internationally was under tremendous strain as you know from all the way from 500 megawatts down to 5 megawatts in the steam turbine market, so we have done quite very well. Now our growth in the international market is looking at new markets and new sectors and also pushing the range of products with new technologies, so this is what is bringing our growth. Market projections are difficult to get on the global basis. Domestically, we are able to see much better visibility in where we are going and that is why we are saying we see the domestic market now which is actually delivered results to us in the first half and going forward is very encouraging.

Nikhil Sawhney Principally on the export side, we focus on the renewable sector which is biomass waste independent power producers, the sugar market as well as which is one of the most important markets is the waste to energy and the solid municipal waste incineration market which all of them actually are very dependent on funding availability and so while the stress in that credit market is sort of eased we see that improving but it is a very consistent demand from this segment. It changes geographically year to year and quarter to quarter, but we think that we are in a good space there and we have very good credentials, we have a very good market share in that specific space and we are quite confident of growing quite well.

Dhruv Sawhney And the further factor is that the renewable market is not really going down. The stress that is coming internationally is on conventional power and so the move is one the renewables, the second is on the environmental control or landfills and municipal waste is a big factor all over the world, not just in the developed world and lastly our



technology and our position already in both domestic and international markets for these sectors or products are quite appropriate.

Kirti Jain Sir secondly like the buyback quantum, it will put us in net debt position, right sir, so still what is the rationale for the buyback sir?

Dhruv Sawhney As I mentioned in my opening remarks is the most beneficial way of return to the shareholders, we don't have any liquidity or CAPEX aspirations anymore and we are confident of the order booking and the position in 2019-20, so these are the drivers.

Kirti Jain But we could have done an open market purchase also, right sir?

Dhruv Sawhney The board felt that this was an appropriate way to actually go through the process of buyback.

Kirti Jain Are we seeing improvement in the industrial power requirements and domestic markets?

Dhruv Sawhney Yes, as I mentioned base industry are seeing the requirements rise in terms of capacity utilization not only in terms of order booking but also in the inquiry book, so we do see centre such as cement, paper, steel very strongly there. We see now a strong uptake in the distillery and agro processing market. In general, the overall inquiry intake even for the quarter is up finally 70 to 75% over the previous year, so it is encouraging even though the factor that you have to remember that over the course of the last several years that the market in India has declined substantially. So, even if we look at very large increases, we still need a couple of years for us to get back towards the areas.

Kirti Jain But domestic is like the pricing slightly also improving sir or the pricing continues to be tight?

Dhruv Sawhney Margin is as the same.

Kirti Jain But we will benefit because of the operating leverage our systems will, our expenses would be amortized over larger revenue base?

Nikhil Sawhney Exactly.

Dhruv Sawhney And secondly we have a good customer base, we have a good track record, so that is what we are encouraged with.

Moderator Thank you. The next question is from the line of Baskar Choudhary from Entrust. Please go ahead.

Baskar Choudhary How do you plan on funding the buyback?

Dhruv Sawhney We have the liquidity.

Suresh Taneja I think we hold current investments of about Rs. 75 Crore as of now and with a kind of sales collection forecast that we have, I think we are very comfortably placed.

Baskar Choudhary And how much free cash flows are you targeting to do for the full year?



Dhruv Sawhney You know, looking at the fact that we do not have any capital expenditure program, so basically whatever is the internal accruals which come in, it will form a part of the free cash flow itself.

Baskar Choudhary Do you have a number to that?

Dhruv Sawhney When you look at it, it is more than sufficient for all plans that have been disclosed by the board including buyback.

Baskar Choudhary And just a related question, you said there are no CAPEX plan as of now, then how does one look at utilization if that is the correct word?

Dhruv Sawhney Good point. In the previous conference calls, I had mentioned to you that in our business, the CAPEX you cater to is at a low cost and quite a substantial capacity enhancement because capacity enhancement comes in through your base factory where you do the assembly and testing and also supplier base. So, we spend over Rs. 200 Crore, and we have enough capacity today for an expansion of maybe 30% to 35%. For many years, we have no requirements of any CAPEX to fulfil orders, we have put up a new factory, Sompura, which is state of the art globally. So, all the machinery that is there is actually top quality today from the best manufacturers globally again and they are all working and they are all tested, they are all producing, so now one can confidently say that because it has been in an operation now for the last year.

Moderator Thank you. We would take the next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan Just wanted to know what the current domestic market size is in megawatt terms and what it was last year at the same point of time, between 0 to 30 and 30 to 100 megawatts.

Dhruv Sawhney I haven't got the comparative figures, it is a good question. We will have to simulate that. Could you get in touch with us, we will give it offline; we will get the figure to you.

Ravi Swaminathan Sure sir and in terms of inquiries, you mentioned that it has improved, so how many gigawatt of inquiries are there currently in the domestic and the international market? Same if you can give the comparison compared to last year also, even ballpark numbers would be fine, sir?

Nikhil Sawhney Ravi, we maintained the inquiry book because in the domestic market to the tune of around 1.5 to 1.7 gigawatt and internationally, our inquiry book is still solid in the range of more than 2.5 gigawatts.

Ravi Swaminathan And how it was previous year, sir?

Nikhil Sawhney It is more or less, it is a growth, but it is not a quantum growth but it has definitely improved from 1.2 to 1.3 from domestic

Dhruv Sawhney The difference is if you look at the numbers, they don't tell you the story because there are lots of people who put in budgetary quotes and don't do anything about it for a year or 2 years, but it is put in as an inquiry because it is actually sent them an offer. Now much higher percentage is becoming one, very active and substantially active as you know is a part of project and then dependent on the projects taking off



which is not fairly only on our supplies from their clearances and their funding. So, the percentages of active, what we call committed, active inquiry commitments and the active inquiry is much better now.

Ravi Swaminathan And in terms of exports, you had mentioned that there is some kind of global weakness in terms of the conventional power, I mean there is a some kind of mismatch given the fact that global economy is on the recovery part. Some of the major economies are doing well. I just wanted to know your sense as to why the major markets are growing and still there is a demand weakness for both conventional and the renewable power also?

Nikhil Sawhney No, anything else from credit availability to the sector. The fact is that biomass and waste and renewable projects have credit available. Credit is not available for coal based projects and it is driven by larger option to the Paris climate accord, etc. More than that is our sector which is industrial power generation which is dependent on capacity utilization. At the industrial level, it is quite sufficiently underutilized in the developed world. In developing countries, we do find demand and well added something that we are approaching quite aggressively. We believe that while order booking in the global market may have been subdued. Going forward, there is like you rightly said a great appreciation for certain models to come through because there seems to be a better growth in the market.

Ravi Swaminathan So, it is more a function of just how it is happening in India. That is the steel, cement and other industries of the world there. There is lower capacity utilization because of it, in spite of growth in the market, still orders are not fructifying as of now, but it is likely to improve, so is my understanding right in that sense sir?

Nikhil Sawhney I think you are right. It is difficult to generalize that statement, but in certain pockets, you are completely right. In some countries, you are very right.

Dhruv Sawhney But I can say that when I talked about stress, I meant the market even in large power, in medium power, so that affected the total power market going up to about above 1000 megawatts etc. and that market is not so relevant to us even for Triveni Turbine or GE Triveni because we are really limited to the industrial power and not the utility market and the factors there are really in our favour. The upturn that is happening globally whether it happens in the large power market or not, it is certainly happening in the industrial market.

Ravi Swaminathan And in our exports, how much would be your conventional and renewable or it would be majorly renewable dependent on export market, how it would be sir?

Dhruv Sawhney Majorly renewable, you are correct. That is the focus and that is the fact.

Ravi Swaminathan Last question, bookkeeping question, GE Triveni order book, revenue and PAT for the first half if you can give it will be really helpful sir?

Nikhil Sawhney I think the revenue and PAT have been mentioned in the investor brief, the closing order book of GE Triveni is Rs. 162 Crore.

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

Anand Bhavnani Just wanted to understand gross margins in H1, was there any impact due to raw material price increases?



Dhruv Sawhney No, you see what happens is that as you know we have two basic segments which is product and aftermarket and the amount that it changes would change the gross margin, but it would normalize by the end of the year. So, essentially the fact is that we believe that this current year would have a better margin than last year, would have a higher turnover than last year and so that is the way that you should look at it if it normalizes by the end to reflect that.

Anand Bhavnani And in terms of our export revenues, everything is billed in rupees, am I correct in my understanding?

Dhruv Sawhney No, substantial amount is billed in foreign currencies, that is why we as mentioned earlier in the call, we have hedged and we have hedged now going forward as we mentioned about our forward rates of 4.5% on the dollar and 8 on the euro, so that is the substantial upturn and that is something that has been there in the past as well, so it is not something today. Major revenues are in foreign currency in the export. Only some to the Indian EPCs are in rupees.

Anand Bhavnani And sir any margin difference between Indian and export business and the products, Indian and exports?

Dhruv Sawhney Yes, quite substantial.

Anand Bhavnani Our exports have increased to 57% in H1 FY19 whereas in FY18 they were lower at 48%, despite that our EBITDA margin improvement hasn't been there, so what am I missing here?

Dhruv Sawhney You can't look at these things, it is all very lumpy, so one generalized statement on margin is being higher, but if you see the year as a whole, I think it will be better.

Nikhil Sawhney Now if you look at the H1 versus H1, you see at a net margin level we have a growth more than 2%, from 17% last year to 19.2% this year.

Anand Bhavnani But that is other income driven, so I would actually look at operating EBITDA margin which is 19.4% in H1 versus 19.1%, so 0.3% increased whereas the jump in exports is quite significant. It has now exported 57% versus 48% last year, so or if you can help me understand what the margin difference ballpark is, is it a 5% margin difference or 7% or 3%?

Dhruv Sawhney I think we won't go into that but we have answered the question on the other income, so you really have to take that into accounts when you are looking at the margin difference.

Nikhil Sawhney You know in any case, when you are following hedge accounting, so whatever are your MTM gains, losses etc., they have all form part of the revenue, so basically everything, all foreign exchange gains etc., is nothing but the part of the revenue itself.

Anand Bhavnani That is very helpful, lastly wanted to understand the buyback price of Rs. 150 and how was it arrived at?

Dhruv Sawhney This is the board that considered this matter and looking at the trailing and the potential and the company feelings of the future and the confidence that we have and they feel this is an adequate return to the shareholders.



Moderator Thank you. We may take the next question from the line of Abhishek Panecha from Vibrant Securities. Please go ahead.

Abhishek Panecha My question is regarding the market segment of 30 -100 megawatt, so what is the market situation previously and our outlook in the segment going forward and the order book position you have already said, so that is answered.

Dhruv Sawhney Well as I said the market position going forward is much better. We have good state of inquiries again, which have become active. So, both internationally and domestically, the order booking potential which is for FY19, the balance of this year is better than what it has been in the first half and definitely for 2019-20. To answer your question specifically, it applies both domestically and internationally.

Abhishek Panecha So, what would be the market size previously, 2 or 3 years back?

Nikhil Sawhney At the peak, it was very high, but the last 2 years, it was hovering around 200 odd megawatts per annum.

Dhruv Sawhney Domestically.

Nikhil Sawhney Yes, domestically.

Abhishek Panecha 200 megawatts per annum domestically and on the export side?

Nikhil Sawhney We don't know the data.

Nikhil Sawhney It is much larger, that is not something that..

Dhruv Sawhney It is very substantially larger.

Abhishek Panecha And our present order book position which is there, so it is more towards the domestic market or on the export side?

Nikhil Sawhney Order book is more export.

Abhishek Panecha Is it 100% for export?

Nikhil Sawhney Not 100%, it is majority exports.

Abhishek Panecha And in the domestic side, we are seeing any traction in this?

Dhruv Sawhney Yes, as I mentioned we are seeing traction in the inquiry active base very much.

Moderator Thank you. The next question is from the line of Pawan Parakh from Renaissance Investments. Please go ahead.

Pawan Parakh Sir, off late, global currencies have seen a lot of volatility and if that continues, do you think that is a risk to the record order inflows view that you have and what could be other potential risk to this outlook?

Dhruv Sawhney No, because one, we follow fairly hedged policy in our foreign exchange management.



Pawan Parakh I understand that when there is volatility in currency and lot of the orders go on hold.

Dhruv Sawhney Correct. You are right and some countries like Turkey has had more opportunities than others, but because we have a much diversified market in terms of over 70 countries in various sectors. Certain projects have to go forward, regardless of the difference, we got an order from Turkey where the currency depreciated very substantially by 30 to 40% and the project had to go forward.

Pawan Parakh Any other risks that you foresee to this outlook?

Dhruv Sawhney No, we don't at all because this mitigating factor is twofold, one is that we are in the right sector, mainly in the renewables internationally and secondly, we have a diverse business segment and geographical spread.

Pawan Parakh And sir in your opening remarks, you had mentioned that there is some slowdown in combined cycle order in the international market?

Dhruv Sawhney There was, now it is picking up. It was in the past in the last 9 months or 1 year which is now seeing traction again. This is why we are confident.

Pawan Parakh And why was there a slowdown? Any specific reason?

Dhruv Sawhney That is a bigger question on the combined cycle as you know is gas and it is more with the other players of GE, Siemens, and Mitsubishi.

Moderator Thank you. Next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.

Ashutosh Mehta Sir, my question is related to the CPP market domestically, what will be the current size and how do we expect this market to grow over the next 1 to 2 years?

Dhruv Sawhney Captive power plant. Now let us say, one it is happening across the sectors from biomass to paper to the cement and food and steel, so it is across the sectors. You know all these places are having captive power. So, when the projects are coming up or they are expanding, a lot of brownfield, and lots of unutilized capacity is in our streamlined, the plant capacities, so we are seeing this not just in the infrastructure sectors, I mentioned, but in the other sectors, look at how distillery is something is going to boom in the next one year, so they are same things you already are covering steel and cements, so you know what is happening in those sectors.

Ashutosh Mehta Sir second is just a bookkeeping question. What will be the quantum of the Forex gain which was recognized in Q2 on translation?

Nikhil Sawhney Roughly speaking, it was approximately between Rs. 4 to 5 Crore.

Moderator Thank you. Next question is from the line of Manish Goel from Enam Holding. Please go ahead.

Manish Goel On industrial segment like you mentioned that steel and cement is seeing recovery, so like in 2012 when the markets are quite strong, the contribution of this particular segment was quite large. So, if you can give more sense as to how big is demand emerging and as mentioned by previous speaker also in terms of captive power, probably are you saying requirement coming from process co-gen and waste heat recovery and other things and second related question in terms of what is the current



revenue contribution coming from this particular segment, industrial segment and how do you see this growing?

- Dhruv Sawhney** Well you see, it is extremely positive. Whether it comes back to the 12-13 levels, of course we have the capacity to be even sell more, but we have got extreme traction started in the first half of the year. Now, I would like to really even internally look at that more when we get the orders in Q3 and Q4 looking at FY19-20, but we are put in a fairly optimistic scenario for contribution from this sector going forward in the next 6 to 9 months and that is going into next financial year as yet and that quickly because of the strength of the discussions that customers are having with us on their projects, specifically the industrial projects that you are talking of.
- Manish Goel** Any sense as to this particular segments, how much would be the revenue contribution, just to get a sense that what kind of delta it can provide in the coming year?
- Nikhil Sawhney** To give you an idea, I think these sectors that you are talking about are largely based on coal based or non-renewable base power generation and so what you would find is that the growth in that market, I would imagine really triple the outstanding inquiry book that Triveni Turbine has.
- Nikhil Sawhney** Manish, just to add one point, the inquiry book, the sectors what we discussed about particularly the infrastructure like steel, cement, we are seeing full traction and if you look at our inquiry for the domestic market, we have close to 20% of the inquiry which was almost nil a year back. So, we are seeing lot of visibility from the inquiry standpoint which we believe that will be converted into orders in the 3 quarters.
- Dhruv Sawhney** So, 20% that is a good figure with no base.
- Manish Goel** And maybe this number, 15%-20% may be revenue contribution from industrial segment?
- Dhruv Sawhney** Yes, but that will come in FY 19-20 when the orders are coming.
- Moderator** Thank you. Next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.
- Kunal Sheth** I have two questions. In international markets, which are the key countries that have contributed in the inquiry flow currently?
- Dhruv Sawhney** No, it has spread all over. Some countries, we are strong from South East Asia, we have had a revival in parts of Africa and Middle East, MENA, North Africa. We are also seeing traction in Europe, but also the SAARC region is pretty good. So, actually if you look at it, I am covering probably Latin America for us is little less, but otherwise the rest of it is fairly spread, less in Europe. The growth is less in Europe because that market isn't that growing as much.
- Kunal Sheth** Out of this list that you gave, where do you see the sharpest delta in terms of pick up in the inquiry base?
- Dhruv Sawhney** It has spread across many sectors and many countries. I have given you broad spread of where it may be and where it may not, where it is but fortunately for us it is spread. So, I don't have one or two apexes which are so substantial to stand out.



Kunal Sheth My second question is when we decide to enter a new international market, usually what are the key variables that go into deciding which market to enter and when and generally what is the time and cost involved in breaking into a new market?

Dhruv Sawhney For now, for example, we have already done that 2 years ago, so it is really fairly hypothetical. We are not looking at opening new, we have already covered 75 countries with our spread of offices that are present, and so these are not something that we are considering now. Actually, it was something that was there 2 to 3 years ago and it is borne fruit. So, it is academic.

Kunal Sheth So, incrementally, we are not looking at adding too many countries?

Dhruv Sawhney No, we don't need to. We don't need to because these offices are good enough for us catering to surrounding regions there.

Moderator Thank you. The next question is from the line of Shrimant Jain from Unify Capital. Please go ahead.

Shriman Jain Sir, I just wanted to understand what was the capacity utilization in H1 last year versus H1 this year?

Dhruv Sawhney While you know capacity utilization in steam turbine is not very relevant. As I am saying, we still have capacity for 20 to 30%. It is not a charge on the P&L much, so it is really not something that is a big determinant and secondly, you are not just relying on our capacity, we have a lot of good partners in subcontractors and bought out equipment. So, we will have to consider all that if you looked at the whole of what our products are and their capacity utilization. So, that is not really a determinant, but you could say that capacity utilization has improved, but there is vast potential.

Shriman Jain Secondly , in terms of currency benefits that we will now be having in exports, for fresh orders, would we be passing the benefits to the customers or would we be retaining it internally?

Dhruv Sawhney This is a customized product and every pricing of the product is uniquely done. It would be difficult to imagine that all the currency benefit can be captured by the company, but I think it is unique and it is all depending on competitive scenario for each order. It is difficult to forecast but we think that we will benefit as a company both from the perspective in the short term as well as long and medium term from this rupee depreciation.

Shriman Jain And just wanted to understand what are the margin difference between exports and domestic market percentages if you can quantify or give us a sense of it?

Dhruv Sawhney If you don't go into those figures, but the exports are better.

Shriman Jain And lastly sir, orders for GETL was pending, can you give us a ballpark, sense of what was the size of order?

Dhruv Sawhney No, as I said there are active inquiries coming about, we give you the orders on hand, but except to say that we expect them some to close before the end of the financial year.

Shriman Jain In the opening remarks and in the press release it was mentioned that an order is just pending for deliveries ready, so I was talking about that particular order.



Dhruv Sawhney That is the particular one for the customer, I think you can just leave it at that rather than going into the detail, it will be dispatched in the current year. It is part of the inventory.

Shriman Jain Okay, it is not possible to share?

Dhruv Sawhney No, not really.

Moderator Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

Dhruv Sawhney Thank you very much everybody and thank you for joining in. I would like to just end by saying that today we are poised at a very unique time. We have had record H1 and we are looking forward to further record in the future based on our active order books domestically and internationally and the product lines that we established technologically which cater to this market of 18-19 and 19-20 so we look forward to a great 18 months ahead.

Moderator Thank you very much. Ladies and gentlemen, on behalf of Triveni Turbine Limited we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.

