



TRIVENI TURBINE LIMITED

CORPORATE OFFICE

8th Floor, Express Trade Towers, 15-16, Sector-16A, Noida - 201301, U.P., India

T.: +91 120 4308000 | F : +91 120 4311010-11

www.triveniturbines.com

By E-filing

REF: TTL: SE: 08/05

Date: August 12, 2024

BSE Limited P.J. Tower, Dalal Street, Fort, Mumbai - 400 001 Thru: BSE Listing Centre	National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 Thru: NEAPS
STOCK CODE: 533655	STOCK CODE: TRITURBINE

Dear Sir/Ma'am,

Subject: Transcript of Investors/Analysts Conference Call held on August 6, 2024

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call held on August 6, 2024 for investors/analysts in respect of the standalone and consolidated unaudited financial results of the Company for the first quarter ended June 30, 2024.

The transcript is also available on the Company's website at www.triveniturbines.com.

You are requested to take this information on record.

Thanking you,

Yours' faithfully

For Triveni Turbine Limited

Pulkit Bhasin

Company Secretary

M. No. A27686

Encl:A/a

Regd Office : A-44, Hosiery Complex, Phase-II Extn., Noida - 201 305 (U.P.)

CIN : L29110UP1995PLC041834



Triveni Turbine Limited

Q1 & FY 25 Earnings Conference Call Transcript

August 06, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Triveni Turbine Limited Q1 FY 25 Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you, sir.

Rishab Barar: Good day, everyone, and a warm welcome to all of you participating in the Q1 FY 25 earnings conference call of Triveni Turbine Limited. We have with us today on the call Mr. Nikhil Sawhney, Vice Chairman and Managing Director; Mr. Arun Mote, Executive Director; Mr. S.N. Prasad, Chief Executive Officer; Mr. Sachin Parab, Chief Operating Officer; Mr. Lalit Agarwal, CFO; and Ms. Surabhi Chandna, Investor Relations and Value Creation, along with other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and a statement to this effect has been included in the invite, which was mailed to everybody earlier. I would 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 and Mr. Arun Mote 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 very much, Rishab, and a very good afternoon, ladies and gentlemen, and thank you for joining the investor call for Triveni Turbines for Q1 FY 25. It's been a remarkable quarter one, not only in terms of financial metrics, but also on all operating metrics, including order booking. We have had multiple years of notable quarters where improvements have been witnessed on prior periods.

And now we had nearly 17 quarters of growth, and we are very happy that this augurs extremely well in the first quarter of this financial year because it gives us visibility towards the rest of this year. I'll be happy to talk more about this during our conversations. The revenue for this quarter grew 23% over the previous year to reach a record quarterly level of ₹4.63 billion revenues. EBITDA and PBT reported a robust 36% and 37% y-o-y growth with a margin expansion of ~240 basis points.

PAT for the quarter was at ₹804 million, an increase of 32% y-o-y. And we also had the highest ever quarterly order book of ₹6.36 billion during the first quarter, which was a growth of over 40% y-o-y. Before I get into the details, I wanted to take you back on the business that Triveni Turbine does. What do we sell and what are the markets that we cater to. This will provide you a little bit of a greater insight into where we are as a company and where you could actually see the

potential for this business. Triveni Turbines sells heat and power solutions, both for industrial as well as renewable-based applications.

And the growth areas where our products fit is into the fixed capital formation that happens in end-user industries such as process industries which requires steam as part of the process, but also for renewable-based applications and independent power production. We, of course, have stopped giving a split of our sales between below 30 MW and above 30 MW, but suffice to say a lot of our growth and visibility is coming from these larger megawatt (MW) turbines, which we are increasingly getting a better market share in. And as it happens, our R&D is now taking our product range in excess of 120 MW, and we are very happy that we are able to cater to the global market for these product ranges.

Our refurbishment in the aftermarkets also present a huge growth opportunity, as we have seen in the growth of the business over the last several years, not only in terms of being able to provide a life cycle relationship to our customers, but on the refurbishment side, this allows us to stretch it to other OEMs, which have not been able to adequately service their customers. We feel that putting the customer at the centre of all the activities that Triveni does, be it in terms of our sales initiatives or projects and execution, but also specifically in the aftermarket and aftercare is our ethos and we do abide by that principle to make sure that the customer is delighted in every interaction that they have with Triveni.

Now coming back to this current quarter, the domestic sales increased by 27% to ₹2.47 billion, while export sales increased by 19% to ₹2.16 billion. Export as a percentage of sales stood at 47% in Q1 FY 25 as compared to 48% in the previous year. This is, of course, a reflection of the order book that we had in previous quarters, apart from the aftermarket, which has a shorter book and bill cycle.

EBITDA for the quarter increased by 36% to ₹1.15 billion in the Q1 FY 25 as opposed to ₹843 million in Q1 FY 24, and margins increased by 240 basis points to 24.8% as against 22.4% in the period of the last year. And profit after tax grew by 32% to ₹804 million. Margins have not been a problem, and as we have spoken about in our previous conference calls, we do not see margins as being the biggest issue as the composition of our order book, and therefore, the resultant composition of our revenue will be skewed more towards exports and aftermarkets, which offer us better margins.

More than that, the volatility that we have seen in commodity prices over the COVID period has come to an end. It is not as if there isn't any commodity inflation, but the predictability of that is far more, and so we can have longer term and better contracts with our partners and suppliers and vendors, which gives us visibility into costs as we go forward. This allows us to then operate at margins at higher levels which are commensurate with the type of technology business that we are.

Order booking for the quarter grew by 40% to ₹6.36 billion, with exports contributing 66% of the overall order booking. Domestic order booking was muted at ₹2.16 billion in the first quarter and grew by 2%. However, the Company has a healthy enquiry book, and we expect order finalisations in coming quarters. As we have said in the previous conference call at the end of the FY 24, Q4 had also seen a muted order booking in the domestic market due to what we can only assume was a slight risk for the elections.

We have seen the same in Q1. So having said that, and we'd be happy to get into this in the Q&A, there is an increase in the enquiry book for the first quarter.

We are, in fact, seeing customers wanting shorter deliveries, and we think that the domestic market will be a source of growth for Triveni Turbines, not only in the coming quarters, but in the years to come. We feel that there is an immense opportunity, not only in terms of this energy transition for companies and corporates who are growing their capacity to be more energy efficient, but also for their own captive requirements to be met, Triveni Turbine has adequate solution.

Our green solutions also have a role to play in the growth of the power consumption in the economy. And I am sure you're aware, this is an area of increasing focus for everyone, not only the Government but for citizens alike. Our growth in order book from the export market was truly remarkable this year. But I do have to caution that we do operate in a lumpy industry where orders come in at sometimes in a lumpy manner. While this growth of order book to ₹6.36 billion is truly remarkable, I would caution you when extrapolating this for the rest of the year, though we are confident that we will have good growth in both order booking as well as revenue for this current year.

The end order book for Triveni Turbines gives us comfort not only for the revenues for FY 25, but in fact, actually, because of some of the larger megawatt orders that we have in our order book, this provides us visibility stretching into FY 26 as well, which is new for a company which has typically had a product delivery cycle of between 9 to 10 months. And so now having visibility of over a year, even more predictability in the way that the Company will be able to perform. And given our book and bill that happens within the year anyway, plus the short delivery that we have from the aftermarket, provides us good visibility.

As I was saying, export order booking was a record of ₹4.2 billion in this quarter, which grew by 74% and exports contributed 66% of the overall order booking in the first quarter. Coming to the segments. The product order booking increased by 58% y-o-y and which includes prestigious international orders. While Q1 has registered a good performance in order booking, it is generally lumpy, as I had already stated. The key drivers for growth in the product order booking were finalisations of orders from the renewable and industrial customers, power customers as well as API customers, both in India as well as internationally.

The Product segment turnover was ₹3.7 billion during the quarter. The Aftermarket segment order booking for the quarter stood at ₹1.5 billion, which is a growth of 3% when compared to the corresponding period of the previous year. This is a high-growth segment for the company, and we are confident that this is a segment that will continue and contribute to the growth of the business in the short term as well as the medium and long-term.

We are investing into capabilities to be closer to our customers internationally so that we can cater to their third-party product requirements, but also to be closer to our customers so that we can offer them the spares and service solutions that are required for our products. However, in this current quarter with the notable surge in enquiries, we believe that order booking in this segment has a potential to accelerate during this current year. The Company is making healthy progress in its newly commissioned U.S. facility in Houston, Texas, and we believe that this could further provide a fillip in this segment, both in the current year, but especially in the years to come.

The Aftermarket turnover was a strong ₹1.56 billion, registering a growth of 21% over the previous year. The Aftermarket contributed a healthy 34% of total turnover in Q1 FY 25. The total consolidated outstanding order book stood at ₹17.26 billion as on the 30th of June 2024, which is higher by 23% when compared to the previous year. This is again a record for the Company and a

huge credit has to be given to the entire team at Triveni Turbines to be able to get this order booking. More than that is the fact that our technology is being able to provide even more relevant solutions to our customers.

The domestic outstanding order book stood at ₹7.21 billion, which is lower by 9% as compared to the previous year. And the export outstanding order book stood at ₹10.05 billion, up 65% and now contributes 58% of our closing order book. As you know, the export market will continue to be a growth driver for us, and we see exports as a percentage of our order book as well as export as a percentage of our sales to continue to rise in the quarters and years to come. Of course, this may be lumpy quarter-to-quarter, but in general, the trend will be and to increase that.

Investments, including cash stood at ₹10.37 billion, an increase of 17% from 31st of March 2024. And this quarter saw a further reduction in working capital as this business operated increasingly in efficient manner.

I'd now like our Executive Director, Mr. Arun Mote, to say some words about people, as well as outlook, and then we'll open it for question-and-answers. Over to you, Arun.

Arun Mote:

Good morning to all of you. As we have been saying in the past and what our Vice Chairman has said, people continue to be our strength. It is a driving force behind the ability to innovate, adapt and deliver exceptional value to our customers and stakeholders. We continue to focus on the growth and development of our employees both domestically and now internationally also, as you know, we are expanding into the different geographies.

As regards to outlook, expectation for medium-term business performance continues to be robust, supported by substantial backlog of orders in all the sectors that is renewable, API and IPG (Industrial Power Generation). As regards aftermarket, in all the areas, that is spare parts, supplies, services and refurbishment, we are broadening our range and also giving services to not only the industrial turbines, but into the utility range and also into different types of turbines like geothermal.

Domestically, the outlook remains promising, which is likely to ensure that the capital expenditures, especially in private sector will improve and which will result into substantial higher orders in the coming quarters.

As regards development in the company: Right from, as I said, people, the research and development, new product lines, innovation, customer engagement and infrastructure supported by digitalisation is the strategy which our company is adopting, and we would be ready to take on the new areas and also the expanded business.

We believe that opportunity landscape in front of us is immense and is expanding rapidly. We remain committed to taking Triveni Turbines to new heights globally, that is domestically and internationally also. The Company remains on sustained growth path. Thank you.

Nikhil Sawhney:

Thank you, Arun. We can now open it up for questions-and-answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani:

Congratulations for the great set. And thanks for the opportunity. So first question, in the opening remarks, you did highlighted about the products for 120-

megawatt range. I wanted to understand more with respect to which areas you are going to cater, which industries and what is the addressable market? And have we started selling this product or still this is slightly away with respect to the commercial sale and production?

Nikhil Sawhney: No, you're right. This is a segment that is again for industrial. We do not make utility turbines and the turbines that we make for independent power generation is in the renewable sector. So, this, as you would imagine, is not for renewable requirements. This would be for industrial requirements for a variety of industries that have high power requirement.

Also, industries that require process steam or high process steam. These are sizes of turbines that are typically not used in India and industry. Indian industrial capacity is far more decentralised than what will be required apart from our metals and steel sectors. But I'll have our CEO, Mr. S.N. Prasad talk a little bit about this. It is a segment that we have developed, and we are hopeful of sales in the near future. But I have to tell you that all our technologies are scalable. So, these are developments that are something that we are quite confident on, but Prasad would you like to provide some visibility here?

S.N. Prasad: Yes. Good morning. As our VCMD mentioned, these technologies are scalable, as we are focusing in the industrial steam turbine space because wherever the requirement crosses 100 MW, see, what we have seen in industrial range, we are seeing the range up to around 110-120 MW. So the product line what we are having, can cater up to 120 MW, which we are seeing a traction in large integrated steel plants as a large oil and gas size plant, or pulp and paper mill, so we have a product line. As going forward, we have to see how these enquiries queue up and take us to that level.

Nikhil Sawhney: But in general, the market is the same industrial market. So, we do not distinguish between the sizes of particular markets. Suffice to say that it fits into the larger industrial market that we do cater to. And this is just a product extension, which allows us to cater more comprehensively to that market.

Amit Anwani: Sure, sir. And export, we did very well. You did highlight that there was large order, lumpy orders, which can come. So, I just wanted to understand the current quarter, did we saw any large order and which in the area, if you could highlight more with respect to exports and large order? And what is the typical time line for these large orders? Are there any additional risk payment terms, which are different from the base orders?

Nikhil Sawhney: No. See, the risk is something that we do not compromise on. The fact is that we operate in a space where we get our payment on dispatch and our commercial terms are quite consistent on that. As a responsible Company, we, of course ensure that the customer is happy with our product for an extended period of time. So that is the confidence that we need to have in our technology. The lumpiness of orders, as you did point out, we did have some large orders in this current quarter, which I'll ask Prasad to speak about again, but these are things that I think are present no exceptional risk than what we normally do. Prasad?

S.N. Prasad: Yes, these are lumpy orders, basically from oil and gas segment from Middle East region from some of the prestigious refineries. And here also our payment terms, as our VCMD mentioned, these are all as per our standard payment terms. There are no risks envisaged. Whatever our current risk profile is more or less it is maintained in the same way.

Amit Anwani: Lastly, if I may, on the domestic enquiry book, we have given very strong outlook. If possible, for you to further bifurcate which segment areas of product, we are seeing strength in domestic enquiry? And any percentage increase over last year, if possible for you to highlight?

Nikhil Sawhney: The enquiry book has grown by about 14%, but you have to recognise that we have had a fall in enquiry book sometime last year the same period. Having said that, overall, on a y-o-y basis, we do see growth. Q1 has been extremely muted. So, we were expecting more growth to happen in Q1. But if you look at it on a y-o-y basis, we may probably end up FY 25 with a small growth over FY 24.

The segments will be the usual culprits, which I think come from fixed capital formation. There are two areas where you see this demand coming from which is from industries such as steel and metals, cement, some renewable plastic packaging paper, etc., but you have it in two forms. One is greenfield and brownfield expansion, which is for captive power generation, but you also have it for energy efficiency, for waste heat recovery and applications such as that.

So, you have two types of investments that are happening in different sectors. We do have the enquiries which has restarted from sectors such as distilleries, which give us very good demand in the years past, but we'll have to wait and watch because the finalisation of the sector may take a little bit more time. Prasad, would you like to add anything on this?

S.N. Prasad: Yes, more or less, we covered all the sectors like steel, cement and municipal solid waste to waste heat recovery from cement and steel plants in addition to distilleries, these are the segments, which we have seen a traction in quarter one with a good growth.

Moderator: The next question comes from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: HI, Nikhil and team thank you for taking my questions. Slightly long-term question, Nikhil, for you would be that, as I see things, right, our company's performance in the last two quarters is a testament to Triveni's very resilient business model, as despite the slowdown in domestic market, you have reported very healthy numbers. So, Nikhil, if you can recap the last five years' journey, right, let's say, where we were pre-COVID where, if I'm not wrong, we were highly dependent on a single demand driver, which is the captive power for industries.

And as we stand today, there have been multiple growth drivers that we have been benefited from. So, if you can let us know what has been the key 2-3 factors that led us to a very strong position where we are? And if we were to look forward, right, for the next 3-5 years, you have reached the scale and ask rate for the Company to now outperform on such a high base is much more steeper, much more difficult, but you have been highlighting your commitment to getting Triveni to do new heights globally, so if you can help us understand that what took us from, let's say, where we were in 2020 to where we are right now, will we be having a similar kind of a game plan or template or there would be some changes required?

And if you can add some more texture to your comment on investment in people, R&D innovation and this ever-expanding opportunity size for us. So, a slightly long question, but it will help us understand your next 5 years, how your next five years will look like?

Nikhil Sawhney:

I think you gave the answer in your question itself, which is the investment in technology and people. We are not an asset-intensive company. And so very frankly, we have people-dependent, the quality of people, the quality of research and the focus of our research and priority on that has been something that has got us to where we are. This is not a development. This is not something that has happened over 2-3 years. It's happened over 10-15 years, both in terms of a culture to be able to put technology first. We have a long way to go in terms of being able to achieve a global aspiration of being a technology company and to be even more derisked than on a particular market or product.

Right now, we are product-dependent on obviously steam turbines, a variety of different applications. And we think over the long-term, we would have to be a multiproduct company on similar principles. But that is not something that I think will happen immediately. So, if you're looking at a time frame of 5-7 years, that is eventually what we'll have to get to. But as we currently sit, it's obviously a people strategy. When we look at, for example, and I'll ask Sachin to contribute a little bit here, our investments into the United States, for example, the strategy has been to be close to people. But it's an investment-heavy strategy where we are going to probably incur a loss of maybe ₹20-odd crore on the subsidiary this current year. But that's fine. That's something that we would be able to absorb as a company and still report the results that we have to. But this is an investment in people and investment in the capabilities that are required for us to be able to ensure that the customer has an adequate service level at every different point of engagement with the company. Sachin, do you want to just add on that point as to how you're viewing this year?

Sachin Parab:

Good afternoon, everyone. This is Sachin Parab. Referring to the U.S. market, that's an investment our company has done with a very long-term perspective. Right now, we have been successful in attracting extremely good talent, people who are domain experts in this industry with a proven track record. They have been encouraged to join us and with their joining in, obviously, this is an investment in people that we are making, and that's where most of the costs are.

And that is going to help us in the long run. Definitely, in the first quarter itself, we have seen a remarkable increase in the enquiry generation with the acquisition of this talent, which is local talent in the United States. And we are very encouraged that going forward, this investment, even though in the short term, we may be making losses, we will start seeing the returns in the short term and long-term returns will be definitely very positive.

Nikhil Sawhney:

But Triveni Turbine operates in this space where we provide, like I said, industrial heat and power solutions, and it fits into the larger market of energy transition that is actually taking place. Captive power plants and captive requirement of power is something that we have alluded to in our annual reports and given data that despite the energy transition is something that, that requirement from this sector has been quite robust, in fact has been growing based on the capital stock globally.

What you find is that the company operates in a space where you have power requirement and if you add that to the energy transition capex, which over the next 25 years, could be open in excess of \$100 trillion globally, we are in a space which is globally prominent. We also have a factor where you currently have a push towards renewables that you were going to have excess capacity being set up because of at the balancing stage, excess capacity at a grid level.

What this means is that there is additional source of demand, which is the fact that you have excess capacity, which is being set up. We are in a market which I think provides us visibility, we want to be in a space which has wind behind its

sails in a sense that global momentum and capital is flowing into it. We now have to invest in our capabilities to ensure that we are able to be closer to our customers. The risk for the Company are quite large. We have to get our people strategy right, we have to be able to internationalise properly, we have to ensure the reliability and robustness of our technology platforms is there. We are increasingly competing at the highest levels with the largest of companies.

And so, we need to be able to make sure that our value is apparent in front of customers to be dynamic and nimble to be able to be quicker in response to be able to cater to all our customers' requirements in an entrepreneurial manner while still keeping the standards of quality that are required and demanded of the best of companies. So, I think there's a lot in your question. Hopefully, the only way I think that we'll be able to answer it more comprehensively is for people to listen to our conference calls over a period of time to see how we are delivering on what we have talked about.

Prolin Nandu: No, that's very helpful. Thanks a lot, Nikhil. 2 quick follow-up questions, right? I mean, one is you have been talking about this expansion of your TAM, right? And this quarter, you have talked about 120 MW of also opportunities opening up for us. So, in terms of quantifying this TAM, let's say, if 30-100 is a 100 number we put the demand size to be, so from 100 to 120, would it be 5% or 10%.

Nikhil Sawhney: Actually, we put the number of 100 MW as a general number. Like Prasad had said, this economy is always scalable anyway. It's a question of the market. You see the fact is the market didn't exist. There's a few and far between the orders that come in this range. But in general, it's the same market that we cater to in the past that we cater to today. I just made it a point to point out that specific megawatt size because I know that our investors may not be as conversant as we are on how we view the market. So just to say that.

Prolin Nandu: Right. And on this something that you mentioned in your presentation as well on SCO₂ and TCO₂-based solution, could you slightly elaborate on this? Is this domestic opportunity or global opportunity? And also on this 374 global Intellectual Property (IP) filings, how should one read this in terms of higher demand, higher margins, how can these do?

Nikhil Sawhney: I think the IP point is to say that we are at the forefront of what we are doing and the fact that these are globally relevant technologies that we have patented not only in India but internationally. So, the point is to say that where we have a key focus on technology, that is what we should read out of it. In the specific areas of the carbon dioxide developments, those are areas which we think present enormous opportunities in the years to come. They play very well into the larger theme of energy transition and decarbonisation and also providing an unsubsidised use case for carbon dioxide.

But the commercialisation of these technologies is underway. It does not represent any meaningful part of our order book right now. We are hopeful, of course, that this will present markets in the future, but we have to do a lot of development of market and it will take some time. When we have more to report, we will give you more visibility behind these developments. But suffice to say that the R&D team is very engaged, the commercial team in terms of being able to push these products is also there. And we report to you when we have any developments here.

Moderator: The next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan:

Hi, congrats on a very good set of numbers. My first question is related to the overall global addressable market size. In the last quarter's presentation, you had mentioned that the global steam turbine market in 2023, excluding China and Japan was somewhere around 6 GW. My question is, I mean, the number wouldn't have changed that much. How is it likely to grow and what is the share there? And is this for the 0 to entire 100-megawatt range?

Nikhil Sawhney:

Yes. So, I think that's reasonable in terms of the size that we have talked about. What you have to remember, Ravi, is that fixed capital formation is lumpy, and it is dependent on multiple different factors, be it instability, geopolitics, interest rates, etc. You had a more consistent demand that comes from the renewable energy space and that also we have tried to give some clarity over. What you have to recognise is that the total addressable market will be volatile or should be volatile by the factors that I've said. But empirically, what's happened is that it's been quite stable, actually.

Over the last decade or like 15 years, we have seen it to be quite stable. So, we play in a market, which I think is where we have a relevant solution, a cost-effective solution to be able to cater to our customers' requirements. Ultimately, I think the growth of this market will probably happen, you see what you've had over the last several years is the growth in terms of requirement of pure commodities, because of localisation of supply chain basis, debottlenecking, etc., moving away from China, and as well as the fact that this whole energy transition requires a lot of base metals. And infrastructure country like India requires a lot of infrastructure commodities.

You had a push in terms of industrial commodities over the last several years, and we don't see that coming down both in India and globally. But there will be a limit, it's not something that can continue forever. You also have a lot of replacement capex that is happening in developed economies. So that coupled with fresh investment, coupled with renewable investment gives us confidence that the market should remain stable. We are not assuming that it would grow disproportionately.

What you have from Triveni side, as you said, our total addressable market will increase as our products become more relevant, as we have higher megawatt turbines. As we go and establish greater capability with our API customers and have greater relations with them. So that should provide better opportunities for us and better opportunity for us to close orders. As you see with our order book, that is what leads to the order conversion and into our revenue. I think that we should see good growth this year. It may be less than the previous years. But margins, because of the product mix will be quite robust. What we find is that the medium-term story for Triveni Turbines to grow remains quite robust right now.

Ravi Swaminathan:

Understood. And what is the size of the U.S. market in this, or is there any estimated size?

Nikhil Sawhney:

Yeah, well, surprisingly, what we had estimated to be the U.S. market has come out to be much higher than what we had put down in the figures that you may have gotten from our literature. And this is as we are discovering it, it's more from the service, spares, refurbishment market. And it's something that has to require much more work from us. We see the refurbishment market as a growth opportunity for us, but we may have to invest more to be closer to customers so that they're able to display the capabilities that they want from us. But I hesitate to give direct market numbers, because very frankly, a lot of it is something that we have had to work very hard to develop. You could take this offline and discuss it with Surabhi.

Ravi Swaminathan: Understood. And any sense on the current realisations on a blended basis across turbine on a megawatt basis that you can share? I mean, I just wanted to think how it has trended across years? I think a few years ago, it used to be in the 70 lakh to 80 lakh per megawatt range.

Nikhil Sawhney: No, I don't think we have ever given that number. You may have calculated something. But you have to understand that every customer is unique, and it's quite analogous in terms of pricing with other industries. The more sophisticated the requirement from a customer, the more bells and whistles, the higher the margin and the higher the price. Geography has its own implication as well. The certain economies just report better margins. But that's driven by higher specifications. It just doesn't happen because in the Middle East that you get a better margin. You get better margins, because there's more specifications, there's more details, there's more effort and time in bells and whistles that are required on your product.

Indian customers don't want anything, and that's why they have more failures. You have a flip side of the coin with every factor. What we are seeing is that the price has obviously gone up, because general commodity prices have gone up. So, our steel price has gone up, labour prices have gone up, conversion price has gone up and so obviously, our sales price per megawatt is also on average gone up. But that is the same at all capital goods industry and all capital goods players. How competitive are we is a better question? And the fact is our competitiveness versus competition is still compelling, and we are still equally relevant in front of the customer.

Ravi Swaminathan: Yeah. My last question is using the API turbine market, any sense on the global market size of this? And what would be our share?

Nikhil Sawhney: Ravi, we hesitate to give market size numbers, because very frankly, it's not broken up by anyone. And I shudder to think that our numbers may actually be wrong. But it's quite a confidential number for us in terms of how we track it. But I would suffice to say that this is a market that is an entry market for us. We have had both in the drive turbine market and the power turbine market for API, we have a lower market share than we would in the industrial power generation, in the renewable power generation market. And so, we have room to grow here for sure.

What we do have is good customer acceptability. And this is because of years of hard work to be able to convince customers to put us on their reference list. But it's not only internationally, but even in India, the API market is quite robust. And Prasad, I don't know if you want to add anything on the API market in specifically?

S.N. Prasad: API market, yes, there is one market as it is an entry market for us and we believe that, we can play a bigger role in this market, as just we entered 3-4 years back.

Moderator: The next question is from the line of Mohit Motwani from Tara Capital. Please go ahead.

Mohit Motwani: Good afternoon. Thank you for the opportunity. My question is on the U.S. piece. So, you mentioned about how you've started building up the sales, service team, attracting talent and also got enquiries. Can you just elaborate on what kind of conversations and what do they indicate when you speak to the customers, given that U.S. currently is facing a tough macro? So what kind of visibility you

have for any future incoming orders that can contribute meaningfully towards your order book? Anything on that side will be helpful.

Nikhil Sawhney:

No, actually, our feeling is a little opposite to what you are saying. First, we are operating on a micro segment. The real macro flows are not really coming down to impact the steam turbine market for Triveni Turbines. Like I said initially, there are two demand drivers for us. One is fixed capital formation in the end user industry, which may be either due to greenfield/brownfield expansion or due to replacement, but also what you have is through initiatives such as IRA, which is Inflation Reduction Act a great focus on renewable energy-based investment. And that is agnostic to macro policy. What you find is the enquiry from sector like that is quite robust. The U.S. has never been a great investor, because energy price has all been so low, it's never been a great investor in energy efficiency. Now it is incentivised to do so.

But besides that, our entry is also and our real focus was on the aftermarket for the U.S. And so, there is a large market for refurbishment of equipment, which currently stands. And despite whatever macro environment, there may be if a capital stock needs investment so that it can run, that will happen. So, the refurbishment and spares market and service market is as always, a more stable market in whichever industry you participate in.

Mohit Motwani:

Understood. And given that your order book has been more skewed towards exports, can we expect more margin expansion going forward or the investments in tech and people can keep it range bound around the current margins? I just want to understand that.

Nikhil Sawhney:

Like we have said that we don't see margins as being an issue. We said that in Q4, and we ended up with whatever results we had in Q1. But I think that we don't see margins as an issue, because of exports as being a larger percentage of our order book and therefore, a percentage of our revenue, but also the aftermarket will also contribute quite meaningfully. And so, margins are fine. We don't guide firstly, but I think that we would rather get more predictability on our top-line growth than to push for extracting as much as we can from a customer. We need to be quite credible in front of a customer as well. We need to be able to rationalise our prices.

But we will have a lot of investment. You're right, people are a very strong investment. We will probably double the number of people that we have at Triveni Turbines from what we had in FY 22. And our investments into R&D will continue, we need to have a better infrastructure and reliability on our R&D investments, and we will continue to push into that. And then, of course, we have the investments that we have to do in our localisation strategies through our subsidiaries to be able to have a better offering for our customers on a local basis.

But all of this said, we do think that our return on capital, return on equity is something that we will not compromise on. And so those are factors that we would aim to especially post cash we would aim to maintain.

Moderator:

Thank you. The next question is from the line of Chirag Muchhala from Centrum Broking. Please go ahead.

Chirag Muchhala:

Hi, thanks and congrats for a very good set of numbers. The first question is actually on the Europe and Southeast Asia, which would traditionally been our main regions for exports. So, can you also speak a bit about how the demand trends emerging from those geographies, that would be helpful?

Nikhil Sawhney: Yeah, it's a very good point you bring up, Chirag, because actually Southeast Asia is an area which has underperformed.

S.N. Prasad: Yeah. So, Europe is still quite a strong market for us, because the areas of our operation are very niche area there into biomass, waste to energy projects. Even our enquiry pipeline is strong. Coming to Southeast Asia. We have a good traction from our refurbishment opportunities. Yes, product-wise, still we believe that there's a lot of scope to increase our numbers there, but we are seeing a good traction from our service business, that is a refurbishment business as the old fleet is still in operation there.

So, going forward, we see that this will be an interesting market for refurbishment and still there is a room for us from the new product push in these markets.

Chirag Muchhala: Sure. So basically, some of the countries in both these regions are facing some challenges, some economics, some geopolitical. So, do we see any risk of any order finalisation getting postponed or we feel that the growth will continue to be very healthy from both these regions?

Nikhil Sawhney: No. That's too much of a generalisation. The world is in a lot of flux. The point is that we are quite diversified geographically. And so, what we say is that within the overall macro theme of higher commodity prices and greater fixed capital formation on the industrial side as well as investments in the renewable energy space, that overall we fit into that space. Country-to-country, it will change quarter-to-quarter, half year-to-half year and year-to-year because of local factors. But surprisingly, while Southeast Asia may have some flux, countries such as say, Turkey, which has a different type of flux and high inflation is showing robust demand.

I don't think we can actually relate that to geopolitical or other stresses, we can only react to the demand that comes from an economy and what and why it comes we may be unique to that specific enquiry. But we are cognisant of that. There will be finalisation, which will get deferred. But having said that, it will get made up by other enquiries and other orders. The disappointment really was in the Q1 order intake for India. But we believe that that should pick up in the quarters to come.

Chirag Muchhala: Okay. And on the second question on the API turbine side. So, you mentioned that this quarter, there was healthy orders from Middle East from refineries, so I would assume this is from API turbines. So, would it be possible to get into more details regarding, we have diversified into this product category a few years ago and over the years, based on our experience, obviously, we would have ramped up our various technical approvals etc., so how large has this segment become in terms of our order book or our revenues? And over a medium term of, let's say 3-4 years, how do you see this segment further scaling up? So, is it more likely that this would end up becoming something like 20-25% of our total order book, is that a fair expectation or it will continue to remain in low single-digits only?

Nikhil Sawhney: No, it could go up, but we see growth in all segments. It's just because our market share in this segment is lower. So, it will be a higher growth segment for us. But it is a market that exists. There is investment that goes into the sector. It is an intensely competitive sector as well, but we don't unfortunately give data on the breakup of our order book segment-wise or geographically, neither do we give market size data on this, as I just told to a previous speaker.

But suffice to say that it is a focus market for us, and we think that, as Prasad has said also, it will contribute meaningfully going forward. We don't really target a 20-25-30-40-50% market share or anything. We have to make sure that we are relevant to our customers because it's a comprehensive solution that we bring to our customers. It's not only is it a solution for the product, but we have to be able to get to the aftermarket requirements also for them and in the geography.

And so, if we look at it in an overall manner, we aim to be diversified as a company between both industrial power generation, renewable energy power generation as well as API, both in small ranges, drive turbines and large ranges by equally offering aftermarket solutions for both products and service, but also to cater to other third-party rotating equipment solutions.

Chirag Muchhala:

Yes, sure. And last question is on our cash and investment balance, which has again, I mean expanded to very good levels of ₹1,000 crore-plus, and since we have been generating very healthy free cash flows. So just wanted to know that over the next 2-3 years, what are our capital allocation plans in terms of capex or further backward integration or any other things that you might have plans of?

Nikhil Sawhney:

Yeah. So, like I said, when we talk about investment, obviously, people investment is going to be on the P&L. But we had announced a dividend in Q4, which will get paid out of this money, because it will wait till the AGM. So that is, and so therefore, the level of the cash is also a little artificial until we have this liability to pay off the dividend. So, we are consistent on our dividend policy, and I think that that's something that will continue. The capex, we will continue with our strategy of being asset light. But wherever investments are required for us to be close to the customers, we will not shy away from that, because we see the overall return especially over the medium term to be quite robust.

We will increasingly be spending more on R&D. And those are data that will come out through our annual report, so you'll be able to see what the investments are. But suffice to say that the strategy as a company to be free cash flow generative will continue. I think what our strategy has been in the past will continue in this future. Just the fact that we have more free cash flow available, we will still invest more. Therefore, proportionately, we would invest more into areas such as R&D.

Moderator:

The next question is from the line of Teena Virmani from Motilal Oswal Financial Services. Please go ahead.

Teena Virmani:

Hi, good afternoon. Congratulations for a good set of numbers. Most of my questions have already been answered. But just two set of questions, one on domestic and one on margins. On domestic, you mentioned that there are a couple of industries, which will start finalising the orders for domestic segment. How close are we in terms of finalisation of orders? Because last 4-5 quarters on an average if you see, the inflow run rate for domestic has been more or less flattish only, so why is it taking that long for the user industries to kick start investments? Is there any delay from their side to decide on whether they actually want to do the capex or not?

Nikhil Sawhney:

I'll ask Prasad to comment on this as well. But my opinion is, is that you really haven't seen any commodity price increases. A lot of capex actually typically happens with the increase in commodity prices over a sustained period of a number of quarters. Also, there was a risk event last quarter. But having said that, and I started with this in my introductory remarks, which is that the enquiries that are coming up now, people are asking for short deliveries. So not only are

they are back they want it quickly. It is very funny. But Prasad, do you have any comments?

S.N. Prasad:

Yes. As you rightly said, yes, two quarters, basically, we lost, that is a Q4 and Q1 because of the election, because majority of these customers, they want to wait-and-watch sort of a thing, so that is pushing us back now for shorter delivery. But now by seeing the enquiry pipeline, whatever we are having, especially from all those infrastructure investments, so leading to steel, cement and this sort of enquiry pipeline is getting built up. So, what we believe is, yes, coming quarter is going to be an interesting quarter from domestic side based on this pipeline.

Teena Virmani:

So, these will be the main sectors which will be contributing in the coming years?

Nikhil Sawhney:

Yeah, its contributing from all sectors. You have API investments in refinery, petrochemical. You have certain fertiliser requirements, etc., you have steel, cement, not large steel, you'll have more smaller steel and cement requirement is there. But those are requirements, which I think towards the end of the year, if things work out fine will re-emerge from the distillery segment and from other biomass and renewable energy-based investments.

Waste-to-energy and municipal solid waste incineration, which is a municipal issue, is robust. That's something that we desperately need. Well, we need more investment than what we are seeing, because our cities are filled with garbage. But having said that, at the overall level, I think that we can see this sort of demand from India continue and continue to grow in the years to come.

Teena Virmani:

Got it. And also, on your Middle East orders, which you got in this particular quarter, what is the execution time frame for these orders? And are these others more on a sustainable basis or they are like normal product orders?

Nikhil Sawhney:

No, they're normal product orders, and so therefore, they're sustainable in terms of the years to come. You asked a good question, this is something that I alluded to in my opening remarks that some part of our order book will give us visibility into FY 26 as well. Now as you know, our products include what we manufacture as well as balance of plant. The balance of the plant includes a variety of different equipment, so some part of that will be built in this year, some part will be built next year. But that is something that we do with the customer based on customer readiness and customer availability. The customer has to have the site available also for him to accept the products.

Teena Virmani:

Got it. And lastly, on the gross margin sustainability. Like this quarter, there was a good jump in the gross margin on a sequential basis also because of the change in the product mix. So, is it something that can we expect it to sustain in the coming quarters, looking at the product, looking at the order book mix of the Company?

Nikhil Sawhney:

Yes. What we have typically said is as a capital goods company, every quarter will be different from another quarter, because of either the product mix between export and domestic, between aftermarket and product as a split, you also have other issues in terms of certain investments that may have got happened in certain quarters in terms of personnel and R&D, etc., you'll have certain expenses that have been taking place in our international subsidiaries, which will impact. But overall, we don't see margins as a problem. And so overall, net-net, I hesitate to give any guidance here on the matter, but it's not a problem for us much.

Moderator: The next question is from the line of Shyam Maheshwari from Aditya Birla Sun Life Mutual Fund. Please go ahead.

Shyam Maheshwari: Congratulations on a great set of numbers. I wanted a little bit more clarity on your comment on R&D expense. So, I understand you are planning to incur more R&D. Is there any product cap as such or any other new product or certifications that you are working on, which would entail this R&D.? Can you give a bit more colour on that?

Nikhil Sawhney: Yes, R&D is a broad expenditure, both on new product introduction with our current product lines, which include steam turbines, both in terms of higher megawatt ranges, different applications, different configurations. And the internals of those, which is the type of blades and the way that they have put out and the series of blades and the efficiencies within them. The investments, which will be required stretch from not only the certification level, but actually the physical testing. The expenditure on people is something that we cannot capitalise and so that is something that we expense. Though we have to wait and see what the new R&D scheme of the Government will be.

But suffice to say that the testing requires the actual capex into that. This is done principally at our own facility, but also at third-party facilities, which include academic institutions, both in India as well as outside India. Now apart from that, we also have new technology introduction-based R&D that we do, and this is something at this point in time is sort of routine for us to do in multiple different technology lines. So as to see where this goes and see where the commercialisation of products can happen within them, but they're all adjacent as sectors. They're all rotating equipment. They're all areas where we have certain capabilities.

And at this point in time, they don't present a substantial market for us to talk about and have no substantial focus. So, at this point in time, these are things that we have to keep ready for the years to come to ensure that we have a development of more solution orientation to our customer and something that we feel that will allow us to be even more diversified, because we are already geographically diversified, but to be more diversified from a product perspective also.

Shyam Maheshwari: Understood. And secondly, on our export inflows, which has seen quite a bit of surge even if we compare it, let's say, against Q1 FY 23 about from ₹150-odd crore of inflows to now more than ₹400 crore of inflows. So, can you give me a little bit of more granular detail within renewable energy or waste-to-energy systems? What is exactly driving this growth? Is it like garbage burning plant, waste to energy, waste heat recovery systems with geographies? So, a little bit more colour on the export side of things as well?

Nikhil Sawhney: Unfortunately, we don't break that up. But I think the way that you should look at our export initiatives and where we have been successful is where we have been able to closer to the customer and provide confidence to them. The demand comes from generic sectors, like I said, you have renewable-based energy investments; you have API, which is oil and gas investments as well as industrial power generation investment. And we have strength in different geographies for different sectors. The Middle East principally sees more investment, as you would imagine, into the oil and gas sector rather than into the renewable waste sector. It's not that they don't have any renewable-based investments. Europe for us sees much for renewable-based investments.

The Americas right now will have more in industrial power generation as well as renewables-based investments. But our order book also constitutes the

aftermarket. The aftermarket includes both parts and service as well as refurbishment. Sachin, maybe you can provide a little bit of colour on the refurbishment market and how that is looking.

Sachin Parab: Our market development activities in any regions for the refurbishment business over the last couple of years, and our strengthening of the sales and business development task force has started resulting in a good number of enquiries. And our Vice Chairman also alluded to the fact that and our CEO mentioned that we are seeing good traction on refurbishment in Southeast Asia. So that's a very, very positive sign and we feel that our investment in this sector has started yielding results.

Nikhil Sawhney: I'd be happy to take some of your questions off-line also if you have them on specific things.

Moderator: Ladies and gentlemen, we will now take the last question, which will be from the line of Prateek Giri from Subh Labh Research. Please go ahead.

Prateek Giri: Nikhil, congratulations on good set of numbers. And thank you for taking my question. Nikhil, I just wanted to get your sense on the exports growth and how it has been panning out for our competitors globally? So, is it that for them also it is similarly good or is it a market share gain for us, if you can help me to understand that?

Nikhil Sawhney: Yeah. Well, pretty much we could say that since we are seeing the overall market to be quite constant, this is obviously market share gain.

Prateek Giri: You mean, it's a market share gain for us, the competitors' growth is not as high as ours.

Nikhil Sawhney: I wouldn't be able to comment on that, because I have no idea what it looks like. But suffice to say like in areas such as API, where our market share has been low, that's something that obviously has come from somewhere else. Historically, for countries like India where we have much better market share data or every enquiry or orders sort of crosses our desk. We have seen the growth of the market. And so, market share has been reasonably evenly split between the two principal companies, which operate in India.

Nikhil Sawhney: Okay. Thank you very much. So, thank you, ladies and gentlemen. Thank you for joining the Q1 FY 25 earnings call for Triveni Turbines. On behalf of Arun, Prasad, Sachin, Lalit, Surabhi, Satya, etc., I hope I look forward to hearing from you in our next conference call. If there are questions that we have not been able to get to, I hope that you'll be able to pass them on to Surabhi who can answer those. But we look forward to interacting with you in the future. Thank you very much.

Disclaimer: This transcript is the output of transcribing from an audio recording and has been edited for clarity, consistency with published information. Although efforts have been made to ensure a high level of accuracy, in some cases it may be incomplete or inaccurate due to inaudible passages or transcription errors. The Company takes no responsibility of such inaccuracies or errors. It is compiled as an aid to understanding the proceedings of the event but should not be treated as an authoritative record.