

**TRIVENI TURBINE LIMITED**

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Tel 91 120 4308000 / Fax 91 120 4311010-11Date : **November 08, 2023**

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<b>STOCK CODE: 533655</b>	<b>STOCK CODE: TRITURBINE</b>
<b>Sub: Transcript of Analysts/ Investor's Conference Call</b>	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analyst/ Investor Conference Call held on 2<sup>nd</sup> November, 2023 post announcement of unaudited financial results of the Company for the Q2 & H1 FY24 ended on September 30, 2023. The transcript is also available on the website of the Company at: <https://www.triveniturbines.com>.

You are requested to kindly take the same in your record.

Thanking You,

**For Triveni Turbine Limited**

RAJIV SAWHNEY

Digitally signed by RAJIV  
SAWHNEY  
Date: 2023.11.08 18:31:18  
+05'30'**Rajiv Sawhney**  
**Company Secretary**  
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**Encl : As above**



## Triveni Turbine Limited

### Q2 & H1 FY 24 Earnings Conference Call Transcript

#### November 02, 2023

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**Moderator:** Ladies and gentlemen, good day and welcome to Q2 and H1 FY 24 Earnings Conference Call of Triveni Turbine Limited. I now hand over the call to Mr. Rishab Barar from CDR India. Thank you, and over to you.

**Rishab Barar:** Good day, everyone and a warm welcome to all of you participating in the Q2 and H1 FY 24 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. Lalit Agarwal, Chief Financial Officer; Mr. S.N. Prasad, President, Global Sales - Products; Mr. Sachin Parab, President, Global Sales - Aftermarket; Ms. Surabhi Chandna, Investor Relations & 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 like to emphasize that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner.

We will start this call with opening remarks from the management, following which, we will have an interactive question-and-answer session. I now request Mr. Nikhil Sawhney to share some perspectives with you, with regard to the operations and outlook for the business. Over to you, sir.

**Nikhil Sawhney:** Thank you very much, Rishab. A very good afternoon to all the ladies and gentlemen joining this call. It is my privilege to be talking to you today for the Q2 & H1 FY 24 results for Triveni Turbine Limited. It is a very good day. The quarter and half-year ending September 30, Triveni Turbine has reported yet another strong set of results across all key metrics of revenue, profitability as well as order booking.

Again, we have our highest ever quarterly revenue and EBITDA, along with a record closing order book, keeping the growth momentum over the last 2-3 years. We had a revenue of ₹ 3.88 billion in the second quarter, an increase of 32% y-o-y. And we also had the highest ever EBITDA at ₹ 889 million in Q2, up 34% with a margin of 22.9%, an increase of 25 bps y-o-y.

PAT for the quarter at ₹ 640 million was an increase of 38% y-o-y with a margin of 16.5%, an increase of 70 bps y-o-y. We also had a robust order booking of ₹ 4.59 billion in the second quarter, an increase of 27%. For the half year, again, we had a record revenue of ₹ 7.64 billion, an increase of 38%, as well as our highest ever EBITDA of ₹ 1.73 billion, which was up 41% with a margin again, of 22.7%.

PAT for the half year was at ₹ 1.25 billion, which is an increase of 48%. And the order booking for the half year was at ₹ 9.12 billion, which was a 27% increase y-o-y.

The record outstanding carry forward order book as of the 30<sup>th</sup> of September was ₹ 14.76 billion, an increase of 30% y-o-y, which positions us very favorably for the coming quarters, as well as for the next year.

Our robust cash generation, as you would have seen from the balance sheet, which has been circulated to SEBI and to the stock exchanges, has now an investment portfolio at ₹ 8.32 billion, an increase of 24% on the 31<sup>st</sup> of March 2023. And our reserves now are the same as what they were at the same time last year, which is prior to ₹ 240 crore buyback (including taxes).

We are sustaining on our long-term growth strategy, which is to expand our presence in international geographic markets, while at the same time, expanding our product as well as service portfolios. The strategy seems to be working out consistently for us and we see a good visibility to sustain our growth momentum.

Beyond the growth that I've already talked about, some of the key highlights are that exports as a contribution of sales has increased to 47% from 41% in the H1 FY 24 versus H1 FY 23. And aftermarket as a percentage of sales has contributed 33% in H1 FY 24 as compared to 25% in the same corresponding period of last year.

Speaking about order booking, our order booking for Product segment grew by 12% to ₹ 3.06 billion in Q2 FY 24. And for the half year, it stood at ₹ 6.13 billion. Demand from sectors such as sugar, distillery, steel, oil

and gas, have also contributed to this growth. Both industrial as well as API drive turbines are contributing to these orders.

Despite the global turmoil, we remain positive on our growth prospects in the medium term and have good visibility of underlying demand through our robust enquiry book, which has increased 33% y-o-y in the first half of FY 24, with a healthy contribution from both the domestic, as well as international enquiries.

In the Aftermarket Segment, order booking grew also very impressively at 73% for the quarter to reach ₹ 1.53 billion, translating to a 57% growth to ₹ 2.99 billion in the first half. There has been a strong performance both in the domestic and international orders coming from efficiency upgrades, as well as automation. The Aftermarket business has been expanding its horizons through a wide array of customer refurbishment solutions, going beyond industrial steam turbines to other rotating equipment while expanding its global footprint. We are progressing well on this front, and we will keep enhancing the addressable market for this lucrative and niche segment.

Combining the two segments, overall, the order booking for the quarter and the half-year period registered growth of 27% to reach ₹ 4.59 billion and ₹ 9.12 billion, respectively. Contribution of exports to order booking was considerably higher at 49% in the first half of FY 24 versus 40% during the same period last year, which bodes well for the future, both in terms of our product mix, as well as margins.

During the quarter under review, revenue from operations grew by 32% as compared to the previous year to ₹ 3.88 billion, which is the highest ever achieved in a quarter. The growth is well balanced between both domestic, as well as international revenues. Domestic sales increased 29% to ₹ 2.12 billion while export turnover increased by 36% to ₹ 1.76 billion. This is, of course, a consequence of the order booking of the previous year. The mix of domestic and export sales was at 55:45 for the quarter, broadly similar at 56:44 in the previous corresponding quarter.

The Product segment turnover was ₹ 2.68 billion during the quarter, an increase of 20% over the previous year, and the Aftermarket segment grew handsomely at 71% to ₹ 1.2 billion during the quarter. For the half year, revenue from operations grew 38% y-o-y to ₹ 7.64 billion, which is a record for the company and domestic sales increased 25% to ₹ 4.07 billion. While export turnover increased by 59% to ₹ 3.57 billion. As mentioned earlier, for the first half, the mix of domestic and export sales improved considerably in favor of exports.

The Product segment turnover was ₹ 5.15 billion during the first half, an increase of 24% over the previous year. The Aftermarket turnover came in at ₹ 2.49 billion during the first half, registering a strong growth of 81% over the previous year and contributing to 33% of total turnover in H1 FY 24 versus 25% in H1 FY 23.

On other aspects of the Company, we continue to focus on R&D and technology developments. It's very important for a company like us to continue to focus and spend money on research and development, not only on our current product lines, but in terms of other enhanced product lines that may help enhance the value that we bring to our customers. This is both from our Product business, as well as our Aftermarket business.

We continue to invest with global institutions as well as academic institutions. But also, internally, we have a very strong recruitment pipeline, and we aim to become a best-in-class in terms of engineering research in the rotating equipment field in the country.

As far as the market update, we remain confident of the growth drivers of the Company's Product and Aftermarket solutions with a robust enquiry book. Positive customer demand and overall acceptance of our offering has expanded our presence worldwide across segments. But as I pointed out, our enquiry book, which has grown by about 33%, gives us good visibility in terms of enhancing our order booking in the quarters to come, which bodes very well not only for this current financial year in terms of order booking, but also order bookings going into FY 25, which then bodes well for revenue in FY 26.

With a formidable Product and Aftermarket portfolio, underlying demand drivers are in place, and continued focus on innovation and sustainability allows us to focus on people, which is really the center of what our focus is for the next several quarters in terms of being able to build and enhance the capacity and capability of our workforce not only within the country, but internationally as well. And we are also focusing on internationalization of our efforts to continue with the growth that we had in our export order booking, both on Product as well as Aftermarket.

So, with that, ladies and gentlemen, I'm happy to take questions.

## Question-and-Answer Session

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Abhijeet Singh from YES Securities. Please go ahead.

**Abhijeet Singh:** Sir, my first question is on the Aftermarket business. Out of the Aftermarket revenue, what is the proportion of the revenues coming from our own machines and versus the machine coming from other companies that are installed?

**Nikhil Sawhney:** Are you asking the split of the revenue in aftermarket between servicing and spares of our own product versus refurbishment or third-party services?

**Abhijeet Singh:** Yes.

**Nikhil Sawhney:** Unfortunately, we don't give that split. But what you can imagine is that a significant amount of growth has over the period come from Refurbishment, which is a very key growth driver to our business. As you can imagine, the growth in sales of our spares and service is commensurate with our installed base, and the growth of that installed base over some lag. But let me ask Mr. Sachin Parab, who is our President - Aftermarket, to provide some more clarity. Unfortunately, this exact split, I'm not going to be able to give you. But Sachin, maybe you could provide some more clarity around the question that Abhijeet asked.

**Sachin Parab:** So, we are seeing good growth in both our revenue streams. That's the Parts Sales and Service business, as well as in the Refurb business. As our Vice Chairman has mentioned, the growth of the Refurbishment business has been extremely good. And that's gaining in terms of part of the overall share, the Refurbishment business is growing much more than the Part Sales and Service business. But as our Product business is also growing, after a lag the Part Sales and Service business will also be growing at the same rate. We are seeing good traction in international markets and that is helping us to provide these good numbers.

**Nikhil Sawhney:** But also, our offerings in the Aftermarket space have also expanded. So, when we look at offerings such as upgradation and automation, these are not the services that we were providing earlier. So, there's an enhancement on our service offering also, which is also aiding the growth of this business.

**Abhijeet Singh:** Sir, my question is that, so one is the upgradation part from a service offering point of view. You talked about automation. So, that is one part.

But the other part is like servicing of third-party product. So, I think we talked about that we are also aggressive in terms of gaining share in that category. So, what is our strategy? Why do our customers would opt for our services versus the services of the OEMs of those products? That is my other question.

**Nikhil Sawhney:**

That's exactly the barrier that we need to break with the customers. The fact is that you have a competitive scenario, where you have a lot of OEMs that have left the market. So, you don't have OEMs, which provide service to certain customers.

Secondly, there are many OEMs who have not been able to keep pace with technological enhancements. And so, they're not able to effectively provide solutions for newer technological upgradations. But more importantly, is the proximity to customers to be able to provide a value addition, where the customer needs it. So that's a break that we need to make and that is an issue that we do deal with.

Of course, as you rightly point out, the market is enormous. And there's no concept of market share here, because very frankly, we are negligible in the broader scheme of things. But it all depends on what degree of value addition we talk about. You have lower value addition of services that you may do for third-party turbines, which may be items such as overhaul, and you have higher value addition items such as upgradation. Now, it all depends on not only the appropriateness of our solution to the client, but the confidence that we're able to build with him, so that we may be able to provide the solution better than the OEM. But the alternatives here for customers are largely OEMs and what I would say is local repair shops. And so, we sit somewhere in between being OEM ourselves with capabilities of technological development, but not exactly a local workshop.

So, we sit somewhere in between as a value proposition. We aim to be able to enhance that in front of the customer to be able to provide returns. Yes. So, that's our strategy. And I think that by focusing on geographic expansion and being able to build confidence with our customers on a localized basis wherever we do operate, we aim to bridge those uncertainties that a customer may have into the placing orders on us.

**Abhijeet Singh:**

Right. So, Sir, are we targeting a certain capacity of turbines? Or I mean, in this kind of strategy you're talking about, that you are somewhere between the OEMs and the local shops. So, is there a certain category of turbines in terms of capacity that we're targeting here? Or is it like across 25 megawatt and above?

**Nikhil Sawhney:** No, there is no restriction as such. Ultimately, the fact is that to cover overhead is a minimum value of order that obviously that we took at. But very frankly, the market is open. It's not limited directly to turbines only. We do it for other rotating equipment, including gas turbines and compressors and other rotating equipment. So, it's a question of being able to, again, take that whole value proposition in front of our industrial customers.

**Moderator:** We have our next question from the line of Amar Kedia from Ambit Capital.

**Amar Kedia:** Congratulations on continued momentum on your strong performance. So, my question is also related to Aftermarket business. And you have been looking at some very strong numbers in this business for some time now, this quarter also over 70% growth in new orders. Last year, if I recall, a part of this outperformance was led by our South African acquisition and some utility aftermarket orders in that part of the business. What is driving the growth right now?

**Nikhil Sawhney:** Yes. So, very frankly, our South African Development Community (SADC) orders are something that we are continuing with. But Sachin, could you provide a little bit more visibility as to what segment of growth came in the last quarter?

**Sachin Parab:** We are seeing good success in other geographies also outside of Africa, in Asia and Europe also, we are seeing good growth. So that is helping us show the good numbers that we are able to demonstrate. Also, the market in India is also giving us good traction. We mentioned about upgrades and automation, that is also a big chunk of the India business. So, this is contributing to the growth.

**Nikhil Sawhney:** The fact is that we are expanding our product offering in the service space as well. So, there's a routine for the supply of work that we do in terms of spares. But as we move that along with greater technological offerings, which ultimately have to deliver value to the customer, this is reflecting itself in terms of order booking and therefore, ultimately turnover.

**Amar Kedia:** Right. I understand that. Sir, the perspective was that SADC orders were perhaps margin dilutive compared to your regular aftermarket business. But now, that you're mentioning that the current set of orders are coming in from regions beyond Africa and perhaps more related to your normal offering in the aftermarket business, I would assume that the margins here would be more or less aligned with the regular margins here then. Is that how one should look at it?



**Nikhil Sawhney:**

Well, Amar, I think that what we have said in a number of quarters in the past is that Triveni Turbine, in the way that we calculate it, aims to benchmark a minimum profitability of 20% Profit Before Tax (PBT) at any given point in time. And so obviously, we aim to be above that. What we want to drive more is growth. So, we're not really going to be margin dilutive. Yes, all the facts of exports as a higher percentage of sales, Aftermarket has a higher percentage of sales are positive to margins, and which is somewhat reflected in this quarter and you see it in next several quarters also.

But in general, the fact is we want to drive greater growth and adoption. Refurbishment as a market segment has multiple different value propositions. So, you have low value addition, which is lower in margins, then you have higher value addition. So, it's difficult to say quarter-to-quarter where you aim. But what we try to make sure is that on a blended basis, what we're pushing more than anything else is growth. Because we need to be able to demonstrate our services in many different geographies. As we can do that and gain customer confidence, that's of more value to our business in the long term than any short-term margin expansion.

**Amar Kedia:**

Sure. All right. And also related to SADC acquisition, I think at that point of time, you had highlighted that there were similar acquisitions or, at least, plans of maybe similar ventures in two or three other geographies. So, is that plan still on? Any work in progress over there?

**Nikhil Sawhney:**

Well, Amar, as you know, the fact is that this is obviously a very material subject that you bring out. And if we say anything, we'd have to take it first to shareholders and inform SEBI and the stock exchanges. But let me give you our experience that we had with our South African acquisition, which is that we acquired a significant stake in a company, took control of it. And at the same time, we also did establish a local subsidiary to be able to garner orders by itself. That allowed us to actually get an extremely good return on equity and capital for our efforts in that region.

Not only has it been accepted very well by customers, but it's also becoming a little bit of a regional support hub for our efforts, both on the Product as well as the Aftermarket side. So, the concept is something that we do agree with. As far as acquisitions go, we don't have the capacity, the capability to do any large acquisitions. We don't actually have the bandwidth for that even. But in this small service space, it's something that we have looked at and something that we will aim to discover. At this point in time, we have nothing to take forward to the Board, and so the Board hasn't considered anything. But I should point

out that this does not stop our organic growth endeavors that we will do in markets, where we are seeing demand.

**Amar Kedia:** Right. Just one last question from me is that Siemens Energy at a global level is facing troubles, and it is a major competitor volume in the global market. So, while India perhaps will continue as it is. But do you think this presents you at least a temporary opportunity to expand your presence more aggressively for the time being?

**Nikhil Sawhney:** Obviously, I can't comment on Siemens. We respect our competition. We think that they are the benchmark from a perspective of market share and technology in this space. We are not seeing any lightening of competition. So that's all I can say. I don't know if they're particularly in trouble. It doesn't seem like that.

**Moderator:** We'll take the next from the line of Mahesh Bendre from LIC Mutual Fund.

**Mahesh Bendre:** Sir, last 2-3 years, we have been growing with a very rapid pace. Now, we are at the fag end of this calendar year. So, just if we are to look for the next 18 to 24 months, what kind of growth we anticipate in domestic and international market?

**Nikhil Sawhney:** Thank you for your question. Of course, this is not a question that I'll be able to answer directly, because we don't provide guidance. But let me give you the fundamentals as to what drives our growth and to give you an idea as to how we are seeing it. Orders for this financial year are already captured within our order book.

For the next financial year, for the first quarter at least, we have orders in hand, probably for Q2 of next financial year as well. The enquiry book that we have right now is what is suggestive of the order that we will take in the next several quarters. Not only for Q3, Q4 but also Q1 FY 25, which all seem quite robust for us to continue on the growth momentum of order intake that we've had in the past. So, what that means is that the order book is what provides us visibility in terms of revenue.

So, as we sit today, both in terms of the order booking that has happened from the Aftermarket and Product segments have been robust. But that is also backed by investments that we are making in technology and people, as well as in terms of having a more local presence. So, we're trying to allocate capital in ways that will allow us to risk mitigate any slowdown that we may see, because of geopolitical pressures or other aspects.

Though I have to say that a lot of growth that we are seeing is coming indirectly from energy transition, where companies are looking to enhance the efficiency both internally, as well as more maybe directly, generate power from renewable sources. So, we're in the right space right now, both from the Product and Aftermarket segments. And I think that growth visibility seems to be quite adequate from the management perspective.

**Mahesh Bendre:** And Sir, outlook for both domestic and international segment?

**Nikhil Sawhney:** So actually, I don't want to go into a lot of detail on this, but our domestic enquiry book has grown in the first half by about 100%. And that's providing a degree of comfort on the domestic market picking up, which wasn't so in the first half, which we pointed out in the last conference call. The international market in terms of its enquiry book is of course, a very large enquiry book for us. And so, for us, it's a question of conversion of that. But it is also continuing to grow at a healthy pace. So all in all, we have the enquiry book. It is for us to go out and convert those orders.

**Moderator:** Thank you. We have our next question from the line of Ravi Swaminathan from Spark Capital.

**Ravi Swaminathan:** Congrats on a good set of numbers. My question is kind of an extension to the previous participant's question. In terms of enquiry pipeline, we have seen good growth, I think overall almost 30% kind of good growth that we have seen, which geographies and which sectors are driving this enquiry pipeline growth? If you can do more granular detail, it will be great. Because why I'm asking this question is some of the larger capital goods companies over the past 2-3 quarters have talked about a bit of, say, moderation in terms of growth especially, in the domestic market with elections coming up in the next six months and globally, things also muting a bit. So, if you can give you a broad thought process as to where we are seeing a delta, which other capital goods companies are seeing some moderation.

**Nikhil Sawhney:** Well, I want to ask Mr. S.N. Prasad, President – Product, to talk about that. But before he does, of course, it's very difficult to get into granular details, because every quarter, the visibility sort of gets enhanced with other geographies and other customers. But if you look at the quarter gone by vs. Q1, Q1, we've already reflected that puts in the domestic market, the enquiry generation was muted, sort of reflecting what you were saying. But in Q2, we've seen a very different perspective actually with specifically, segments such as cement coming back in a much stronger form. Steel has already been reasonably resilient in demand cycles both in Q1 and Q2. This is from a domestic perspective. And you

continue to see a certain degree of demand from the distillery segment, even though there seems to be a little bit of slowdown due to lack of visibility on raw material availability. But Prasad, can provide some visibility to Ravi?

**S.N. Prasad:**

Yes. On the enquiry pipeline-wise, yes, domestic market is almost 100% plus percent growth is there, especially coming from steel is one of the interesting segments. Steel, cement and process co-generation, these are the segments. Coming to international markets, yes, we have a strong growth in Americas, that is covering complete Central, South and North America region. And Europe and Turkey is another area where we are seeing good traction, good growth in enquiry pipeline, followed by Southeast Asia. These are the regions contributing. Even in international, again, we are into process co-generation, independent power plants, biomass and solid waste. These are the segments which are giving that sort of a growth traction.

**Ravi Swaminathan:**

Got it. And are these in the higher range of turbines? Or is it the regular range that we are seeing an increase in?

**Nikhil Sawhney:**

It's all spread through the spectrum.

**Ravi Swaminathan:**

Okay. So, why I'm asking this, Sir, so our EBITDA margin seems to be locked in that 19 - 20% kind of range for a very long period of time. And in spite of the very strong growth that we have seen, usually, companies see some operating leverage kicking in and that leading to margins expanding. So, I'm thinking is there the possibility of margins to expand from say, 19-20%?

**Nikhil Sawhney:**

See the possibility is always there. But you have to tell you what we said this in the last several quarters, and I think you were on those calls as well, Ravi, is that we are going to be spending much more on manpower. We're going to be spending much more R&D. And these are investments in the future actually. They pay off in the longer term. We added over 15% to our workforce last year, and we continue to add in numbers like that.

So, they have an implication, which comes down to where the operating leverage does get minimized. Yes. This is all building towards our capabilities for the future. We don't seem to think that margin is really the biggest problem for Triveni. Our focus is on growth, to sustain the margins that we have at a minimum of this 20% PBT margin that we said. But like we ended up this quarter at 22%+. We think that, that is somewhat sustainable for the Company.

**Moderator:** Thank you. We have our next question from the line of Jonas Bhutta from Birla Mutual Fund. Please go ahead.

**Jonas Bhutta:** Nikhil, congratulations on a great set of numbers. Two questions, Sir. Firstly, can you talk about the API turbine-based market, your comments in the investor note do highlight that, that segment along with the industrial segment has sort of seen growth, but slight more understanding from a product positioning perspective, market share gains have you seen in the last 12-18 months. And is that becoming a larger part of our enquiry pipeline, maybe from what it was about two years ago? Some perspective on that will be helpful. And then I'll come back for my second question.

**Nikhil Sawhney:** Yes. As you rightly point out, there is a spurt in investment in the oil & gas segment. But us in specific, we had to make a lot of headway in terms of getting registration with the end users and consultants in this manner, which we have largely overcome. There's still some work that has to be done on that front. But if you look at from a perspective of enquiries and order bookings, we started from a position of having negligible orders this segment, and we've enhanced that quite rapidly. And we continue to believe that our offering here is very appropriate for us to capture some market share that's meaningful. We have to work towards getting a meaningful market share of over 25-30%. That's a long-term vision. But as we look at it right now, you have API requirements, which happen for drive turbines, which is driving process equipment such as pumps, compressors, blowers, etc. But you also have power generating requirements from the API segment as they are growing. We have requirements for API both in the domestic market as well as international market, and we are participating in both and performing quite well in both. I am going to ask S.N. Prasad to provide a little bit of visibility on this API. And Prasad, if you could just give an idea as to where you see it.

**S.N. Prasad:** Yes. So, API enquiry pipeline, as our Vice Chairman mentioned that, yes, there's a strong growth in the enquiry pipeline we have seen, over almost around 20% growth we are seeing y-o-y sort of growth. And our registration process, also a majority of the international EPCs and consultants, we are there on their Approved Vendor List (AVL). And going forward, I think this pipeline further, we are hoping that this will increase and maintain the same sort of growth level. And today, our acceptability in domestic as well as the international markets is quite positive. And we see this segment will grow quite steeply compared to Industrial Power Generation (IPG) segment.

**Jonas Bhutta:** So, just a follow-up here, Sir, what we've seen is some massive ordering by the Middle Eastern oil majors, particularly on gas processing fields

etc. So, would we be beneficiaries of anything that happens on the gas processing side? Or we are largely currently from a product positioning perspective like downstream, refinery-based?

**Nikhil Sawhney:**

No. We're largely on downstream refinery. But very frankly, anywhere that there is a bottoming cycle heat requirement, we participate. And so, in gas processing like, for example, if you're looking at LNG terminals, there will be limited use for a steam turbine apart from maybe possibly driving equipment. But very frankly, there's steam turbines requirements in every oil and gas establishment, and these happen at the small MW range, small horsepower range to drive equipment. And I mean, you're pointing out one or two investments, but it's actually global investment that is happening in oil and gas.

**Jonas Bhutta:**

Understood. And my second question was circling back to this entire growth that you're seeing in Aftermarket, because this is the third straight quarter, where we've seen ₹ 1.5 billion worth of inflows consistently in that segment. While you and your colleagues have sort of highlighted that both refurb and spares seem to be driving it. But the question is more on the implications on margins.

Because if we remember that when we did take on this SADC order. We did mention that it may have an margin implication, given that it was more like an entry pricing. But at least, could you give us some visibility on whether with progressive orders, that strategy is being folded back into your steady-state margins? Or we should sort of see it more as a two to three-year process where not just in South Africa, but with every incremental country, with that same client, you sort of go through the same process? That's my final question.

**Nikhil Sawhney:**

Yes. But you see the margins, even though we may have taken one order at low margins have not impacted the overall margins either of that segment or at the company. You could see that it's partly driven by operating leverage, it's partly driven by a segment of exports versus domestic. In fact, we've had margin expansion in those contracts. Those contracts are largely over but though, there are some continuing kind of contracts that we'll get in. But very frankly, now this is becoming part of routine operations where we think that certain low value-added services, be it overhaul, will continue to have a certain margin profile.

But they'll be supported by high-margin orders in different offerings that we will have for upgrades etc. So, on a blended basis, both for the Aftermarket segment as a specific, as well as for the Company overall, we really don't think margin is a problem, especially given our growth possibilities. We're not really going to go for orders which are low margin specifically. Even the SADC order was not entry pricing. It was just lower

than our normal margins. But on a blended basis, we cautioned investors that we may see something fall. But ultimately, the team was able to deliver very strong margins even on those low-margin orders.

**Jonas Bhutta:**

That's well appreciated. But just wanted to flag off that even in the worst of times, like, say, 2015 through 2020 or 2021, our other expenses as a percentage of sales were in the average of about 14-15%, which on a substantially higher revenue base, we are clocking closer to 18-19% and which is where I think one more participant was sort of asking on the operating leverage bit. And so the R&D, the manpower investments, again, would be function more in the employee cost? Or should one think of the more steady-state operating expenses?

**Nikhil Sawhney:**

So, operating expenses, if you notice that in the last several quarters, we had a note to accounts, which talked about a contracting charge that we had, which related to the other expenses based on this SADC order. Now, this SADC order has gotten extended to an extent which is becoming a little bit more routine. And so, we don't feel the need to actually giving the breakup in the notes to accounts. But to give you visibility in other expenses, because that's a very legitimate question that you've asked in terms of the growth from the half year perspective, especially, but also as a percentage to sales, a significant portion of that is contributed by just the subcontracting charges, which may have been for the half year for that particular one order.

In general, we think that there are efforts that have to be made in terms of increasing our operating leverage apart from this subcontracting charge, which is a direct cost in a sense. We either put this as another expense or have included as raw material, and you would have had the question either way. One would be why is the raw material percentage of sales increased or the other way around. But for us, it's better to put it in here, because until we are certain that this is a long-term business, there's no reason for us to account it in another manner.

But I do agree with you that there is some work that we need to do to get better operating leverage, specifically, in terms of our travel and other expenses related to sales, which, as you know, have gone up over the course of the last several quarters based on international airfares, etc. And so, we're cognizant of it. But we think that we'll make some more efforts in the coming quarters to see how best we can rationalize that. But Arun, do you have any comments around the question on operating leverage and specifically other expenses.

**Arun Mote:**

Yes. We are keeping tabs on other expenses. What we find, that because of the travel tickets almost doubling internationally, this is an effect. But then it's getting optimized. And over a period of time, it could be next

six months, we will be well within our normal limits that we are expecting. There is no immediate correction to it.

**Moderator:** We'll move to the next question from the line of Harshit Patel from Equirius Securities.

**Harshit Patel:** My first question is on the domestic 0 to 100 MW market. Could you highlight what was the rate of growth in the second quarter at the market level? I believe you had said that it would grow by more than 25% for the full FY 24. Would you maintain the same outlook?

**Nikhil Sawhney:** I think the enquiry book is suggesting that the market will grow to that extent, yes.

**Harshit Patel:** And what would be the market in absolute value terms? I believe you had quoted a number of 200 MW for the full FY 23.

**Nikhil Sawhney:** No, I don't think we quoted 200, must have been more like 2,000.

**Harshit Patel:** 2,200 for 0 to 100 MW.

**Nikhil Sawhney:** Yes. I think that's somewhere accurate.

**Harshit Patel:** Okay. Sure. Sir, second, coming on the pricing front, I believe almost all your orders would be customized in nature and only produced against the customer requirement. But let's say, if I take a standard, let's say, eight to 10 MW SKU, then what would be the differential in pricing on an average? As of now, we service what we used to offer a couple of years back. I think there would be a lot of factors impacting the same, given how the raw material prices have behaved, how much more value addition we are now doing versus a few years back and so on and so forth. But just to get a sense on how broadly the pricing would have moved, let's say, in the last couple of years.

**Nikhil Sawhney:** You're asking a very different question, and I think it's very difficult to answer that, because it is somewhat competitive given the fact that this is a public call. But suffice to say that there have been price increases that the Company has taken in general, based on movement of raw material prices, as well as the fact that as competitive intensity weakens, which is that the market grows, you do have certain more pricing flexibility. And so, when we look at it from the basis of 5-7 years ago to now, they have definitely been an increase of at least 25-30%.

**Moderator:** Thank you. We have our next question from the line of Himanshu Upadhyay from O3 PMS.



**Himanshu Upadhyay:** Congrats on great set of numbers. My first question was, as we see more and more renewables playing a role in power, to a certain extent, it leads to faster shutdown and ramp-up of power. What impact does it have on the turbines? And does it lead to more wear and tear, and bigger opportunities for us?

**Nikhil Sawhney:** Steam turbines have a longer rolling cycle than a gas turbine would. You don't really have so many start-stops in a steam turbine. From an industrial perspective, you have different considerations. A majority of our customers are either producing steam and therefore generating power out of it such as in waste heat recovery or are using steam as part of their process. So really, the requirement is for energy, which is both in terms of heat and power. It's not really only for power. There are customers, of course, who are generating power only both internal captive requirements, but also for supply to the grid.

The turbine is sophisticated enough to have automation for both course down and other aspects of start-ups. The real issues that happen in terms of wear and tear is either the wrong inputs in terms of steam or other aspects also the management of the turbines itself. Those are the bigger causes of problems that we see with operations, I don't think that we can generalize for our segment in terms of the current power situation and shortage of power and shutdowns, etc., as being a real driver to any growth for Aftermarket.

**Himanshu Upadhyay:** Okay. Thank you for clarifying and helping me improve my understanding. The second question is, what are our top three priorities besides revenue and financial, but in terms of product development? What are the adjacencies, which we would like to look with a three to five-year perspective besides the API turbine and the steam turbines where we are? Can you elaborate on that?

**Nikhil Sawhney:** Our efforts are always going to be to benchmark globally in terms of all product characteristics. And very frankly, the field of technology development has various different aspects, not only in terms of computational fluid dynamics, but structural analysis and component engineering, be it from the veins to the valves to the seals, etc.

So, there's a comprehensive approach that we have to take for a very complicated product and to look at it not only from the perspective of the manufacturability of it from a modular basis, but also in terms of what our customer requirements are and to ensure that we're able to provide value to the customer.

So, R&D is a very complex area in terms of our investment. And from an end market perspective, of course, what we're making is a steam turbine

as far as what the market is concerned. But there's a lot of intricacies in terms of the capabilities that are required for us to meet, both our internal expectations, as well as market expectations. So, the multiple disciplines that are involved, everything from structural to fluid dynamics to materials, etc.

**Himanshu Upadhyay:** No. I get your point. I saw your plant and it was a pleasure to go and meet the people on the shop floor and understand the product entry cases. My question was broader. So, we have a good understanding of thermodynamics and all those aspects. What are the other areas which we can use our knowledge base for products? What can be the adjacent products, which we can try to develop like API product, what we made?

**Nikhil Sawhney:** Yes. I know what you're saying. The fact is that given our competency in rotating equipment, you could say that there exist parallel lines that we could enter. At this point in time, I think our focus on ensuring that we are able to grow this market segment and cover it in a more comprehensive manner needs a lot of space. We have product development opportunities that we have talked about in the past, which we continue to do.

And we may not have focused it on this call, which is, say, on our carbon dioxide side. And we continue to do work on that, because we believe that it is a working fluid of the future. We think that there is a very good use case to have an unsubsidized use case for carbon dioxide. And we aim to provide technological solutions for that both at a subcritical, supercritical, as well as transcritical perspective. And these are things that we'll provide more clarity on in the coming quarters.

**Himanshu Upadhyay:** Okay. One last small question. Last year, we increased our workforce by 20%. And we had guided that this year also there will be an increase. Can you give what will be the increase? And is it across the divisions of the company?

**Nikhil Sawhney:** Yes. I'll let Arun, our Executive Director, CEO answer that question.

**Arun Mote:** You see, we have had an HR plan, based on which the recruitments have been done. And the recruitments are proportional to the efforts required to lead the targeted business that we are thinking of in the current year. And also, we need to provide for the future years. So accordingly, the headcount is getting increased, and it is in all the functions. It is not only in one function. In fact, we're spending quite a lot on training our people, because HR needs to be very strong, and all necessary actions are being taken to support it.

**Moderator:** Thank you. We have our next question from the line of Prolin Nandu from Goldfish Capital.

**Prolin Nandu:** Congratulations on great set of numbers. I just have one question. Just from a longer-term perspective beyond FY 26, because until that time, we have visibility based on the enquiries that we are generating. Some of the trends in terms of industrial CapEx, API as well as biomass and that aspect of renewable energy. Some of these trends are something which might last for longer sometimes rather than just petering out in a few years' time.

So, is it fair to probably say that what we are doing in terms of product innovation, adding more and more services to our Aftermarket business, do you think that we can probably in a way come, I mean, not be part of the cycle and taper down after FY 26 and the growth that we are seeing right now, not at the same pace, but might continue beyond FY 26 as well?

**Nikhil Sawhney:** Yes. I think that we are in a segment that is, and I have tried to allude towards this in previous calls, that we're in a segment, which I think is quite secular in terms of growth. It's not cyclical. Energy transition and climate change is a reality. The amount of money that's been spent on it is still quite small compared to what has to be spent in the future. So, we only think that the market, and our appropriateness of our product and solutions will only be more enhanced as we go forward.

If we look at it from a perspective in terms of internal targets while I can't give you the exact numbers. As you know, we have taken a resolution to our shareholders to adopt an ESOP program. And the ESOP program is for some top management, but it is similar to the incentive program that is being offered through the Company to a variety of different segment of people to be able to sustain growth even further than the timeframe that you're suggesting. And so, this is something that we are trying to build in to the culture of the company, where we believe that the market exists, the appropriateness of our product is suitable to the market. And so, there's no reason why we should not aspire to sustaining the growth in the long term.

**Prolin Nandu:** And second question would be that while you have stopped giving this whole zero to 30 and 30 to 100 kind of distinction in terms of any comment that you make. But how is our traction in 30-100, where we are relatively newer? And just an added question to that would be, you're saying -- you said that you are adding a lot of services in the aftersales part of it like refurbishment. So, in terms of whatever is required in the market, I mean, where are we? Have we covered 50% of what is the requirement in the market and there is still 50% of services

that is left from our offering point of view? So, if you can just give some quantitative number?

**Nikhil Sawhney:** So, from a perspective of the offering itself, that changes with both the customer expectations and the technologies available. So, you have a certain degree of digitization, automation and AI, which is building out right now. And so to what extent are we actually being able to use those services directly within our offering, I think we have a little bit of way to go. But do we have plans to cover that? Yes. So, to what extent are we covering it, I think, to the appropriateness and benchmark with the competition, we would say that we're appropriate in terms of our service offering. In terms of market coverage for refurbishment, it would be not even 1%.

**Prolin Nandu:** Okay. And any comments on 30 to 100? How has been the success?

**Nikhil Sawhney:** Yes. Prasad, can you talk a little bit about the experience of 30 to 100 MW segment? I think we have a good market share and we have good opportunities in our enquiry book also. Prasad, is there anything you want to add?

**S.N. Prasad:** Yes, it is. 30 to 100-MW enquiry pipeline also, so even though we have not that differently, up to 100 MW, we are considering as opportunity for industrial steam turbines. Otherwise, since a specific question there, yes, there is a good enquiry pipeline there, even opportunities they are getting converted, enquiries getting converted to opportunities. And the spread is quite wider across the regions and both domestic and international.

**Nikhil Sawhney:** So, certain segments like steel and cement have larger capacity orders. Certain segments like distilleries and sugar, etc, have lower MW orders. So, it depends quarter-to-quarter. The segments coming up would be in the higher MW range.

**Moderator:** We have our next question from the line of Namit Arora from Indgrowth Capital.

**Namit Arora:** My question was around your efforts in innovation and research and development. What are the efforts in that area, which might yield results over the medium term? Thank you.

**Nikhil Sawhney:** That's a very open-ended question. We believe that we are a technology-focused company, and very frankly, technology lies at the heart of not only what we do but what we offer our clients. So, it is what we are. So, in terms of our efforts, not only do we have enhancement in terms of recruitment to add capacity, but we have to enhance the capability.

There's a question of global benchmark and looking at our research platforms from a perspective of partnerships with academic institutions, so that we can continuously upgrade our knowledge, but also benchmark ourselves with global best practices. So, it's quite an intricate space, where we think that this is going to be an area that we think we need to spend more on. We think at this point in time, we're not spending enough on it. So, we will be aiming to spend more in the coming years.

**Moderator:**

Thank you. We have a next question from the line of Manish Goyal from Thinqwise Wealth Managers.

**Manish Goyal:**

I have a few questions and first, on the Aftermarket, like no doubt, sorry for dwelling more. But historically, we have seen that whenever Aftermarket revenue contribution increased, we had a margin improvement. And if I look at the first-half numbers and the incremental revenues of roughly ₹ 200-odd crores, it is evenly split between products and aftermarket. So I'm just wondering that is it that the nature of incremental Aftermarket revenues what we have, our margin profile is quite lower in terms of what historically we used to enjoy. Because like earlier, it was AMCs and small refurbishments for our own machines, which got extended to third-party refurbishments and now upgradations and automation.

So, also in related questions, Sir, number two is that right now, like what we observe is that we probably providing international Aftermarket services through subcontracting and maybe we are outsourcing that. And a large part of the cost probably is getting captured under other expenses and somewhat in employee costs. So, do we see that going forward the service offering, what we have, we probably have our in-house facilities? Or how do you see that changing? That was the second question.

Third related question like what do we offer on upgradations and automations? And you said we have some orders in India. So maybe, if you can provide some perspective. And then on Product side, are we seeing any issues on execution and order inflows pertaining to, say, probably, geopolitical disturbance in Middle East and Europe markets? Thank you, Sir.

**Nikhil Sawhney:**

So, I'll start with the Product side first. Our enquiry book is large. And so yes, on quarter-to-quarter, different aspects of geopolitical disturbances do have an impact. But overall, I don't think that it's impacting the Company, in terms of its order growth plan. In terms of the execution plans, certain current orders will have delays, but that's not largely impacting our growth visibility, one or two orders here and there. The

same thing happened with Ukraine, when the Russian war started, we had orders from Ukraine. But that really hasn't really impacted our growth efforts as a company.

On your Aftermarket question, you're right that a greater contribution of Aftermarket as a percentage of sales should lead to a margin expansion, besides operating leverage obviously. But as I said, our attempts here are to firstly expand our geographic presence to be able to be closer to customers, which is a cost, which comes under other costs. And we're able to see here is that the growth should not be compromised. But like I said earlier and earlier questions were asked, that we aim to maintain certain levels, both for the company, as well as segments, which allows us to be able to push growth for us faster. And so that is our primary objective.

Certain orders that were taken on the Aftermarket side were, what I would say, lower than our normal margins. And so therefore, the operating leverage that could have with higher expansion of turnover didn't get translated. But we believe that, that in the medium term will get corrected, because we will revert to what are globally accepted norms in terms of Aftermarket pricing or Aftermarket margins.

The other question in terms of how we do execute these orders, they're largely executed by us solely. And apart from certain lower-value orders, which require manpower, those will be outsourced, of course and they will be a part of other expenses. Our attempt is to stay at the higher end of value addition of service. So, we would always aim to add people at a higher end of what we can offer our customers, both from a perspective of sales, as well as engineering and execution.

Last question was on what does upgrade mean. Upgradation is taking a turbine and enhancing its heat rate, so that the customer is able to get a payback very quickly. And Automation is to the same extent. Ultimately, this is all sold on a basis of payback for the customer in terms of what he's able to generate for what amount of fuel he uses.

**Moderator:**

We have a next question from the line of Amit Anwani from Prabhudas Lilladher.

**Amit Anwani:**

Congrats for the strong set of numbers. My first question on the capacity expansion, which we did in Sompura. And we just talked about some turbine capacity per year after the expansion. Is there any further requirement since we are now penetrating into more global markets and have got pretty healthy enquiry pipeline? Is there any reassessment that we need more CapEx?

**Nikhil Sawhney:**

There's nothing that we've taken to our Board for further expansion right now in terms of capacity utilization, we seem to have adequate capacity for our growth for the next couple of years. But I would say that, as you know, the time we went for a CapEx to add a bay at Sompura plant, we were able to do that in a short period of time. So, constraint to growth in terms of capacity is not really a challenge. We do have some efforts that we need to do in terms of vendor development to ensure that our vendors are up to speed with our growth, and that is continuing and that's an effort that continuous.

**Amit Anwani:**

Sure Sir. I wanted to understand any assessment on the market share globally as we are expanding in new geographies. So first, on global addressable market and our standing with respect to market share, and what is our experience with respect to competition in the new markets, where we have entered from the global players operating in zero to 100 MW?

**Nikhil Sawhney:**

Okay. Great question. I mean, we are constrained by the fact that there isn't any true visibility of market share that one can get in terms of data. Our data is very spotty in terms of market share. So, the way that we benchmark our success in terms of market and growth is, well, in India, every enquiry crosses our desk, so we can get some market share assessment. But internationally, which is a real growth area, we try to benchmark our growth based on growth in enquiries. Because an enquiry for capital goods is a serious thing. It's not frivolous in terms of being able to provide a quotation to a customer. It's time consuming for us as an OEM to provide to a customer, and it's time consuming for a customer to read it. It's only given when it's serious.

And so therefore, an enquiry is a very good assessment for us or where the market is. So, the conversion of enquiries to orders is an internal benchmark that we use for being able to assess our success in the international markets is something that we measure very closely. In terms of competitive intensity, there are no new players who come into the market globally, the same players seem to exist. We have more direct competition with our largest global competitor in nearly all global markets. And in certain regional markets, we have certain other regional players, who do quote as well.

But having said that, the market is largely oligopolistic, and some markets is duopolistic. And we think that there's healthy competition and ultimately, customers do get the benefit of that competition. But having said that, we are comfortably placed. As long as we can get a good value proposition in front of the client from a life cycle value perspective and enhance that with adequate aftermarket service capability, we don't

think that, that's too much of an issue. The bigger issue would be to overcome perception of the countries as a source of supply.

**Amit Anwani:** Sure, Sir. So, my last question on the other expenses, and you did highlight it. Is there anything, with respect to more outsourcing, that is becoming a constraint, that you're getting orders, which needs to be outsourced right now? And once the, as you said, the value add or high value orders keeps on increasing, then you'll be in a better position to have better operating leverage from this level? Is that what we can recap from this?

**Nikhil Sawhney:** I think that as Arun pointed out as well, that there are certain elements, which have increased in a disproportionate manner in other expenses, which has largely been on the administrative side of travel and expenses around that. As you know and as you can see, not only do our orders that we take in the international market, do they have overhead cost, but enquiry generation is also quite expensive from a perspective of cost to the company. As far as outsourcing these are part of normal routine businesses and we don't see it expanding in any manner that's material.

**Moderator:** Thank you. We have our next question from the line of Nikhil Agrawal from VT Capital.

**Nikhil Agrawal:** Sir, my question was like again, on your enquiry book. What percentage of your enquiry book mostly gets converted in the domestic and in the export market?

**Nikhil Sawhney:** This changes. Like I said, this is a data that we're not really giving out, but it changes really quarter-to-quarter. But internally, we use it as a reference for performance.

**Nikhil Agrawal:** All right. And you said your enquiry book in the domestic segment has increased about 100% y-o-y in H1. So, what would be that in the export segment, like export enquiry generation in H1?

**Nikhil Sawhney:** Sorry, what was your question, what is the export enquiry generation in H1?

**Nikhil Agrawal:** Yes.

**Nikhil Sawhney:** It's in excess of 5 GW.

**Nikhil Agrawal:** Sorry?

**Nikhil Sawhney:** Total is in excess of 5 GW. The international in specific is about 3.5 GW.



**Nikhil Agrawal:** Okay. So, y-o-y, what growth would that be?

**Nikhil Sawhney:** The growth of the international, 4 GW, is somewhere in the region of 15-odd percent growth for the international market.

**Nikhil Agrawal:** All right. And Sir, coming to the question on Siemens, I believe they have some issues in the sub 3 MW segment. And since we cater to the oil and gas industry as well, so are we planning to expand based on that front, like in the sub 3 MW segment and cater to more industry, Sir?

**Nikhil Sawhney:** Since this is the second time that has been brought up, we'll have to just investigate this a little further. We're focused more on really what our customer requirements are to be able to provide that better in front of them. We take it for granted that there will be competition. If there isn't competition, that just ends up helping us. But we use competition as a benchmark in terms of offering for the clients, so that we can enhance our value proposition to the customer better than our competitors. That is the objective where we benchmark with competition both from a technology, service and other aspects of what a customer may consider as being useful. But I think as we currently stand, we have the visibility in the market.

We are tactically going around getting growth. The team seems to be confident in not only the revenue that we will get in this current year, which is already locked in. But order booking for the next several quarters, which will lead to revenue growth for next financial year and actually, possibly order booking also for FY 25 as well. Our competition is very large and whatever problems they have, they'll overcome them, I'm sure. In segments, like you said in oil and gas, that's a segment which is growing. I think that there's a lot of uncertainty in this space and there hasn't been a lot of investment over the last decade. There's a lot of replacement CapEx that has to happen. So, we will be there wherever we can be.

**Nikhil Agrawal:** All right. Got it. And sir, just one last question. Your exposure to Middle East countries, if you could quantify or something?

**Nikhil Sawhney:** No. We have a presence with people and offices in the Middle East. They are safe and secure. In fact, they're seeing their own growth opportunities in the Middle East. We don't have any presence in Israel in specific or in Gaza. So, we're fine with that. There may be some impact of this spilling over into countries like Turkey. But those are catered to and was already forecast in our execution plan. And specific in the UAE or Saudi, there doesn't seem to be any impact.

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

**Nikhil Sawhney:** Thank you very much, ladies and gentlemen. I'm sorry that we extended it by 10-12 minutes, but I believe that it is important to cover everyone. I look forward to addressing you again next quarter, where we should hopefully again, have a record quarter. Thank you.

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

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