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STOCK CODE: 533655	**STOCK CODE: TRITURBINE**

Dear Sir/Ma'am,

Subject: Transcript of Investors/Analysts Conference call held on November 12, 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 November 12, 2024 for investors/analysts in respect of the standalone and consolidated unaudited financial results of the Company for the second quarter and half year ended on September 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
Digitally signed by PULKIT BHASIN
Date: 2024.11.19 18:44:15 +05'30'

Pulkit Bhasin
Company Secretary
M. No. A27686

Encl: A/a

Triveni Turbine Limited

Q2 & H1 FY25 Earnings Conference Call Transcript
November 12, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Triveni Turbine Limited Q2 FY 25 Earnings Conference Call.

We have with us today on the call Mr. Nikhil Sawhney, Vice Chairman and Managing Director; Mr. S.N. Prasad, Chief Executive Officer; Mr. Sachin Parab, Chief Operating Officer; Mr. Lalit Agarwal, Chief Financial Officer; Ms. Surabhi Chandna, Investor Relations and Value Creation.

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

Nikhil Sawhney: Thank you, Rishab. Apologies, ladies and gentlemen, on starting this call a little bit late. But it's with good news that we have this call for another record quarter for Triveni Turbines. This is the 18th straight quarter of record results, and I'm very happy to take you through our results.

This is again the highest quarterly revenue and EBITDA, along with a record closing order booking, providing very good visibility for the near term in this Q2 and H1 FY 25.

We have had the highest quarterly revenue in Q2 FY 25 at ₹5.01 billion, which is an increase of 29% year-over-year. Domestic sales increased by 32% to ₹2.79 billion, while export sales increased by 26% to ₹2.22 billion. This is also the highest ever quarterly EBITDA with ₹1.31 billion, up 47% year-over-year, with a margin of 26.1%, which increased 320 basis points year-over-year.

PAT for the quarter was at ₹910 million, an increase of 42% year-over-year, and we also had a very healthy order booking of ₹5.72 billion during the second quarter, which is a growth of over 25% year-over-year. It was a record outstanding carry forward orderbook as of the 30th of September of ₹17.96 billion, an increase of 22% year-over-year.

The P&L highlights for the half year, the revenue from operations grew 26% to ₹9.64 billion, which is a record for the Company. As far as the sales mix between domestic and export goes, we had a domestic sales increase by 29%, while export turnover increased by 22%. In the half year, the mix of domestic versus export sales was 55% to 45% as compared to 53% to 47% in the previous corresponding period.

EBITDA increased by 42% to ₹2.46 billion in the half year as opposed to ₹1.76 billion in H1 FY 24. Margins for the half year versus previous year increased by 280 basis points to 25.5% in H1 as opposed to 22.7% in the last corresponding period.

I'd be happy to take questions, because I'm sure a lot of you will ask you about the sustainability of these margins. As you all know, the Company operates in a customised engineered-to-order segment and has different margin profiles for export orders as well as domestic orders. And between our aftermarket and product, we also have a different margin structure, where it's more weighted towards the aftermarket.

As you can tell from the sales mix, which is still currently more domestic focused, but I think order booking is more export focused. We don't seem to really have issues with our margins at this point in time. And so, we're happy with these margins, and we think that they may be somewhat sustainable in the short term. Though in the medium term, we imagine that we would like to expand sales and having sales as a focus for the business and sales growth for the business is really the greater priority.

As I said, order booking for Q2 FY 25 ended at ₹5.72 billion as against ₹4.59 billion during the second quarter of FY 24. This is a growth of 25% and export order booking grew by 50% year-over-year at ₹3.04 billion. The domestic order booking grew by 4%.

Order booking for the half year was at ₹12.08 billion, which was an increase of 32% over the half year FY 24. Domestic order booking for the first half grew 3%, while export order booking grew by 63%. This augurs well for the execution of these orders, which will happen in the subsequent quarters as well as in the next financial year as well.

Coming to the segments. Order booking for product grew 30% year-over-year to ₹3.98 billion, and for the half year grew at 44% to ₹8.85 billion. The product segment turnover recorded a 26% year-over-year growth in Q1 and 25% growth in the half year compared to the previous year. The aftermarket segment grew 13% in terms of order booking to a record high of ₹1.74 billion in the current quarter and grew by 8% in H1 FY 25 compared to the previous period of the previous financial year.

This again augurs very well for the short-term execution of these projects and the aftermarket contributes a very healthy 33% to the total turnover of H1 FY 25 with the high contribution of aftermarket to turnover as well as a robust and healthy growth in our order booking for the export segment. The Company seems to be making good headway in its newer market geographies in higher MW (megawatt) categories and the API segments as well as in both renewable as well as Industrial Power Generation (IPG) segments.

To take you through the total outstanding order book position, which stands at ₹17.96 billion as of the 30th of September 2024, which is higher by 22% compared to the previous year. This augurs very well. The domestic outstanding order book was lower by 16% at ₹7.09 billion, while export order book stands at ₹10.87 billion, which is a growth of 71% year-over-year and contributing to a robust 61% of the closing order book.

The Company continues to focus on R&D and technology. Our investments there continue to bear fruit. Our developments happening from the carbon dioxide (CO_2) fronts have already been commercialised, and we have good success in certain applications. I'd be happy to go through some of those if there are questions along those lines, but it provides us visibility and commercialisation of new technologies and newer product introductions, which Triveni Turbines will be bringing out in the subsequent quarters and provides a good medium-term and long-term runway for diversification of our product mix over and above the diversification that we already had in terms of going into higher MW categories, going to API and newer market segments as well as focusing more on refurbishment as a specific growth driver to our Aftermarket business.

All of this is only possible with a great focus on people. We are expanding our resource base in terms of people and investing significantly in training and development. We not only take a good intake of Graduate Trainees (GTs), Graduate Engineers and Diploma Engineers to be able to augment our staff and provide adequate succession planning for intermediate levels of professionals, but we do this at higher levels as well. If you find people who are good, please do encourage them to apply to the Company for jobs and the job positions are available on our website.

As far as the outlook goes, we expect to maintain a robust business performance in the medium term. As I said, this is our 18th record quarter in a row and we aim to maintain that momentum going forward as well. The expectation is supported by a substantial order booking in both the renewables, API as well as Industrial Power Generation segment. The Aftermarket business is also showing good promise in terms of growth and is bolstered by the standard range of offerings, including spare parts, services and refurbishment. These services are also being augmented with our digital offerings, and we aim to enable all of our services with a certain degree of digital offering as we go forward, so as to be able to provide a greater value to our customers.

Ladies and gentlemen, Triveni Turbines operates in the space of industrial heat and power. If we look at the incremental amount of energy consumption that is going to happen in the consumption of heat, we are very aptly poised to be able to leverage the positions that are transforming the market, both from a perspective of energy transition, as well as the growth that will happen in terms of the replacement of the current capital stock that is currently in place mostly in developed countries.

With that, I'd be happy to open the floor for question-and-answers. And I hope to be able to answer them.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity. My first question is, how are our domestic and overseas enquiry books? How much they have grown on y-o-y basis at the end of second quarter?

Nikhil Sawhney: When if you look at it for the half year performance, our enquiry book for overall level is somewhat flat. If you have to remember that the domestic order booking in the previous financial year, Q4 FY 24 as well as Q1 FY 25 has been muted due to the election situation. But having said that, we said that the enquiry book has grown, and it has again grown in this current quarter for domestic. Mr. S.N. Prasad is with me, can you give some visibility as to the segments that you are seeing growth in the domestic enquiry book?

S.N. Prasad: Yes. So, on our domestic enquiry book, basically Q1 was muted, we saw a strong recovery in Q2 in terms of enquiry. So again, the enquiries come from process cogeneration where combined heat and power is one of the key segments where we are operating quite strongly. The other opportunity is Municipal Solid Waste (MSW) based power plant, cement and steel we are seeing the traction is increasing compared to the earlier, of course, chemical and petrochemical plants. So that way stronger enquiry pipeline from different segments getting added into Q2 domestic market.

Nikhil Sawhney: So just to finish on the domestic market before I touch on international, you should remember that H1 order bookings, which was impacted by the enquiry books pretty much Q3, Q4 of the previous year. We believe that the growth in the enquiry book that has happened in H1 in Q1 and Q2 of this financial year, it will translate into better order booking in Q3 and Q4.

But having said that, the point is that we anticipate this growth in the total market to be along our expected lines or may be a 15% to 20% growth year-on-year in the total market domestically. And what is quite encouraging is that we believe that this is a sustainable growth. This is not any sudden peak. We see consistent demand coming right now from certain segments as Prasad had pointed out, be it in the cement space or steel space. Obviously, newer market requirements that are happening both from renewable municipal solid waste as well as biomass-based applications. And specifically, on the energy efficiency side, we see a lot of interest, both domestically and internationally.

Internationally, our enquiry book is an effort of our endeavours and our salespeople and partners reaching out to expand it. The enquiry book is still quite robust. And for the half year represents, I must say, a consistent market to what we had in the previous year. And as we currently stand, we believe that the enquiry book is sufficient for us to give the growth that we need in our order book, which will then translate into turnover in the coming quarters and coming years.

The segments for international, which are contributing is the API segment, which is oil and gas. As we said, that was a big contributor in the first quarter of this financial year, but we believe that this segment will continue to contribute in the coming quarters as well. We have good requirements from both industrial cogeneration, which is both heat and power applications from a variety of different industries, including paper and pulp. And we also have requirements coming from renewable-based applications such as municipal solid waste incineration as well as other Waste to Energy (WtE) based applications.

Harshit Patel: Understood. Sir, secondly, I wanted to get some colour on to specific end markets in India. First, on distilleries. I believe we expected a pickup towards the end of FY 25, do you still see that happening or there is some slack in the new investments, which are happening in this particular sector? Secondly, you also alluded to a little bit towards answering the previous question. Are there any green shoots in the waste-to-energy theme in India? Have we booked any such orders so far in FY 25?

Nikhil Sawhney: Let me ask Prasad to answer.

S.N. Prasad: Yeah. Coming to waste-to-energy plants, yes, we supplied turbines to some of the waste-to-energy plants in India, recently one plant commissioned in Ahmedabad also with our turbine and more than 8-9 plants with our turbines are in operation and enquiry pipeline is strong in waste-to-energy.

Coming to distilleries, yes, Q1 is a muted quarter for us. But based on the enquiry pipeline, there is a small growth we are seeing from the distillery. And we are seeing some sort of traction in finalisation in Q3 as we moved the last 45 days. So that way, we are hopeful on distillery. Otherwise, we are quite bullish on MSW, the way how the enquiry is picking up and there's a focus coming on MSW plans.

Moderator: Thank you. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Congratulations for the great set of numbers. And thanks for the opportunity. My first question is on U.S., and you have been talking about setting up workshop and investing in employees in U.S. I wanted to understand, was there any contribution and post the change in government in the U.S., are you seeing anything impacting our view with respect to expansion in U.S. for the after-service business? And I wanted to understand how much contribution from U.S. aftermarket business can come in the next couple of years, yes?

Nikhil Sawhney: Okay. As it currently stands, the plant is set up is somewhat small additional machinery that we need to get anyway, but the majority of it has already been capitalised. But it is not contributing at all in terms of revenue. In fact, as we have said in the previous conference calls, we would anticipate a full-year loss from that entity in excess of ₹25-odd crore. But that has been factored into consideration, and a proportionate amount is already included in our H1 results.

So, the results that you see post the expenditure that we have had in the U.S. Of course, the investments that we're making in people, in capital and machinery in the U.S. is because we do see a very large market there. In fact, as I pointed out in our last conference calls, the estimation that we have for the market has only improved and the visibility is only improved since we have established our presence.

Our efforts there to be on two fronts. Not only will it be to sell new products and to service our existing base in the region, but it will also be to capture the markets for refurbishment, which includes refurbishment opportunities for steam turbines as well as other rotating equipments. And we are very encouraged by this because, as you would imagine, the U.S. market presents the largest capital base any in the world. And so regardless of which government and administration is in, you have requirements that stem from very short-term returns.

Triveni has always played in an unsubsidised market. So, subsidies only sweeten the value proposition for our customers. But ultimately, for us, we are agnostic to it. We think that this is very consistent with both global demand as well as trends. And what I mean by that is regardless of the way that you view the subsequent administration of the United States, the push for energy efficiency is going to be not only be mandated by global protocol, but it will be mandated by economics with energy inflation and the cost of energy, the expenditure on efficiency is really the need of the day, and it's something that we see everyone spending on.

And so, we see the U.S. market contributing in the subsequent years, as you rightly point out. As it currently stands, it is not contributing at all, and we do not expect it to contribute in this financial year in any significant manner.

Amit Anwani: Yeah. So, my next question is on the strong growth, which we are witnessing in export. Just wanted to understand if you would like to highlight any key geographies or markets where this growth is happening apart from U.S?

Nikhil Sawhney: The growth is not in the U.S. It is in other markets. The market, as we see it, the Middle East is a strong market for us for oil and gas applications. We see very good demand coming actually from parts of the other Americas as well as parts of Europe for both process cogeneration and mainly renewable-based applications. So, this changes quarter-to-quarter. A market segment that has sort of been underperforming in the last two quarters has been Southeast Asia for us, but we think that we need to push a little bit more. It is not as if the market doesn't exist. It's based on our marketing efforts, and I think we need to double down on and spend more time.

But as it currently stands, and I did point out in my opening remarks, we have approximately 60% of our closing order book, which is from the export market, and we are extremely bullish on taking this number up. We think the Indian market will continue to contribute, but it will provide a base for us to grow from.

Amit Anwani: Sure, sir. And one more thing I wanted to ask on, you highlighted about the higher MW category and last quarter also we entered into 120MW. Any new higher MW products on the verge? And will that expand our market and by how much they can expand a market just to get a sense on the higher MW category, yes?

Nikhil Sawhney: We have the technology to produce up to 120MW. It's different if the customer places orders on us. Again, this is based on customer confidence, in them having the confidence to be able to place orders for different applications in for different use. In fact, in this current quarter, we have an order of a 95MW turbine also in this space.

I wouldn't like to go into too much details on the applications and the geography. But suffice to say that this is a high-technology product with a variety of different extractions which are necessary. So, we do have the ability, and we are confident that we will get further higher MW orders as well, which will help aid our growth. Because as you know, the market for higher MW turbines is something that Triveni Turbines has been pursuing independently or only over the last couple of years, last 3-4 years since our joint venture ended.

And that is where our market share has been traditionally very low. So, to augment that now that we have the products and the push and the establishment of the confidence that we have given to customers, we will get more orders in this segment. This as well as the API segment will continue to provide good growth opportunities despite market cycles for our product business. The Aftermarket business will, of course gain from being close to customers and the installed base as well as the refurbishment opportunities that come about.

Amit Anwani: Right. Lastly, very quickly, so there was an announcement on CBG plant set up by Reliance. So just wanted to understand, is there any scope for you for gas to energy conversion with the turbines might be needed, that is my last question.

Nikhil Sawhney: Typically, a gas-based power plant would either use a gas engine or a gas turbine. And the way that you should think about it is unless you hit a gas turbine requirement of somewhere in the region of 25 to 40MW only then will you go for combined cycles because we would take the waste heat that would come out of a gas turbine.

And the ratio is approximately 3:1. So if the gas turbine is 3MW, you'll have a 1MW stream turbine. If it's for gas engines, it's 10:1. So 10 MW of gas turbine would equate to 1 MW of steam turbine. So, there's economics in terms of what is viable to be set up. I think these small CBG plants don't have the economics to allow for a steam cycle to capture waste heat.

Moderator: Thank you. We have the next question from the line of Chirag Muchhala from Centrum Broking. Please go ahead.

Chirag Muchhala: Congrats on the good set of numbers and thank you for the opportunity. Sir, first question is on the Aftermarket segment, where in the press release, as you have mentioned that you have win some breakthrough orders through some diverse customers. So, is it possible to give some more details regarding the same?

Nikhil Sawhney: The segment of refurbishment covers a very varied set of customers in different applications. For us, when we enter into new segments, it is very meaningful because it allows us not only in certain geographies with certain types of customers which propel our value proposition forward. If we start going to what those newer segments are, it's never ending. Because it can cover either other rotating equipment, it can cover similar steam turbines and the applications, but it can also cover the different and larger types of companies. In fact, we're making progress on all three. So, we have very reputed utility refurbishment opportunities that have come to us from key OEMs. We have great applications, which have also contributed as well as good customers.

So, we're making some traction on this space. And we think that as we invest more in people and then being close to customers, we will have greater opportunities that will come to us because, ultimately, we have to be able to provide value to our customers. So sorry we're not able to provide much more specific clarity on these types of orders.

Chirag Muchhala: No issue, sir. And just one follow-up regarding the previous question on compressed biogas plant. So actually, two avenues where heavy investments are being made in India, it is compressed biogas, whereas you mentioned gas turbines are used and the pump storage where I believe hydro turbines would be used. So, in Aftermarket services domain, where we have actually enhanced our offerings to go beyond steam turbines and also service this type of turbines. So will Aftermarket segment play any role in this to Indians, pump storage and CBG, where very huge investments are lined up in India?

Nikhil Sawhney: Firstly, I think that the Aftermarket only comes into play once the installed base has been there for a little bit in this period of time. So, it's a little premature to start talking about this plan. Secondly, I would imagine that the local OEMs would have adequate capabilities to service them. The real value proposition for refurbishment only comes when the OEM is no longer present or no longer able to service that at an adequate price point.

But having said that, and you did bring up two applications on what I would say, battery storage side, it gives me an opportunity to talk about our development that we have in our carbon dioxide front, which is quite encouraging. We have already commercialised our carbon dioxide-based turbines and which is for a battery storage application, quite similar to pumped hydro storage. And this is for a 20MW application in Italy. And we look forward to those results, which come sometime in April, May next year.

Chirag Muchhala: So how large is this CO_2 turbine market has already become globally, or it is still in its very initial trial and error phase in terms of end-user application?

Nikhil Sawhney: It's still an innovative product. It is still required. But the fact is that the cycle is quite well known. And so, we'll have to wait and see, but this provides a diversification for us in terms of our product offering. And so, we're quite optimistic on this front. And it will aid in sustaining our growth.

Chirag Muchhala: Okay. So basically, I just wanted to know that are there already sufficient battery storage related CO_2 turbine orders in the market where I mean year after year, we can still have a, let's say, single-digit contribution in our total order inflow and this is still in the next 3-4 years going to be more of a developmental phase type of thing?

Nikhil Sawhney: No, this is no longer developmental. It's commercialised. We are one of two companies or three companies making this globally. So, it's an innovative area, but the point is that it's very difficult for us to say how the market will develop and how it will contribute. All I can say is that we are excited that this provides another route for us to diversify our revenue base.

Chirag Muchhala: Okay. And sir, lastly, on API turbines. So, as you mentioned that H1 has seen good order inflows from Middle East. So how large would have API become now? I mean, would it be kind of a one-fourth of the total inflow would have come from this space?

Nikhil Sawhney: No, no. It's less. But I think that it is a meaning contribution, and we think that we shy away from giving exact breakups, but it is a meaningful contribution to our order book. But as you would imagine, these are customers who are extremely demanding on quality and specifications as well. So, while the MW may be lower because the specifications are higher, such as vibration, etc, the costs also are quite high. But the margins would be commensurate with our export margins.

Moderator: Thank you. We have the next question from the line of Yash Gandhi from Stallion Asset. Please go ahead.

Yash Gandhi: Hi, thank you for the opportunity. So, the question was more to do with just slightly long-term basis. I think in your presentation, you have a chart where the global steam turbine market itself has degrown over the past 10 years. So, I'm just trying to understand while obviously our growth has been way, way higher than what the industry has grown. So, like what are the drivers of this growth? Like are you gaining market share from your peers? Or is there some

	sort of a new trend within the steam turbine market? And do you think that this trend will persist that the market will keep on sort of decreasing in size and maybe we are just gaining market share?
Nikhil Sawhney:	So, I think your reading of the chart is wrong. The overall market for steam turbines has reduced, which you are very right about. So that includes utility turbines. And what we try to distinguish is the requirement from an end-user perspective between utility requirements for turbines and industrial renewables-based requirements for turbines. And we typically just split that market as to below 100MW and higher than 100MW. So, if you look at the market as a whole, yes, you're very right, it has year-after-year continuously declined. But if you look at the market below 100MW in fact, going back the last 15 years, you've seen that market grow by anywhere between 1% to 3% CAGR. You will have one or two years where it will go down a little bit, but on average, that is the trend. And the reason for that is that industrial heat and power is generated at site and at source, so you have both fixed capital formation that plays into this. But increasingly, you have a requirement that comes from renewable-based applications, which are either direct renewable-based applications, such as municipal solid waste or biomass or geothermal or energy efficiency-based expenditures. We see this latter continuing and picking up. At the same time, given the global shortage in terms of energy generation and the push towards energy transition and increased electrification of requirements stretching anywhere from industry to data centres, etc., we see a robust requirement for electricity. At the same time, the requirement for heat, which is required for industry also remains robust. So therefore, we see this growth of whatever 1%, 2%, 3%, 4% of the overall market continuing. In fact, it may pick up in case energy requirement goes up more. But we see the requirement for energy in its entirety, which includes both heat and power to increase going forward. This is driven by not only increase for capital consumption, and therefore, more requirement for developmental energy consumption, but also the transition itself which because it will be decentralised in nature, therefore you have more capacity and excess capacity that will be set up over actual requirement.
Yash Gandhi:	Got it. Thank you. And just last question. I don't know if you disclose this number or not, but what would be your EBITDA margins in Aftermarket and product?
Nikhil Sawhney:	No, sorry.
Moderator:	Thank you. The next question is from the line of Ankit Soni from Sharekhan. Please go ahead.
Ankit Soni:	Thank you for the opportunity. Just wanted to understand, we have been on the domestic order book, we have been more of flattish or something. So, any

sort of guidance or view as to what would be the factors the domestic order book should be growing, or the domestic order should be growing?

Nikhil Sawhney: I think I kind of alluded to this a little bit earlier that Q4 FY 24 order booking was lower because, I think of due to uncertainty of elections. And Q1 of this financial year was also impacted, because of election. So, if you look at it on a year-on-year basis, you will find FY 24 as well as FY 25 has one quarter each of constraints.

So, when you look at the H1 performance in terms of order booking for FY 25, and which is a resultant of the enquiry book as of Q3, Q4 of the previous financial year, we think that the subsequent quarters should provide more leeway in terms of growth in these markets.

At the same time, as Prasad had pointed out earlier, we see a consistent requirement in terms of enquiries from all sectors. And so, I think that we would see growth in the overall market in this current financial year. It's not going to be very large, but there will definitely be growth and the growth in our belief is something that will be more sustainable for the next one, two, three, four years.

Ankit Soni: Okay. That's true. Now second question, basically, our exports business and the Aftermarket segment is expected to be contributing significantly higher in the coming quarters and all. So, do we have any sort of cushion for the margins to improve from here?

Nikhil Sawhney: No. You see the margins are actually quite high already. Like I've said in previous calls, we aim to maintain at least a 20% margin level, and now we're ending up with margin level somewhere in the 25% such level. So, we've already said that margins are really not a problem for Triveni Turbines. What our push is to increase our enquiry book, and therefore, our order booking and therefore our revenue. And now the constituent of that order book is what is resultant in our margins. The more export you have, the more margins, you'll have, the more aftermarket you have, the more margin you have. So therefore, the conscious strategy is to expand sales and order booking as much as possible. And the resultant of that because it's diversified in energy to order and a customised product, it will differ quarter-to-quarter, product-to-product and order-to-order.

Moderator: Thank you. The next question comes from the line of Harsh Tewaney from Motilal Oswal. Please go ahead.

Harsh Tewaney: Yeah, hi. Thanks for taking my question. So just one question on the gross margin front. If you see sequentially, there has been around 250 basis points contraction. So how do you read this contraction as per you?

Nikhil Sawhney: So again, it's a question of the mix in terms of what has been executed. We had a certain large value service contract that was in our Aftermarket segment which has contributed significantly less in the current quarter. So even though the mix of aftermarket in the previous half year to this half year has gone from, we were record at 33-34%. The margins of Aftermarket are significantly higher also.

Also at the same time, exports and our revenue is also higher. Having said that, the reason that a lot of this has happened is because we have more stability in our commodity pricing, when you look at a year-on-year basis, we have longer in-term contracts. We have more standardisation of our engineering platforms. So, we have more operational efficiency. We have certain operating leverage that has also come through. You have a product mix that is benefiting us and genuinely higher margin orders that we have been executed.

But I think 52% is full credit to the team in terms of being able to get the operating efficiencies out. And we aim to maintain it anywhere between this region of 52-53-54%.

Harsh Tewaney: And what is the status of the SADC order that we had got the second order that we had got?

Nikhil Sawhney: No. So that's why I talked about, it just contributed less in the current quarter. And so therefore, margins were a little bit higher. Our turnover would have been higher otherwise. But, if you look at it on an absolute basis, our absolute profitability is still quite strong. We have INR 90-plus crore PAT for the current quarter, and we aim for the coming quarters to be even record going forward.

Moderator: We have the next question from the line of Mayank Chaturvedi from HSBC Mutual Fund. Please go ahead.

Mayank Chaturvedi: Thanks for the opportunity. So just on the other expenses piece of things, there's been a sharp fall quarter-on-quarter. So, is there any one-off gains included there? You've already said that there's a large service value contract besides that anything else that you would like to highlight here?

Nikhil Sawhney: So, in general, most of our expenses and other expenses are proportionate to our growth. So, manufacturing expenses would increase with obviously some operating leverage to the growth in revenue. Our warranty and other expenses would also continue to rise at the same proportion of being prudent. The real degrowth that happened there was because of the servicing contract, which we used to have a separate line item, but we no longer need to actually give that explanation. But you've already hit it on the head.

Having said that, all expenses are under control. It's not as if those expenses are out of control in any manner. We see a good degree of predictability in our supply chain costs. In fact, I have our COO on the call as well. Mr. Sachin Parab, let him give you an idea in terms of how costs are looking at both the supply chain and other expenses as well.

Sachin Parab: So, our efforts on the supply chain front in trying to improve our margins is continuously on. So, we are looking at different opportunities to bring down our cost. There are, as our Vice Chairman has mentioned, efforts on always to get into long-term rate contracts so that we can stabilise our costs and take care of unexpected fluctuations. Also, we are looking at diversifying our vendor base. We are also looking at imports from low-cost origins, that pursuit is always on to identify sources where we can look at improving our margins. So strategic sourcing is a big initiative at our supply chain team, and we are always scanning the environment at looking at opportunities to improve our margins. So that is definitely a focus area for us.

Mayank Chaturvedi: So, would it be right to assume now that you have a healthy vendor base. I'm assuming it is in the SADC region that you're alluding to. So, the subcontracting charges as a percentage of what you are executing in the SADC region is starting to come down, now that you're increasing the expectation?

Sachin Parab: Sorry to interrupt. My answer was more to do with our supply chain in terms of our cost structure and the future possibilities. As far as the SADC area is concerned, it is one strategic order that our Vice Chairman mentioned about. So, the dip in that order is what has caused a reduction in the subcontract expenses and that's to do with a small period of time. So, we are always looking at improving our margins even in the SADC region and there is more amount of in-house work that we are trying to target so that we can optimise in terms of the expenses that we incur. But that is specific to only just one large strategic order.

Mayank Chaturvedi: All right. So why I'm harping on this piece is, because we are seeing that in the short term, these margins will be sustainable. So, I just wanted to get a sense of how the other expenses could pan out. But no worries.

Nikhil Sawhney: Despite the fact in the subsequent quarters, we will see this business return, I think our margins are still quite robust and something quite resilient.

Mayank Chaturvedi: Of course. Just the other piece, Nikhil, you have been guiding in the past that the possible growth that you might see in probably the mid-term would be closer to what we saw in the previous two years, but now domestic order booking has slowed down, and it is playing as spoil sport. So, any revisions that you would like to make on that front, that guidance?

Nikhil Sawhney: No, no. Our order booking is very robust. Why would you say the order booking is slowed? In fact, our order booking has grown.

Mayank Chaturvedi: On the domestic piece?

Nikhil Sawhney: On domestic, well, as a company, overall, the fact is that we aim to diversified. As you know, we cannot instigate demand. We are the reactionary towards it. Our reading of the enquiry book is that actually these are very serious people who want to take the place orders. It's a question of timing. That's something that we cannot force that on anyone. So, we think that if the domestic market can grow at this 20-odd percent level every year. It's a sustainable type of number for the next several years. And we see that as being a greater driver.

So, we are optimistic on Q3 and Q4 coming through, given the fact that overall, the market between H1 of FY 25 and H1 FY 24 is pretty flat.

Mayank Chaturvedi: All right. Okay. That was very helpful. Thank you.

Nikhil Sawhney: Because we know that Q4 of last year was low. So, if you look at it on the full-year to full-year, we know that Q4 of this current year will be significantly better than Q4 of last year, even if we continue the same momentum.

Moderator: Thank you. The next question is from the line of Omkar Chitnis from Trade Brains. Please go ahead.

Omkar Chitnis: Good afternoon. My first question is, how much are you planning to spend R&D over the next three years? And can you give guidance for a top line for FY 25?

Nikhil Sawhney: So firstly, sorry, we don't provide guidance. But I think you can hear our previous conference calls and ultimately, our order booking translates into revenue. So, you'd be able to get a fair idea as to how we execute in the coming quarters. As far as R&D goes, you're very right, it is a keen focus for the Company both in terms of personnel and people who are required for the multiple disciplines that we require for our steam turbine, but we also required for our product diversification.

So, we have both in-house requirements, requirements at academic institutions, requirements with certain consultants who are aiding us in this endeavour. At the same time, we also have expenditure that will happen on infrastructure such as what our test beds and other infrastructure will cost us to set up and the sensors, etc., and the data mining and the data gathering endeavours costs that will come. So, some of those will be one-time costs because we don't need to spend them continuously. Some of the other variable costs will be spent year-on-year. We typically, as far as what is reported on our balance sheets, have spent anywhere between 1.2-1.3 odd percent of turnover in R&D.

But that really doesn't capture the full number because most of our R&D projects are end up getting sold. So, when we end up selling these projects, we get recognised as revenue don't really form a part of what would be R&D. So, having said that, our R&D spend is still quite high. We have a very large department and continuously developing newer Intellectual Property (IP). So, without giving you a specific number, our expenditure is significantly higher than that 1.3%, which is reported on our annual report.

Omkar Chitnis: Your global competitors have adopted USC technologies and modular and digital technologies in their turbines. Do you have any plans on that?

Nikhil Sawhney: I couldn't understand that question. Can you speak a little slower please?

Omkar Chitnis: Yes. Even some of your competitors globally have adopted the Ultra Super Critical technologies and modular and digital technologies for their turbines. Do you have any plans on that?

Nikhil Sawhney: So Ultra Super Critical turbines are well, we have critical technology. The point is it's not economic to make it at a small size. So, I don't know which competitor of ours is making in this industrial range. I don't think that's correct information. As far as digital and modular, all our products are digital and modular and have digital and modular offerings.

Omkar Chitnis: Okay. Got it. Can you explain about the asset-light model you have mentioned in your strength in presentation. What do you mean the asset-light model?

Nikhil Sawhney: You know your line is not clear. Can you pick up the phone?

Omkar Chitnis: Yes, sir. In your presentation, you have mentioned your strength as an asset-light model. Can you provide some updates on that?

Nikhil Sawhney: When you see the asset-light model, you see our balance sheet, you see our assets employed and you see our returns. The numbers are quite apparent. In fact, actually, if you take cash off the book, you'll see in this current quarter on an annualised basis, our return on capital employed is in excess of 600%. So that is not an asset-light model, I don't know what would be.

Omkar Chitnis: Okay. I thought about in hospitality business, there is asset-light model, sir, in that way I thought it.

Nikhil Sawhney: Asset as we look at it on a balance sheet basis, our metrics of performance and the way that we'd like to be evaluated by our investors is on return on capital on an equity basis. We aim to be a free cash generative company. We aim to deploy those free cash in a way that is productive to the Company and to the long-term growth of the Company.

Omkar Chitnis: Okay. Got it. And my last question is, are you planning for any partnership with any PSU companies in India for the upcoming projects?

Nikhil Sawhney: The Company continues to evaluate a variety of different schemes. It has to ultimately form the basis within the strategy that I just said, we aim to be a technology-first customer-centric organisation, which has to translate into higher return on capital, higher return on equity. The risk that the Company takes are never apparent on commercial terms, etc. We reach out to a variety of different customers with a variety of different applications. Some of those are PSUs, some of those are non-PSUs. Though I have to say that going forward, we will have a much greater diversification in product mix as well as geographic mix coming in. So, I don't know what specifically you're talking about, but even then, I wouldn't be able to talk specifically about an order.

Moderator: Thank you. The next question is from the line of Bimal Sampat, an individual investor. Please go ahead.

Bimal Sampat: Yeah, good afternoon. Two, three questions. One is now America, you are saying this year, we will be losing about ₹25 crores. And next year onwards, will we start contributing? I mean will be able to breakeven next year or still one or two more years of drag?

Nikhil Sawhney: No, no. We should see from next year, it would start contributing maybe not as meaningful a manner, but we have to wait and see. The fact is the factory has just come out, people are ramping up. We're optimistic on the market. There is a certain degree of transition happening over this quarter and beginning of next quarter. We'll have to see how that plays out into the confidence of customers there.

Bimal Sampat: Yes. But in two years, definitely, it will start contributing, correct? By 26?

Nikhil Sawhney: Our attempt is to get it to contribute as quickly as possible.

Bimal Sampat: Yeah, that I understand. I mean business is dynamic. We don't know what happened. But our estimate is that by 26, it will start contributing to our bottom line?

Nikhil Sawhney: Yes. Not as meaningful a way that general market does, but we think that it provides us a very good base to then leverage on.

Bimal Sampat: Now this U.S. base, will it help us to the South American market also, will we be able to service from their better? Canada?

Nikhil Sawhney: You already know our strategy better than us.

Bimal Sampat: No, sir. And lastly, now we are sitting on a lot of cash. So, our buyback also was some time back. Now as you said, I know you have some products ready, so are you planning to get into more products now? Or still there is more juice left in our API turbines and the current products?

Nikhil Sawhney: There's much, much more juice left in our steam turbine business. That is the business. So before I say that is our business, we have a very good runway for growth in our product line. We just want to create newer product lines so that we are able to sustain our growth. And we de-risked from any market cycles that may come about.

Bimal Sampat: Right. So next four, five years, we have a good runway for growth?

Nikhil Sawhney: The thing is that we have had the appropriate products. We have to have the capabilities in place to be able to cater to our customer requirements and make sure that they're satisfied. Now the predictability that we had in terms of visibility for revenue is based on our enquiry book, which will translate to order book and then revenue. So, as we expand our product offerings, our enquiry books will grow and give us more confidence. But as it currently stands, the relevance of our products and market segments which are where a lot of people are spending money seems to be quite appropriate. So, we think that there is a certain degree of medium-term growth.

Moderator: Thank you. The next question is from the line of Kushant Arora from Baroda BNP Asset Management Limited. Please go ahead.

Kushant Arora: Hi Sir. Congratulations on a good set of numbers. My question is on the capacity front. What is the current capacity utilisation? And what kind of number can we achieve with peak utilisation levels?

Nikhil Sawhney: I think you brought up a very good point. I didn't get the opportunity to address this a little bit earlier. We are asset-light business model, as we've already heard. But having said that, given the growth that we are seeing, which is even more than what we had expected when we had expanded our shop a couple of years ago, we would probably go to the Board for a capex approval to expand. But this will be, again, as you know, how much we spent in our last capex growth. This will be something that will be spent over FY 26 - FY 27. But it is something that will be well within, I would say, the resources of the Company.

Kushant Arora: All right. Any ballpark number on the capex front?

Lalit Agarwal: We'll come back, but it will be annualised. It would be somewhere in the region of about ₹70 crores, ₹80 crores, I would imagine.

Kushant Arora: All right. Understood. And is the capacity being fungible for refurbishments?

Nikhil Sawhney: You see a majority of our capacity that comes up is in the nature of being able to assure quality to our customers. So, a majority that comes up is an assembly testing, quality assurance. As far as manufacturing capacity goes directly that is fungible between both in-house and third-party that is refurbishment requirements. And those will be taken on the basis of being able to augment our vendor and subcontractor capabilities, so that we're not either dependent on one vendor excessively or that we are at risk at any given point in time in terms of breakage of machinery, etc. So, I think that we make sure that the machinery has multiple uses, the facility and factory has ample area and the capability to be able to service. So, we do cover both things that you talked about.

Moderator: Thank you. Ladies and gentlemen, we will now take the last question from the line of Sriram R, an individual investor. Please go ahead.

Sriram R: Thank you for the opportunity. Sir, I mean you have just mentioned that the market for a sub-100 growing at 1% to 3%. But then we are actually growing much faster than that, whereas if you look at FY 13 to 20, our top line actually stagnated. So, what has actually changed post-COVID? I mean is it like other competitors are focusing on above 100MW, and we have some kind of white space in the industry. Can you please elaborate on that? That's my first question. Second is what is the mix between replacement to OEM demand for domestic as well as export market?

Nikhil Sawhney: Okay. Unfortunately, the point is that there are many analysts on this call the data that is available in terms of market size is a post-fact data, which we've always said is something that is susceptible to the fact of data being reported. There are not many players in this market. And so, if people don't report accurately, we can't really comment on that. But now on where is Triveni's performance been and what is pertinent to us as a company.

Until maybe 3-4 years ago, we were not really participating in the above 30MW category directly. That was not contributing either to our top line and very indirectly really to our bottom line to our joint venture. At the same time, we did not have any participation in the API market space and our refurbishment as a sector was not meaningfully contributing to our turnover.

So, what has happened over the last three years is that all of these three segments have started meaningfully contributing to our order booking and they will now start contributing to our revenue going forward. Like, for example, the API orders that we got in the last quarter will be executed next year or the year after, I'd say with the large value MW orders.

So, you see our market share in certain segments is growing from being largely negligent negligible to something more significant. And we believe that we can sustain this till we hit some level of appropriate market share.

Sriram R: Great, sir. And on the second part, I mean the mix between OEM and replacement for domestic and export?

Nikhil Sawhney: Yeah. So, India doesn't have a large capital base. But if you see a majority of our industrial capex has happened over the last 20 years only. So, there's not that much of a replacement capex that happens in the Indian market to such a large extent in terms of OEMs leaving the market. In India, most OEMs are still present as have been. I think the Russians who left the market have a replacement market, which is more in the utilities side. But I think this is more of a value proposition internationally.

Again, the requirement stretches from sector to sector and product to product. But there's no generic answer to what you are seeing. But the generic answer is that the larger the capital base that exists, which is mostly in developed countries such as the United States or Europe, the greater the refurbishment opportunities, I think that would be there.

Sriram R: Great. Sir, what are the life span of these products?

Nikhil Sawhney: So, we have turbines that have been operating from over 45 years. Now what has happened in the meantime is that technology has changed quite significantly. And so therefore, newer technologies can even validate the replacement of a turbine as young as five to seven years old. So, do you replace the entire footprint of the turbine or do you replace the rotor? These are different commercial proposition that we take to customers, and we see what works for them. But turbine, its health is robust enough to be able to last for multiple decades.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you.

Nikhil Sawhney: Thank you for joining our Q2 and H1 FY 25 earnings conference call, ladies and gentlemen. We hope to continue our performance in the coming quarters and coming years. And I look forward to speaking to you after our Q3/ 9M FY 25 results in the next year. Thank you.

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