# Triveni Engineering & Industries Limited

## Q4 & FY 24 Earnings Conference Call Transcript

## May 21, 2024

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**Moderator:** Ladies and gentlemen, good day, and welcome to Triveni Engineering & Industries Limited Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, Mr. Barar.

**Rishab Barar:** Thank you. Good day everyone and a warm welcome to all of you participating in the Triveni Engineering & Industries Q4 & FY 24 earnings conference call. We have with us today Mr. Tarun Sawhney, Vice Chairman and Managing Director; Mr. Suresh Taneja, Group CFO; Mr. Sameer Sinha, CEO Sugar Business Group as well as other members of the senior management team.

Before we begin, I would like to mention that some statements made in today's discussions may be forward-looking in nature, and a statement to this effect has been included in the invite, which was shared with everyone earlier. I would also like to emphasise that while this call is open to all invitees, it may not be broadcasted or reproduced in any form or manner. We will commence the call with opening remarks from the management following an interactive question-and-answer session.

May I now hand it over to Mr. Tarun Sawnhey. Over to you.

**Tarun Sawhney:** Thank you, Rishab. Good afternoon, ladies and gentlemen, and welcome to the Q4 and FY 24 earnings conference call for Triveni Engineering & Industries Limited. The year that has gone by has presented several operating challenges to the Company, especially in the Sugar and Alcohol businesses, while our Power Transmission business has actually delivered another year of exceptional performance.

It's heartening to note that the Company has reported satisfactory results, despite these challenges. The key financial numbers for the year are the following: Net Revenue from Operations stands at ₹ 5,220 crore with a Profit Before Tax (PBT) and exceptional items at ₹ 529 crore and a Profit After Tax (PAT) of ₹ 395 crore. The Board has recommended a final dividend of ₹ 1.25 per equity share in addition to the interim dividend of ₹ 2.25 per equity share and a special dividend of a similar amount of ₹2.25 per equity share which was paid earlier during the year.

Looking at the performance, the net turnover is lower by 7%, which is mainly due to lower sugar sales volume of approximately 16%. However, the PBT before considering the share of profit of associates and exceptional income is lower by only 3%. The lower sugar sales volume is primarily due to lower quota that has been received by the Company in the absence of any exports.

The sugarcane crushing during the Sugar Season (SS) 2023-24 ended at 11% lower for the Company at 8.26 million tonnes, compared to SS 2022-23. The gross recovery was marginally higher at 11.49%. The decline in crush is due to heavy rains, water logging and inclement weather in certain regions and the associated proliferation of red rot disease in the plant cane of Co238 varieties.

In the Alcohol business, in view of feedstock restrictions on the supply of Surplus Food Grains from FCI, this is FCI Rice that I'm talking about, and the limitation of the use of B-heavy molasses, the production and sales volumes were less than earlier estimated. The overall margins declined in view of lower margins on maize operations as well.

The Power Transmission business recorded a record turnover and profitability. Turnover increased by 30% and segment profits by 40%. An intense capex programme is being executed currently. Segment profits in the Water business increased by 29%, due to cost optimisation and savings in various projects that were executed during the year.

Looking at the business highlights. The sugarcane crush as I mentioned was lower by 11%. And this was primarily due to lower crush in four of our sugar units, Deoband in Western UP, Chandanpur, Rani Nangal and Milak Narayanpur in the Central UP. So, four out of our seven sugar factories actually contributed the majority towards the decline in sugarcane crush in the season that has just transpired. The chief reasons were climatic factors, I've spoken about heavy rainfall and waterlogging in certain regions. There was also the absence of sunshine for the long periods during the winter months. And of course, the spread of red rot disease, which reduced the yields, especially in plant cane across the four mentioned factories.

There's also a notable point that there were no winter rains and a little bit of rain, not too much, but a little bit of rain is absolutely essential for the final growth stage of the plant crop and to add to the maturity. Also, a little bit of rain is essential because it avoids winter frost etc. And the absence of that limited quantity did have a decremental impact on the crop.

The last reason, of course, was a higher diversion towards kolhus/crushers. In fact, it was claimed that there are several articles about the export of Khandsari sugar out of India that has been accounted for by the FDA (Food and Drugs Administration) as well. This trend of lower sugarcane availability was witnessed across Central and Western UP. Our factory in East UP of course did not face any of these problems.

I should also mention, since I've talked about the red rot disease, our two units towards the Southern part of Western Uttar Pradesh at Khatauli and Sabitgarh had virtually no red rot. We are talking about 70,000-odd hectares of land, where we purchased sugarcane from, and the incidence of red rot disease around the factories was lower than 100 hectares, an absolutely insignificant amount. But that does not mean that we're not fully cognisant of it, tracking it and have a plan to eradicate and eliminate this disease.

The sugarcane development teams have chalked out, as I mentioned, multi-pronged strategies to contain the damage by uprooting the diseased crop, limiting the spread and carrying out a comprehensive varietal substitution programme to reduce the proportion of the vulnerable Co238 variety, especially in the low-lying/ water-logging prone areas, substituted by high sucrose and high yield varieties, of which we have substantial and adequate quantum of seed that we have found during the planting season, which is almost over. I would say 99.5%-99.9% of all planting across the areas where Triveni purchases sugarcane is over.

In our Alcohol business, the Company faced several feedstock challenges that I spoke about at the introduction of the call, such as the abrupt stoppage of Surplus Rice by FCI and the restrictions with usage of B-heavy molasses. And a very interesting introduction of maize as a feedstock. And I've spoken about this in previous calls as well. Triveni as an organisation was one of the first few organisations in the country to experiment with maize and we are now very comfortable with using maize as a feedstock and have had great experience and in supplying ethanol produced from maize to the Oil Marketing Companies (OMCs).

After the restrictions that were placed on B-heavy molasses, the sugar operations were carried out largely with C-heavy molasses as compared to our budgeting of B-heavy molasses. This has led to lower operating capacities and hence, lower production in the distilleries. Further, the margins on maize operations were slightly lower despite the price corrections made by the Central Government.

In our Engineering businesses, the Power Transmission business reported a remarkable performance with new milestones with respect to revenues, profitability and order booking. This year also marked a period of extensive international customer outreach and continued investments in research and development and infrastructure aimed at enhancing our business share, our market share and to capitalise on global trends and opportunities around the world within the power transmission landscape. Coupled with strides that we've made in Defence; Power Transmission business is on a sustained growth path.

In the Water business, the year that has gone by was muted in terms of market activity and the finalisation of orders. I think a great consequence was the general election, which we are still going through in the country, and the fact that no orders were finalised for substantial periods of time. And even the start of this quarter has had the same kind of trend. But we're very hopeful that post the 4th of June, we will come back in an aggressive manner to a period of normalcy and all the backlog will be cleared.

Looking at the detailed financial performance of the Company. The turnover during FY 24 has declined mainly due to Sugar (12% decline) and Water business (30% decline). And the turnover of the Alcohol business, net of excise and Power Transmission business has increased by 9% and 30%, respectively. Profit before share of profits for the associates and exceptional items is 3% lower at ₹ 529 crore.

Despite lower sales volume of 16%, the segment profits of the Sugar business are at the same level as the previous year due to higher contributions arising from a 6% increase in average sugar prices. The profitability of the Alcohol business was adversely affected due to restrictions imposed by the Government. I've spoken about that over the last few minutes.

The total gross debt of the Company on a standalone basis on the March 31, 2024, increased to ₹ 1,325 crore compared to ₹ 825 crore at the same point in the previous corresponding year, due to higher sugar inventories that are held by the Company. Standalone debt for the period under review comprises of term loans of ₹ 277.8 crore. And all these loans are with interest subvention or at subsidised rates of interest.

On a consolidated basis, the gross debt is ₹ 1,411 crore compared to ₹ 914 crore on March 31, 2023. The average cost of funds is 6.5% during FY 24 on a standalone basis compared to 5.1%, and it's important to mention that during the quarter, the Company's long-term credit rating was upgraded to AA+ (Stable) by ICRA.

Looking at the financial highlights of the various businesses. During FY 24, the Company's Sugar segment reported revenues of ₹ 3,857 crore, which were lower by 11.6%. The blended sugar realisations improved by 5.8% to ₹ 38,175 per tonne, almost mitigating the impact of lower dispatches and cost increases. The segment PBIT was largely flat at ₹ 306 crore. As of the March 31, 2024, sugar inventories stood at 58.94 lakh quintals valued at ₹ 35.3 per kilo, which includes the impact of sugarcane price increase in the state through an increase in State Advised Price (SAP).

Current sugar realisations today stand at approximately ₹ 3,950 per quintal, for refined sugar at ₹ 3,900 for sulphitation sugar. And I have to say, despite the large quotas that have been released over the last couple of months by the Department of Food and Public Distribution (DFPD), the sugar realisations have remained reasonably buoyant, and we are very confident that this is an excellent sign for the times to come. However, I will talk about our perspectives on the future in just a few minutes.

Looking at the industry domestic scenario, we had our hike in the Fair and Remunerative Price (FRP) and a hike in the SAP that was anticipated, and we have talked about it in previous calls. The sugar production estimates for SS 2023-24 have also been given, and they're pretty much in line with what we had spoken about on the last conference call. And we're looking at an increase in sugar inventories at the end of this sugar year coming in just higher than 9 million tonnes. As a result, as I'm sure you all know, ISMA has written to the Government requesting an export of 2 million metric tonnes, which we hope is under consideration.

Looking at international markets, we've seen record highs for raw sugar and white sugar over the year and during the year as compared to the last 10-15 years, and it's been very encouraging. There's been a positive outlook in sugar production in Brazil with the estimates of between 42.5 million to 44.5 million metric tonnes. We believe it will be towards the higher end of this number. There's an improved production outlook for Thailand as well coming in between 10 million and 11 million tonnes of production. And despite all of that, we've seen very buoyant prices, although prices internationally have come down a little bit over the last few months.

Moving towards our Alcohol business. During the year, the Company did face several feedstock challenges that I've spoken about. We also experienced reduced availability of sugarcane-based feedstocks for our distillery as operations changed during the season from B-heavy to C-heavy molasses as per the directives of the Government. This, of course, led to lower generation of molasses impacting the overall operational and financial metrics.

Accordingly, the sales volume of ethanol produced from higher-margin molasses and FCI Rice were substituted by lower-margin maize operations, which impacted the profitability of this business for the year under review. We achieved a production very much in line with what we had reported in the last earnings conference call of approximately 18.5 crore litres. And sales also just under that amount during FY 24, both higher, of course, than the previous year.

The net turnover of the Alcohol business increased by 8.6% compared to the previous year, due to higher dispatches of 1.3% and higher average realisation of 2.5%. During the year, the revenues of the distilleries contributed to 24% of TEIL's net turnover. Ethanol constituted 93% of alcohol sales during the year.

Looking at the domestic scenario for ethanol supplies during 2023-24, the OMCs floated a tender of 825 crore litres, with a 15% blending target. And I have to say that despite a lot of concern, all of these targets given the fact that it is an election year, I think the Government has done a remarkable job of almost achieving this exact percentage, and we're very hopeful that this will be continued during the course of this supply year.

Till the 28th of April 2024 contracts for 321 crore litres have been executed by the OMCs. And the OMCs have procured 270 crore litres out of the required 825 litres for the Ethanol Supply Year (ESY) 2023-24. And within this procurement, the sugar sector has contributed approximately a little more than half, 145 crore litres, while the balance is coming from the grain sector. And we've achieved blend percentage to higher than 12%, which is very much on track as of the end of April.

Turning towards the Engineering businesses of the Company, the Power Transmission business has increased its turnover in FY 24 by 30%, driven by growth of products as well as the aftermarket segment. The PBIT of the business grew faster than revenues at just over 40% - 40.1% to ₹ 107.1 crore with PBIT margins of 36.7%, up by almost 275 bps, compared on a Y-o-Y basis.

A strong share of the aftermarket has been sustained, and this helps maintain the overall profitability of the business. The FY 24 order booking grew by 42.3% to ₹ 375 crore, while the closing order book increased by over 10% compared to the previous fiscal year. The Company saw excellent demand for its products, including high technology compressor gearboxes, high power small hydro turbine applications and high power API, which is the American Petroleum Institute gearboxes, etc.

The outstanding order book, as I mentioned, on the 31st of March stood at ₹ 287 crore, including some loan duration orders of just under ₹ 90 crore. The business is currently executing a capex program, which enhances the capacity of our gears business from ₹ 250 crore to over ₹ 500 crore. This does not include our defence production. The investments are aimed towards a new bay and equipment in that new bay to manufacture gear boxes, both for power transmission and for some defence products. The expansions include establishing a large dedicated multimodal manufacturing assembly and testing facility in Mysuru for defence products.

Turning to our Water business. The revenues declined due to the delay and slow execution of certain projects and the delay in receipt of new projects, where our bids are the lowest and we are awaiting an award. As I mentioned in the opening remarks, it has been impacted with the onset of national elections. And we are hopeful that post the 4th of June, there will be a swift return through the award of projects where we are L1 and also projects which where we have tendered where the bids are awaiting opening.

Despite weaker revenues, the PBIT for the year improved to 29.4% Y-o-Y, due to cost optimisation and savings in the various projects that were executed during the year. I think this was a huge achievement by the business. The PBIT margins stood at a healthy double-digit at 12.8% for the year, up by almost 600 bps Y-o-Y. The outstanding order book on the 31st of March stood at ₹ 1,233 crore, which included ₹ 880 crore towards O&M contracts for a longer period of time.

I should mention that there is no fresh capex that has been considered at this particular point. It is all the previous capex that I've spoken about in previous conference calls, which is under execution by the Company.

Looking at the outlook. As far as the Sugar business is concerned, I would like to start off by saying that we have come off a relatively difficult season in North India in Western Uttar Pradesh and Central Uttar Pradesh compared to the last 7-8 years. And it's been a great learning experience. And we've learned actually quite a lot. And the Company has had its resources stretched in terms of combating it and ensuring that we will be able to rectify any of the issues that we have faced, including climate change, including pests, including disease, etc. for the following season and for future seasons as well. We continue to make judicious investments in our facilities to enhance crush rate, sugar quality and improve efficiencies, including steam efficiencies across our 7 sugar manufacturing facilities.

In the Alcohol business, we hope that the Government will address the feedstock and profitability challenges in FY 25. And we believe that the Government is completely and unequivocally committed to the ethanol blending programme and its targets of 20% by 2025-26. And as a result, I think that post the elections, we do anticipate some good news, definitely for the next tender, both for grain as well as from molasses-based feedstocks both of which impact the distilleries of the Company. I should also mention that the Rani Nangal distillery is now functioning at full capacity. It is commissioned at the very onset of this quarter and is running extremely well. We have started these operations on grain and intend to continue with this for the next few months.

Looking at the Power Transmission business outlook, we are exercising our strong relationships with multinational companies that are present in India and have operations internationally, and leveraging them to grow in the above markets. The potential to grow is immense in Western Europe and the United States, where the maximum majority of OEM customers are based.

In addition, the overall economic growth, the market share gains are likely to be major drivers of growth for new products within the power transmission portfolio. Power Transmission business is looking at enhancing and adding value to all of our customers by reduction in life cycle costs. And there are several research and development initiatives underway to ensure that this offers sustained benefits to our customers, both domestically and internationally, and it benchmarks ourselves to the very, very best standards globally.

In the Defence segment, the business expects increased order booking from the key segments of gas turbines packaging, propulsion gearboxes, propulsion shafting and special application pumps. And we expect that post the elections, there will be several tenders that will come up and be opened, etc. and we hope to be placed favourably across a large number of those tenders.

Looking at the Water business, the long-term prospects of water and wastewater treatment in India and in international markets remain intact. And there is a tremendous positive outlook on this business. We anticipate that post-election results, there will be a surge in business opportunities and new funding is expected to flow both Central and State Governments has very little actually has transpired in this segment over the last 4-6 months. The new opportunities that are emerging include reuse and zero liquid discharge businesses and also EPC and HAM model opportunities in the water segment. The business is also actively targeting foreign projects wherever it possesses the pre-qualification and funding is ensured through multilateral and reputed agencies.

I would like to offer a quick update on Sir Shadi Lal Enterprises, where the Company has made an open offer in compliance with the applicable regulations and the approval is awaited from SEBI for the same. We will make the relevant disclosures to the stock exchanges to update on the progress of this transaction as and when we receive information from SEBI.

In conclusion, the Company is for an improved performance in the coming year through a combination of policy decisions, favourable macro environment, while addressing all the challenges that we've had to face in the FY 2023-24. Thank you very much. I'd like to open up the floor for some questions.

**Moderator:** First question is from the line of Sanjay Manyal from DAM Capital Advisors. Please go ahead.

**Sanjay Manyal:** Hi, just wanted to understand on the ethanol front. I mean what could be our volume number for FY 25, given the fact that there is an expectation that the government might relax or lift the restriction on the ethanol from B-heavy and sugarcane. And as you mentioned that there would be an aggressive sort of approach post elections. So what do you think about the ethanol volumes for us in 2025? And I think earlier deferred the capex plan, what is the status on that?

**Tarun Sawhney:** Sure. I think our estimates remain unchanged. For the present fiscal year, we expect our total alcohol volumes to rise quite substantially to approximately 21 - 21.5 crore litres. And that is a combination, of course, of our new distillery as well as changes in Government policy for the next Ethanol Supply Year. Referring to the distillery decision that has been put on hold, I think that position remains the same today. What can change is if we see a potential ₹ 2 or if we can achieve double-digit realisations on grain in terms of margin, we will certainly be able to reverse that decision. That will allow us to have a payback on the distillery of under 5 years, which again makes this a very viable business decision. And one is hopeful that that again will follow suit post the elections.

**Sanjay Manyal:** Right. But one thing on the sugarcane front, our crushing has been down this year substantially. And what exactly work we have done in terms of seed replacement. How is our dependency on an overall basis on Co238 and what would be the status say from the next season onwards, how much it could come down? And what will the proportion of the new seeds and new varieties?

**Tarun Sawhney:** Very good question. Sanjay, the point here is that we have seven sugar factories that cover our Uttar Pradesh. So, it is not a general answer that will suit each and every plant. Our plant in Eastern Uttar Pradesh, the percentage of Co238 is minimal. And frankly speaking, whatever replacement had to be done, the broad majority has been done and the quality of seed of Co238 that is actually very good and it's demonstrated in the results today. Within the six factories that are in Central and Western Uttar Pradesh, four of these factories, as I mentioned during the call were impacted by red rot. Two had barely any impact at all. So we will be judicious in terms of our seed replacement over there as well.

It is important to mention that the massive impact of red rot was really on the plant cane. And the fact that not only was the plant cane impacted by it, but also the yields went down quite precipitously. But to take you through the journey, two years ago, we had approximately for the entire group about 98% of our cane area was Co238. Last year, it was 77%. In the coming year, it will be just below 50%. And we expect that in two years' time, we'll be at absolutely optimal levels. We don't need to go down more aggressively for the simple reason that not everywhere is impacted by red rot and is still giving us reasonably good performance. However, we are very conscious that this spreads extremely fast and vigorously and viciously, efficiently as a disease and it’s a waterborne, potentially even airborne in some certain circumstances.

And therefore, what we have done at the factories, where there has been infestation, is a massive seed change and replacement program. We've had the seed. And what seed we haven't, we have actually bought that in. But the majority of seed was with us replacing Co238 for other high sugar, high yielding varieties, etc., and the entire gamut of low-lying areas, while there was infestation in plant has been uprooted and replanted. And the ratoon crop, where there's fresh planting that has to happen has been planted to other varieties. And therefore, there's been a significant reduction in the overall quantum of Co238 at Triveni, as I mentioned from about 77% last year to below 50% this year.

**Moderator:** Next question is from the line of Sudarshan Padmanabhan from JM Financial. Please go ahead.

**Sudarshan P.:** My question is to understand, you had mentioned that there were issues in getting rice as input from the FCI. And I believe the fourth quarter was a confluence of a lot of miscommunication and uncertainty with the Ethanol Blended Petrol (EBP) programme and the offtake. As we move to the new financial year, one, how do we see this part of the issues getting resolved. And with respect to the earlier comment that you made on the feedstock, I mean, one is we realise that at least with the cane, I mean we have a cost that is basically in place. Is the Government looking at creating a minimum spread or some kind of cost structure by which the sugar players can actually move to gain feedstock seamlessly?

**Tarun Sawhney:** FCI Rice was available at the very end of last summer, summer 2023. Actually, the Government banned the availability of FCI Rice for conversion into ethanol. Damage rice and rice from the open market was available, but at exorbitant prices, which did not make sense for distilleries to procure. And therefore, grain distilleries, including

Triveni's grain distilleries migrated to maize. That was a learning process, because when we started adopting maize, it was at the point in time where the second harvest was almost over and prices started going up. This year, harvest of maize actually is anticipated to be 20% higher. And therefore, we've already seen a significant reduction in maize procurement prices already, and we believe this year, the margins from maize will be substantially higher than what the margins were in the previous year. That's point one.

The second point that you talked about was the Government looking towards some kind of mechanism of prices. The actual formula for calculation of prices is not been disclosed by the Government. However, one has to understand that the Government does look at a wide variety of issues and considerations in determining price. So last year, the prices from sugarcane-based feedstocks stood the same. And this was actually because the Government considered that there may be a shortfall in sugar in the country. And therefore, that was a consideration in that decision.

However, the prices of grain ethanol were increased quite substantially, which gave a little bit of flexibility. However, a lot of that was captured by the trade because grain, especially maize is procured through open markets. So as of now, there isn't any kind of fixed mechanism that the Government is contemplated. The representations that the industry makes to the Government, especially Indian Sugar Mills Association (ISMA) makes to the Government are in light of sugarcane-based feedstocks, and we have been unequivocal in terms of showing that we do need a substantial increase in ethanol derived from sugarcane feedstocks during the next campaign.

**Sudarshan P.:** My next question is to understand on the export side. So now I understand that there was fear in terms of availability of sugar, which I think largely is getting addressed as we speak. Are we now in this scenario when we look at it, there is a fair amount of inventory available globally and the prices are coming down? Even if the exports are now open, do you think that if the Government allows exports, it will be a little too late, maybe too little now?

**Tarun Sawhney:** No, I don't think it's too late. Export prices, while they have come down from all-time highs are still very, very robust, despite in fact, that is what I was talking about, when I gave the global industry scenario, that despite the record production in Brazil of sugar and a return to record productions in Thailand, which is very close to India, we are still seeing very robust raw and white sugar prices. If India does decide to enter export markets with a small quantity be it 1 million or 2 million metric tonnes, my view is that it does not faze the international market at all. And it can be done more profitably than sugar sold in country, quite a big difference even today.

**Sudarshan P.:** One final question before I join the queue is interestingly, on the high-speed gears business. Can you talk a little bit more about the traction that we are seeing on the export side? Because, I mean, that is something which is driving growth and looks exciting to say from a two to three-year perspective?

**Tarun Sawhney:** Yes. So we don't really give any export numbers, but we're seeing substantial growth in export markets, especially over the last year or so. And a lot of that has to do with new capacities that are coming our way, new hires, an aggressive HR programme domestically and internationally to be able to service our customers and partnering with our global OEMs in terms of supplies to their manufacturing locations around the world, be it in the Americas or Europe or in other parts of Asia.

So the first thing, of course was to get the capacities. That of course is underway. The capex has been approved and being implemented as we speak. The next thing of course is leveraging on the relationships that we have with customers. And that move is clear. So, without actually attributing any numbers, I think we have enough confident to say that over the next year, definitely two years, we will see substantial revenues especially order booking that will come from export markets. The majority of it from our existing customers.

**Moderator:** Next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

**Shailesh Kanani:** A couple of questions around distillery division. There has been a Y-o-Y decline in margins and I believe that as you cited in your opening remarks, with respect to higher feedstock prices and in general increasing cane prices. So how do we see this going ahead? And also, on ethanol volumes. When we are guiding for around 21 crore volume for FY 25, we are at probably less than 75% capital utilisation. So how would that also impact the margins, if you can give some guidance on that?

**Tarun Sawhney:** Good questions. I think in terms of production, it could be 21 - 21.5 crore litres production. The capacity utilisation numbers decline with the percentage if maize is used as the feedstock. And if I talk to you on previous calls because the same distillery capacity. If it is running on maize, even at a 100% is operating at levels lower than 20-22-23% lower in terms of overall output. So that has an impact.

For this fiscal year, we're looking at approximately an even split between sugarcane feedstocks as well as grain feedstocks across all of our manufacturing facilities. But there are 2-3 points which are important to consider. Yes, while processing grain will give you a lower quantum of output. We believe that there are already discussions underway for rice to be available to distilleries. And the rice availability in North India as we know historically, is actually very, very good. And therefore, if that is available, the quantum numbers change quite dramatically, number one. Number two, I anticipate that the pricing, of course will change both for grain as well as for molasses-based or sugarcane-based feedstocks for the next supply year as we embark again on a more aggressive programme, because we may not touch 15%, but next year's target will be higher and two years away from the 20% target that the Honourable Prime Minister has announced a few years ago, and for that to happen, we need some more distillery capacities to come underway, and we do need a slightly better pricing to be available. You should also be aware that we do have the capability and flexibility to move between sugarcane feedstocks as well. And therefore, the balancing if required, and if the economics suggest will allow for higher production levels as well. We do have the flexibility to do syrup ethanol at 3 of our distilleries. And therefore, if the pricing actually changes, we will consider migrating from B-heavy molasses to syrup which will of course enhance the total outputs of the distilleries.

All of these things, it's very challenging to actually come up with definitive numbers right now, because there's a lot of dependence on the Government. But I think a lot of this will be clear as we go through the summer, post elections and through the summer. What you should consider is that Triveni is extremely well positioned to be able to take those decisions and to migrate. And I think our strategy to have that flexibility for inputs and for outputs leaves us in a unique position in the industry.

**Shailesh Kanani:** So, just to sum it up. So this current margin level that is around 14% for the division, at the EBIT level, it seems to be tough. Is that a fair enough assumption? Means all the worst scenarios are kind of factored in this business? Is this a fair assumption?

**Tarun Sawhney:** You see the scope of improvement is in maize. As I had mentioned just a few minutes ago, the cost of maize, when we started procuring it in August- September 2023, started trending very, very high very quickly because we were at the end of the harvesting season of the second crop of maize, and therefore, we were paying absolutely top rupees to be able to procure maize over the winter months.

The maize crop this year is 20% higher. The prices have fallen quite dramatically, and the prices that we are seeing now for the first crop, what we're procuring for Bihar is substantially 10-12-15% lower than the prices that we were procuring earlier. And we anticipate that that will also hold true for the summer crop of maize, which will come from Uttar Pradesh.

**Shailesh Kanani:** Second question was with respect to realisations. This year, we have seen a good jump in sugar realisations. How do we see next year in terms of realisations considering that if export quota is not going to come in the next few months, so how do we see that? Currently, it is 39 (per kilo or kg), which is remunerative. Do we see it to hold out for the year?

**Tarun Sawhney:** I don't think there's any fear of sugar prices declining. Given the quantum of sugar that exists in the country right now, the fact that there is no export, so we're actually building up stocks, I think this is a very favourable for 2-3 reasons. Number one, it gives me great confidence that the Government will come with a very aggressive EBP programme. Very, very aggressive because their fear last year was sugar shortage. Now the sugar shortage doesn't exist. Therefore, there is no hesitation in being very aggressive in terms of meeting blending targets. That's number one. Number two, given the fact that you've got this kind of sugar inventories domestically and in country, you still have very robust sugar pricing at a point in time or during the calendar year where sugar prices are usually at their lower levels. As we go through the summer, sugar prices tend to improve. And when we go to the holiday season, festival season, we see prices actually hit their highest before the next season starts. So I think at these levels, which are substantially higher than what they were at the previous corresponding point last year, I feel encouraged that we do have some tailwinds in these prices.

**Shailesh Kanani:** Anything on power division, where our order backlog is little lagging, I know the order booking is matching our revenue growth. Any input on that, if you can provide?

**Tarun Sawhney:** Typically, the orders that we have, the execution is 6 months. I don't think it is necessarily lagging. And we've got fairly aggressive internal estimates for growth. And I mentioned it before, I don't think we see our growth levels disappointing at all, nor our profitability level is disappointing. But I think the order booking is in line with what we're investing.

**Shailesh Kanani:** Yes, the PTB deal has been doing really well, especially on the margin front. And I assume our guidance of around reaching ₹ 500 crore in next 2 years stack in terms of revenue, right? Is that a right thing?

**Tarun Sawhney:** No, we've never given that guidance. We said that it's a minimum capacity, the investments that are underway will increase the capacity to above ₹ 500 crore (for gears not including defence).

**Moderator:** Next question is from the line of Rohan Mehta from Ficom Family Office. Please go ahead.

**Rohan Mehta:** My first question is, what is the reason for having a 70% domestic market share in the high-speed gear segment? And the second question is what exactly separates you from your listed peers on the EBIT margin front? So if you see your EBIT margins, they range about 35% - 37% compared to about 20% - 25%. So what exactly is the differentiating aspect? Thank you.

**Tarun Sawhney:** Our market share is much higher than what you have mentioned, because we don't have any domestic competitors as far as turbo gears, also known as high-speed gears. I assume your question is related to our Power Transmission business. And therefore, the answer to that is our market share is higher than that, the high market share is in the high 90%. We only compete against exports. The companies that you're comparing us with, which do manufacture gears, typically manufacture industrial, low-speed gears, some catalogue products, etc. The fundamental differentiation is on technology and uniqueness. So, the gears that Triveni manufactures are all made-to-order. They are highly engineered. They are high speed engineered products v/s what some of the other companies do, which are low speed products, multi stage products, catalogue products, etc which offer a different margin profile, it's a different business.

**Moderator:** The next question is from the line of V.P. Rajesh from Banyan Capital Advisors. Please go ahead.

**V.P. Rajesh:** My question is regarding the volatility that you see in your EBITDA per litre kind of realisation in the ethanol business, given what you were talking about sugar prices fluctuating and maize prices fluctuating depending on the time of the year.

**Tarun Sawhney:** In terms of the future projections, I think let me divide this up into two sections. As far as sugarcane-based feedstock is concerned, you'll have to appreciate that we've had an increase in cane price during the year under review. While we have not had any increase in the output, ethanol derived from sugarcane-based feedstocks. And therefore, I fully anticipate that for half of this financial year or the start of the next ethanol supply year, that dynamic will certainly change. It's too early to discuss cane price. But it's not an election year, so I don't think that there's any real reason for cane prices to increase next year. But what I do anticipate is a return to an aggressive ethanol policy, and therefore, a supportive Government allowing an increase in ethanol derived from sugarcane-based feedstocks, number one.

Number two is, as far as the grain is concerned. There are two pieces of good news here. The first is with respect to maize. With respect to maize, as I previously mentioned, the total output of maize of the nation is anticipated to be 20% higher this year, which of course as supply and demand would dictate. Since maize is not really consumed, it is not a part of the Indian diet really. It is used as direct animal feed, so primarily, we will see and have already started to see softening of maize prices, number one. Number two, maize procurement by industry is a very new phenomenon at such a large scale. And therefore, the systems, the supply chain systems have taken some time. I anticipate that during the course of this year, those supply chain systems will be far more effective in terms of storage, in terms of procurement, etc. And therefore, all those efficiencies will then percolate down to companies like Triveni that procure maize in a larger quantum.

What I would also like to say on grain is that rice. Again, there has been multiple proposals that have been made to DFPD on rice, etc. The constraints, in my opinion, came just after elections, etc, and due to various sorts of concerns. I read in the papers yesterday that export of non-basmati rice may be considered straight after elections. Now if export of non-basmati rice is allowed. I certainly don't see the Government not allowing distilleries to be able to procure quantum of rice as well. And then it becomes an equation of price. And therefore, to have rice, which gives us an ability to produce more alcohol for the same facility capacity and the margin structure of rice that existed earlier, which is better than maize, all of these are great positives. I can't offer you any definitive numbers. It's too early. I think post elections, we will be able to have better numbers. The next time we have this conversation at the next earnings conference call, there will be more data to share. But everything is positive as far as the margin structure is concerned.

**Moderator:** Next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Limited. Please go ahead.

**Manish Dhariwal:** I would like colour on this acquisition of some 25-odd percent followed by an open offer of a fellow sugar company, Sir Shadi Lal Enterprises. If you could share some colour on that, your strategy, what is the status right now, so and so forth?

**Suresh Taneja:** Look, as far as the target company is concerned, they are exactly in the same business as we are in. And, also their units are in the vicinity of our units. So, there is a lot of strategy in terms of taking over the unit. We have made the first move by acquiring 25% stake. And now as per the SEBI regulations, we are in the open offer stage.

**Tarun Sawhney:** As we hear more from SEBI, we will inform to stock exchanges, and you'll be able to get that information from our disclosures.

**Manish Dhariwal:** So, the open offer is still in the play. Is that what it is right now?

**Tarun Sawhney:** Very much so. We're awaiting SEBI approval to formally launch the open offer.

**Moderator:** Thank you very much. Ladies and gentlemen, I now hand the conference over to the management for closing comments.

**Tarun Sawhney:** Thank you. Ladies and gentlemen, thank you very much for joining us this afternoon for the Q4 and FY 24 results of Triveni Engineering & Industries Limited. The last year was a challenging year for some of our businesses, but I think we've come out much stronger. We learned a lot. There's a lot of hard work that has been done over the last few months ago to combat some of the issues.

I think when we look forward, we hope for a good monsoon and for a limited impact of pest and disease as far as our agri-businesses are concerned, and a more favourable Government policy as far as the ethanol business is concerned. The Engineering businesses hold great promise and potential, as I talked about. And I look forward to discuss that with you over the next few calls as well. Thank you for taking the time this afternoon. Look forward to speaking to you in about three months.