Triveni Engineering & Industries Limited

Q1 FY 25 Earnings Conference Call Transcript
August 02, 2024

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

Rishab Barar: Thank you. Good day, everyone, and a warm welcome to all of you participating in the Triveni Engineering & Industries Q1 FY 25 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 discussion may be forward-looking in nature, and a statement of 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 Sawhney. Over to you, Sir.

Tarun Sawhney: Thank you. Good afternoon, ladies and gentlemen, and welcome to the Q1 FY 25 earnings conference call for Triveni Engineering & Industries Limited.

For the quarter under review, the revenue from operations stood at ₹1,301 crore. The PBT just a shade under ₹42 crore and the PAT was ₹31 crore. The net turnover increased by 8.6%, mainly due to a higher Sugar turnover of 12% due to similar increases in sales volumes and approximately a 5% increase in realisation price.

The turnover of the Power Transmission business improved marginally by 1%, whereas there was a marginal decline of 2% in the turnover of the Alcohol business due to lower sales volumes despite higher production. However, the turnover of the Water business has declined by 21% due to certain delays in the award of contracts or projects. The PBT is 54% lower at ₹41.8 crore, segment profitability was lower across the businesses with the exception of the water business, where cost savings led to a higher profitability.

The profitability of the Sugar business, despite higher contribution on sugar sold was lower due to lower production and higher charge of off-season expenses owing to the earlier closure of the Sugar Season (SS). The profitability of the Alcohol business was adversely impacted due to restrictions that have been imposed by the Government on grain feedstocks and as a result of which the rice operations were substituted by maize, and of course, there was an increasing transfer price of molasses. And due to the lower sales volume of 4.3% including lower dispatch from ethanol from higher margin sugarcane-based feedstocks.

Looking at business-wise highlights:

In the Sugar business, we achieved a blended realization of over ₹39 per kilo (kg), an increase of almost 5% over the previous corresponding period. This was because of improved domestic realizations. In the Alcohol business, it reported the highest ever quarterly production of 5.5 crore litres, an increase of 8.3% over the previous corresponding period due to the additional capacities being commissioned.

The Company's IMFL business commenced its operations in the month of July 2024, with the launch of two brands in the state of Uttar Pradesh, THE CRAFTERS STAMP which is in the super premium category and MATSYA which is in the premium category.

The Power Transmission business reported a 12% increase in order booking this quarter and a record closing order book of ₹306 crore, which is an improvement of 12.5% over the corresponding period. And of course, it's important to mention that we've crossed an important milestone of ₹300 crore order book for the first time in our history.

In the Water business, we are happy to report that the business has been favourably placed for a project in Europe, it's about ₹250 odd crore, and we are eagerly anticipating the Letter of Award in the immediate future. We will update more details on this in due course. There are several other projects, which we are expecting the award also in the next few weeks or so.

The debt position of the Company on a standalone basis on June 30th 2024 increased to ₹1,150 crore as compared to ₹920 crore on June 30th, 2023. The standalone debt at the end of period under review comprises of ₹245 crore of term loans and all such loans are with interest subvention.

On a consolidated basis, the gross debt is ₹1,281 crore on the June 30th 2024 compared to ₹1,011 crore as on June 30th, 2023. The overall cost of funds on a standalone basis stood at 7.2% versus 6.7% in the previous corresponding period.

Turning to our Sugar business, in the last call, the Sugar Season (SS) 2023-24 had just concluded. Since then, we have been focused on preparing for the upcoming season. And the focus has been to restore normalcy in our sugar operations, and we are rigorously working towards this direction looking at uprooting any infected crop, substituting vulnerable varieties with more robust varieties, enhancing yield with on-ground intervention at a scale even larger than what we had done in the previous few years and stepping up of surveillance activities to get early warnings for any challenges to our crop and the challenges could be with respect to increased water levels. It could be due to disease, it could be due to pests or any other conditions, agronomic conditions that can impact the crop. I think the sensitivity is at an all-time high for the group and we're eagerly anticipating the upcoming season.

We continue from an operating perspective to focus on premium products such as refined sugar and pharmaceutical-grade sugar, which now on a collective basis comprised of 70% of the overall sugar production of the Company. And this will, of course, further improve the profitability profile of the Company as we look forward.

The Company reported a 12% increase in the Sugar segment revenues to just under ₹1,000 crore, which improved 12% year-on-year driven by higher dispatches and 5% improved realisations. It must be noted, of course, there were no exports in this quarter.

From a segment profitability perspective, profits in the Sugar business declined to ₹36.5 crore, a decline of 26.5%. And this was despite the higher contribution on the sugar sold, and it is of course, due to lower production and a higher charge of the off-season expenses in this quarter due to the earlier closure of the season.

The sugar inventory on the 30th of June 2024 was 44.73 lakh quintals valued at an average of ₹35.2 per kilo. Presently, sugar prices are at their recent highs, and we are selling refined sugar at ₹3990 per quintal at ex-factory for a refined grade sugar and sulphitation sugar at ₹3940 per quintal ex-factory as well, pretty good prices. And I believe that these prices will remain at these levels, at least for the immediate future and, of course, some gentle increases as we get into the holiday season in late September and through the month of October. This actually bodes well for the immediate future as far as sugar pricing is concerned.

Looking at the balance sheet from a nationwide perspective, we anticipate an opening balance for next year, on the 1st of October 2024 of approximately 9 million metric tonnes against domestic sales of higher than 29 million tonnes of sugar. And for next year, we expect that the closing stock without exports remain around about the same, and this is considering a 4.5 million tonnes diversion of sugar into ethanol for SS 2024-25. I must caveat this by saying that these are our internal estimates from our research group.

Looking at the international industry scenario. As per S&P Global, the sugar balance sheet is pointing towards a reasonably large surplus of about 5.5 billion tonnes. And the outlook looks largely balanced despite the surfaces in Thailand, in Europe, and in India. International Sugar prices after a remarkable performance in the last fiscal year have trended downward as the news of this larger future balance as percolated to the markets. And we've seen that decline not only in white, but also in raws (raw sugar). However, in the last few days, we've seen a recent surge in pricing, but we are still substantially lower than the highest that we had just a few quarters ago.

Turning to our Alcohol business. During the quarter, we commissioned the Rani Nangal distillery which led with the highest ever quarterly production of 5.5 crore litres, placing us among the leading ethanol manufacturers in the country. Sales volume were lower by 4.3% over the corresponding period due to dispatch schedules moving into the next quarter, while the ethanol is held in inventory.

The feedstock mix of alcohol sold is 58:42 sugarcane to grain in this quarter, very much in line with what I had mentioned to you in our last earnings call and even the previous earnings call. And last year, it is important to note that it was 64:36 sugarcane to grain. So very much changed as a result of market dynamics. The fact that there was a curtailment of diversion of sugar towards the ethanol programme. However, we were capably set up to be able to process grain. There are challenges around that, but at least we have the capacity and the infrastructure to be able to process large quantum of grain, so to keep up the total volumes for the Company.

The domestic scenario as far as ethanol: the Oil Marketing Companies (OMCs) have floated a tender of 835 crore litres with a 15% blending target. Till the 30th of June, contracts for 714 crore litres have been executed by the OMCs, with 61% coming from sugarcane-based feedstocks and the balance 39% or 281 crore litres coming from grain-based feedstocks. The OMCs have thus far procured 400 crore litres out of the total contracted quantity up to the 30th of June 2024. And with this procurement, ethanol produced from grain-based feedstocks contributes to 53%, i.e., 211 crore litres, while sugarcane-based feedstocks contribute to a smaller number, 47% of approximately 190 crore litres. This marks the first time that the ethanol from grain has actually surpassed ethanol from sugarcane-based feedstocks and the achieved blending percentage nationwide was 13% as of 30th of June 2024.

I must say that while the target was given at 15%, the achievement of 13%, given the challenges that have existed across the country, given the fact that we were in the middle of an election year, and given the fact that there were several infrastructure issues that needed to be hurdled, 13% achievement is most commendable. And I think that we are certainly on the anvil of achieving even higher blending percentages. The thought process at this particular point is development will try to achieve 18% blending in the next supply year moving quickly to the 20%, which was targeted by the Honourable Prime Minister for many, many years.

Looking at the Power Transmission business (PTB): PTB has been on a sustained growth path over the years, and this quarter has also performed extremely well, and there were several breakthrough orders, especially with international eminent customers and OEMs. The Company continues to witness excellent demand for its products, including in the high technology compressor gearbox market and a recent addition once again, has been a demand for the high power, small hydro turbine applications both domestically and internationally. Other very promising segment include high power API, which is adhering to the requirements of the oil and gas and petrochemical sector, integrally geared gearboxes as well also adhering to the same sector as well.

The outstanding order book, as I mentioned in my opening remarks, stands above the ₹300 crore milestone, at ₹306 crore with longer duration orders of approximately a third of that portion. This is a record for us, and I hope that we will be achieving a continuous record in subsequent quarters coming forward.

Turning to the Water business: Revenues have declined because of delay in execution in certain projects and the delayed award of certain projects. And I had mentioned to you on the last call that I was not waiting with bated breath for the last three months, because we were in election season across nation. And it would take time for things to revert to normal and for projects to come. And I'm very happy to report that over the next few weeks, we expect many projects to be finally concluded. We believe we are very, very well placed for a few of those projects. In the opening remarks, of course I mentioned that we had extremely favourably placed for a ₹250 crore project in Europe. And we're expecting the award of that in the next few days itself.

The PBT margins of the Water business stood at 12% for the quarter, and the outstanding order book on the 30th of June 2024 stood at just shade under ₹1,200 crore, which included ₹867 crore towards O&M contracts over a slightly longer period of time.

I will quickly move with this outlook for the businesses: In view a very comfortable inventory situation in the country, we are very hopeful that the government will do away with the feedstock restrictions and address the ethanol pricing framework as well and look at the viability of both grain-based and sugarcane feedstock-based distilleries.

In essence, it is a two-pronged process. Firstly, there was a limitation in terms of what could be diverted. We expect that to be lifted in the very near future. And we expect that the Government may very well look at absorbing all the quantities of ethanol that will come from the sugar sector.

I do believe that this will require another revisit in prices, which did not happen last year both for sugarcane-based feedstock ethanol as well as grain-based ethanol as well. From both sides, Triveni would benefit with any increase in the price.

The industry is also keenly awaiting the revision to the Minimum Selling Price (MSP) of sugar which is vital to the sustainability of the industry. The MSP, as many of you know, has remained unchanged since 2019, while input costs and sugarcane price, both FRP and SAP have risen significantly. ISMA has made a very rational request to DFPD and to other ministries of requesting a rate of ₹39.14 per kilo for sugar as the MSP for the country. And it's a very logical explanation based on the previous increases in MSP that has happened. And we're hopeful that the Government will look at this favourably and will give a high increase to MSP. Again, one anticipates that this is very much on the card, certainly before the next crushing season and hopefully before the end of this quarter.

Sugar prices, as I had mentioned even on our last call, I'm happy to report that we were correct that they have remained at very healthy levels throughout the quarter. And going forward, I expect some small increases in pricing. It could be because of increases in MSP, it could be because of very rational releases that have been given by the DFPD and it could also be due to other factors. But I do see that sugar price stability is something that is not of a concern certainly to us at Triveni.

Looking at the Power Transmission business group outlook: Indian economic activity has continued its momentum and we believe that both India and export markets are very nicely primed with a lot of replacement orders, a lot of new fresh projects that are coming up especially in the sectors of oil and gas and petrochemicals and some basic industry sectors as well contributing to significant growth.

Our international customer outreach efforts have been extensive, and we have made continuous investments in Research and Development (R&D). A lot of which, which has resulted in a material cost decreases as we've seen in this quarter that has gone by, and it has to do with the R&D programmes and the successful outlook of those R&D programmes. And of course, the R&D initiatives do continue, and we're hopeful to have even more improvements, both on the cost side and the addressable market side as far as our gearboxes from the Power Transmission Business are concerned.

The Government of India's continuing thrust on Atmanirbhar Bharat and Make-in-India has directly opened up a plethora of opportunities for indigenisation of imported gearboxes, and we expect this to be a growth driver for both the industry as well as the aftermarket business and including defence as well.

In the Defence segment, the business expects increased order booking from some critical segments, and we have progressed quite a long way. Of course, during the course of the elections, there were a few orders that were finalised again, and we're anticipating that over the next few weeks and quarters, we will be able to get back to the solution, and there's a lot of business that is awarded where we are contending.

As far as the Water business outlook is concerned, we are placed very favourably in a variety of different bits, and we are expecting to get those awards in the next few weeks. So that's quite close and we are actually very positive about a few of those bids as well.

From a longer-term perspective, given the significant gap between the demand and the current availability of water and wastewater treatment plants, the water sector, by and large has a very, very positive outlook in the nation. And not just in the nation, also internationally, we're seeing a lot more focus coming on water. And the Company continues to evaluate various international opportunities and intend to participate in several tenders for international projects.

Turning quickly to the Company's new subsidiary, SSEL - Sir Shadi Lal Enterprises Limited. During the quarter, the Company has further acquired 36.34% equity stake of SSEL on June 20th from the balance members of the Promoter group under the share purchase agreement. The Company now cumulatively holds 61.77% of the total shareholding of SSEL.

Consequently, the Company has become a subsidiary of Triveni and the Company in compliance with applicable laws has launched an open offer with the acquisition of 26% voting shares of SSEL, this was done on January 30, 2024, but that process is well underway. We have received SEBI approval, and we expect that open offer to conclude during the month of August 2024.

In terms of concluding remarks, I think we are very hopeful for a robust performance from the sugar sector this coming year and a robust performance of the distillery sector this coming year. Led by improvements in pricing, led by more availability of raw material on the sugar side, we're expecting great quantum for sugarcane. And then we have a very positive outlook on the Engineering businesses as well as I had mentioned, both gearboxes, defence as well as in the water and wastewater management.

I'd be delighted now to take some questions.

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Sanjay Manyal from DAM Capital. Please go ahead.

Sanjay Manyal: Hi, I have a few questions on the sugarcane crushing side, means what is our expectation for the next season, given the last season was a bit subdued with 11% decline in crushing number. What is our expectation? What is the work we are doing in terms of the variety change in our catchment area?

Tarun Sawhney: Right. So excellent question, multiprong question. And I think I'm going to take you back to comments that I've made in previous conference calls. We were actually just reviewing it before this conference call. As you know, last year, we had 77% of Co0238 variety across the seven sugar units. This year, and I had mentioned at that point in time that our target was to bring this around 50%. And I'm happy to report that that reduction has been achieved.

So, in all sensitive areas, waterlogged areas, low light areas, we have eradicated Co0238. The intention of course, is to take this to halve it again in the following year as well and then only to keep it in opportunistic areas, because it does give a good return if it is not disease affected, and it will last for a few more years. So, my answer is very much the same as what I mentioned one quarter ago and two quarters ago, and we're bang on track in terms of what we had set as target for us.

Now given that fact that we have managed to eradicate large tracts area under Co0238. We have substituted for other excellent varieties, and we found that our area under cane has increased. The surveys are now on, I can't give you an exact number right now, but we're looking at an increase in area under sugarcane for the group as a whole. And also, we're looking at a possible double-digit increase in the cane availability for our Sugar business for next year.

Now I have to mention this, that we're only halfway through the monsoons. So, to have early estimates, I offered you an early estimate. This is given what rainfall, what weather patterns and minimal impact on pest and disease that we have seen thus far. However, reading this morning papers, which I'm sure you've done as well, we're looking at a lot of rainfall coming our way in the month of August and September. I think the hope has to be that in the month of September, whatever rainfall happens, it happens in the first half, so that it does not affect the early start of the sugar factories in October of 2024.

So, given that we have balanced weather and balanced weather events, I think we're certainly as a group looking at a good rebound as far as our sugar operations are concerned. And we have been very successful in our cane development. We have achieved all the targets that we set ourselves out to. Of course, our programme is a multi-year programme, it's a multi-pronged programme. But very happy with the successes that we've had thus far.

Sanjay Manyal: You mentioned that you're expecting a double-digit kind of increase in the sugarcane availability. So, are you including the acquired entity in this, or you're talking only about the standalone entity?

Tarun Sawhney: I was talking about the standalone entity. The subsidiary company is an independent company and I'm not addressing their targets. Although I do believe that they had a particularly poor crushing season last year because they had a very short season. There were some administrative issues which led to a very delayed start for the sugar factory. And also, had an early end because of some engineering challenges for the season. Triveni having taken over the management control of Sir Shadi Lal, we anticipate that we will get back to business as usual. And a substantial increase in sugarcane crush at that factory in the upcoming sugar season.

Sanjay Manyal: Great. One question on the ethanol side means, now we have sort of completed our ethanol CapEx. Ideally with this kind of a capacity per day means annual number ideally should be close to 24 crore litres if I'm not wrong. So, can we have some guidance on that front? What kind of number are we looking in FY 25 and FY 26?

Sameer Sinha: You see in FY 25 we are looking what we mentioned in the previous one of a number in excess of 21 crore litres, right and it was also explained that with maize the capacity is a little lower. And therefore, while you are right, otherwise it should have been 24 crore litres. And going forward we would be at a significantly higher number, close to about 25 crore litres in FY 26 from the same set of assets.

Tarun Sawhney: Exactly. And I will just add that we have one project still on hold. It remains on hold until we see the next molasses (ethanol) pricing by the Central Government, and at which point we will review that project. But as I've mentioned on previous calls, the engineering work has all been completed. It's just a matter of ordering the equipment. And given our track record, we can have a distillery up and running in three quarters flat. And at this stage that we are at, so a pretty good time.

So, with that, of course we'll return to the 30 crore plus target rates. But at this particular point in time that distillery remains on hold with the capacities that we've had, you just heard from Sameer, we should be at a very good annual production rate.

Sanjay Manyal: Just last one on the Engineering business. I mean the current quarter performance on the gear business has been, you can say, a bit muted from the revenue side. So, is it just have to do with Water business certainly has been impacted by the election part? So, what could explain the gear business performance as of now?

Tarun Sawhney: So, it was very much budgeted. And we have performed in fact, a little bit better than our budgets as well. One has to recognize that the last quarter was an election quarter for the country. And so, for several weeks, there was a lot of delays and a lot of companies and clients not accepting orders. And we had many clients that have just delayed. Our accounting policy is that we will only account for revenues once you dispatch for us. Our finished goods has increased and we will expect a huge catch-up to happen in Q2. This was all planned. I think we're very happy with both the numbers, both for the top line as well as on the bottom line. You can also see from the order booking increase.

I will discourage you to look at quarter-on-quarter in this business. I think with engineering goods, you always find that at the end of the half, which is Q2 and especially Q4, a lot of companies to take advantage of depreciation, accept deliveries in those quarters. So, it's typically heavily skewed towards Q2 and Q4.

Moderator: Thank you. The next question comes from the line of Somnath Saha from B&K Securities India Private Limited. Please go ahead.

Somnath Saha: Thank you for the opportunity. My question is regarding the distillery segment. Now it is evident that the margin is significantly lower when we used maize. And even after that, we are continuing with maize. So, I really wanted to understand the thought process here. I mean, talking about the other big players, may have admitted maize is not profitable at all. So, wanted to understand this, is this because you want to run the facilities or anything else you have in mind?

Tarun Sawhney: Yes. So again, I think I stand behind what we've said in the last few quarters. The maize profitability is severely dampened because of the market dynamics. Despite prices for the output, for the ethanol made from maize increasing, because you have unfettered increases in the input cost of maize, the entire advantage has been taken up by either the trade and some portion to the farmers. Farmers is the good portion, but the huge increases that have gone to the trade have unfortunately meant that the margin scope for ethanol manufacturers has been problematic.

Now, as far as we're concerned, we have co-joint facilities. The bulk of our distilleries are next to our sugar factories and therefore we have lower conversion cost, it could be fuel cost, it could be a whole host of other input costs being lower. But for the industry as a whole, since you asked the question for industry, I think maize at this point poses a huge problem. Now, what is the solution around it? And yes, it does. For Q2 as well we will be processing a large quantum. We're one of the largest maize processors in the nation right now at Triveni. So we can see this first-hand view of what is going on in the market. And honestly speaking and under this present scenario, the margin simply has evaporated because of the increases in input cost prices. Now, there have been many representations that have made to the Government that we need to find innovative ways of ensuring that there is renewed health as far as the grain opportunity is concerned.

We will always be slightly better off because of our co-joint facilities with our sugar factories. But honestly speaking and I've seen the representations that have come from the Grain Manufacturers' Association to the Government, they are burdened very much so, at present input prices. So, I think that in the next policy, I'm very hopeful that we will have some multipronged pricing strategies that will allow people to get back to the types of margins that we were experiencing earlier.

And especially when we were processing FCI Rice. And you would remember that the margins of FCI Rice were actually very, very healthy and attractive. And with the State Governments having been allowed to procure rice by the Central Government as you are well aware, I think the availability of rice to the distillery sector, to the ethanol programme, I think is just a few steps away, and it may very well happen in the next few quarters, given the burgeoning stocks and given the high output of seasonal rice in the country.

Somnath Saha: Thank you. That was my question. Also, if you can just quantify the sugarcane crushing numbers for the quarter and the recovery for both gross and net recovery for the quarter?

Tarun Sawhney: You said crushing numbers for the quarter. We missed the next question.

Somnath Saha: Yes, that was the question, the crushing numbers for the quarter and also the gross and net recovery?

Suresh Taneja: During the quarter we crushed 66.7 lakh quintals, as compared to 157.7 lakh quintals in the previous quarter. And our gross recovery was 12.35% as compared to 12.43% in the previous quarter.

Somnath Saha: And the net recovery?

Suresh Taneja: Net recovery was 11.41% as compared to 10.58% in the previous quarter. Sugar production was 7.6 lakh quintals as compared to 16.7 lakh quintals in the previous quarter.

Moderator: Thank you. The next question is from the line of Rayan Dalal from FICOM. Please go ahead.

Rayan Dalal: My question is on the Power Transmission and Defence business. So, are we on track to commission the facility expansion in December?

Tarun Sawhney: So, the expansion in the existing facility is very much on track. In fact, I anticipate that this facility will be commissioned six weeks in advance. So, we're hoping that in the month of November itself, just after Diwali we will be able to commission the new gearbox facility. As far as the Defence facility is concerned, we've had a slippage, and we will be about a quarter late. So, we're looking at the commissioning of that facility in the first half of the next calendar year.

Rayal Dalal: Got it. And the incremental capacity that will come on in the power business, could you give a sense of the end industry use and the demand growth that you're seeing maybe in the domestic market and maybe on an international level as well?

Tarun Sawhney: Absolutely. I'll talk about OEM (Original Equipment Manufacturer) segments and then I'll talk about industry and customer segments as well. As far as OEMs are concerned, we've seen huge growth domestically and internationally. In fact, all of our OEMs are global OEMs. And we've seen an enormous growth in order booking and deliveries and the future forecasts are for even better rates of growth from these levels.

Now this covers segments such as steam turbines, it covers compressors, it covers the pump segment as well. The one sector, which is a little bit of a dampener, which has always been tiny little sector for us, given that the infrastructure does not really exist in India is on the gas side. So that has been kind of muted, but it accounts for such a small amount, it doesn't really matter. The three sectors that I've mentioned have been absolutely outstanding in terms of growth from the OEM side.

Looking at the final user segments, we're seeing huge opportunities domestically and internationally in the API segment, so oil and gas, petrochemicals, across the board, both onshore and offshore are looking extremely exciting as far as the gearbox requirements are concerned. We're seeing huge developments in the mining sector as well as in cement and steel, both domestically and internationally. Funnily enough, the demand has been mirrored in export orders as what we're experiencing in India. I think the one sector that is where we've seen orders decline is the distillery sector in India, which accounted for a lot of gearboxes in the past. But distillery orders have stood muted. But again, it's such a tiny segment now compared to our overall business that it doesn't really feature.

Rayal Dalal: Got it. And if I may ask another question. On the Defence segment, our tie-up with General Electric, just wanted to know like maybe the work that we have done on the LM2500 engine, maybe just an idea of like how things are going on that end, do we expect any sort of delivery soon on that product or anything of that sort?

Tarun Sawhney: So that programme is a two-decade programme. The first few orders are yet to even be allocated. I think as far as nomination of the order, it's already gone, for the core to come from GE, the assembly will happen at HAL and the packaging will happen at Triveni. So, we're hopeful that for the next generation of warships, these orders will be placed relatively soon. But our Defence portfolio goes well beyond just the packaging of gas turbines.

We're looking at several orders in the smaller GTG space, gas turbine space, very excited that should be included during the course of this calendar year. We have several live projects. We're the only company in the country which builds shaft lines. And as you know, we're building shaft lines for subsea platforms. We're also building shaft lines for micro submarine. So, it is a whole spectrum. And we're anticipating several new orders there.

We are doing a lot of work on gearboxes for the coast guard and the Navy. Orders has been won. A lot of orders on pumps for the Navy as well, and the products go on. So, what we have tried to do is expand our exposure for the mechanical equipment and tie-up where we need tie-ups, or develop technology where we need to develop our own in-house technology. It's a dual-pronged process that is centred around a Aatmanirbhar India programme.

Moderator: Thank you. The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors. Please go ahead.

Manish Dhariwal: Very good afternoon and thank you for sharing a very detailed perspective about the sugar sector, as it is expected to play out for the Company. Now you also spoke about the acquisition of Sir Shadi Lal. We already are one of the leading players in the game. So, some insights into the rationale for this acquisition, which we find is really, it's a very old plant and machinery, must be dilapidated. You mentioned that the sugar season was also very low. And the kind of price that we paid for it. So, we request for some insight into what went for this decision.

Tarun Sawhney: Right. Very happy to provide an answer to this question. And I'll start from your last question and move backwards. As far as the price that was paid for the shares that have been acquired, we did a valuation exercise internally and looked at what that asset could be worth. And I think we're very happy with the price that we've paid. We believe that this is going to be significantly accretive acquisition for the Company in the short term and definitely in the long-term. From a financial perspective, I can't go into the numbers in terms of payback, etc because that's not public information.

But what I can say is the strategic part of it, which is very important. Shamli has possibly the best farm area and acreage in the State of Uttar Pradesh. They're the best. The farmers are the most loyal and have been for decades. Yes, there has been a blip in the last few years due to a variety of issues, especially the management issues and operational issues at the unit, and that had led to some amount of disharmony in terms of relationships with the farming community, but that still does not change the essence of what the farmers deliver.

Shamli is the factory that has had the longest season in terms of operating days. In my 30-year experience in the sugar industry, for the vast majority of years, it has the longest operating season. And the reason for that is the tie that they have with the farming community. We believe that we will be able to revive this tie immediately with the farmers. And I think we've had a very great success, great support from local communities as we've taken over the management operations from the 21st of June 2024. That's number one.

Number two, the yield in Shamli is one of the highest. And that too bodes well for the future in terms of operating at higher capacities for the future, etc. Yes, it means that we will have to invest in some more capex. But we will make those decisions in a very prudent manner like we do, looking at returns. This is a demonstrated strength that we have at Triveni. We'll continue to apply the same science into all investments made in Sir Shadi Lal.

The third important factor for this acquisition has been its close proximity to two of our largest factories. We buy cane from Shamli society, the cane society, both for our factory at Deoband and for our factory at Khatauli. So, we have immense knowledge and now we've been able to actually capture a more adjoining area and we believe that in the medium term, we will have significant advantages by having areas that are connected and sugar factories that are connected. So, there has been a huge strategic rationale besides the financial rationale in terms of acquisition of this company.

Manish Dhariwal: Thank you. So, are there any plans to merge this company into the main corporate or how would you like to kind of take it forward?

Tarun Sawhney: At this point in time, we're in the open offer process, we can't do anything. We're bound by the laws of the land in terms of looking at any other optionality. And as and when the Board decides any corporate action, we will, of course, intimate the stock exchanges. At this particular point in time, we're just interested in focusing on a quick R&M (Repair & Maintenance) programme that is cost-effective that we can actually have a record season at Sir Shadi Lal in 2024-25.

Moderator: Thank you. The next question is from the line of Dheeraj Ram from Ashika Stock Broking. Please go ahead.

Dheeraj Ram: Congratulations for the great set of numbers. My question is more focused towards the Water sector. Historically, we have seen payments delaying in this water treatment segment. So, do you see any further delays in payments going forward from state or central government? Or how do you think the order inflow is for us, is it more confined towards State Government or Central Government? Or are you planning to go into any HAM kind of projects?

Tarun Sawhney: So, we are already in HAM projects. Our orders are evenly split between state and centre. Actually, the orders that we're expecting finalization of majority for the next few quarters are all state. But historically it's been set between state and centre. But we don't really experience any payment delays on the work because they have very finely targeted timelines, and its performance-based metric, it's all gate-based payments that happen.

On the O&M side, sometimes it takes an extra few days, etc, but nothing that is inordinate and nothing that is not expected. I wouldn't even classify that as a significant risk to the business.

Dheeraj Ram: Got it. And post-budget, do you see any increase in actions going on from this water segment? There will be a lot of funds getting allocated for this particular segment going forward. So how do you see in next two to three years?

Tarun Sawhney: Yeah, I think you asked a great question. I think it's outstanding, the amount of inquiries that have been generated post the elections. State governments, municipalities and the Central Government, water is playing an absolutely pivotal role in the infrastructure agenda of the nation. And you're absolutely right. So, when we look at our inquiry book and the new inquiries that have just come about even in the last few weeks since the elections, of course, the ideation has started earlier, but we're getting close to the bidding stages. We're seeing a huge push on all fronts and across the country, across the country is the most important part of this.

Dheeraj Ram: Got it. And my last question if I can ask is, we could see a lot of players entering into this wastewater treatment segment. So, do you see any competition while bidding for the projects? Do you see any competition here?

Tarun Sawhney: I think it's a sector that has competition across all facets of it. As far as wastewater is concerned, you will have a different set of players. But I think it is a competitive environment because it holds so much attractiveness as an industrial sector. You see different players from different segments. We find ourselves in a very unique spot of playing across segments and having our PQs (Pre Qualifications) across segments, which is a rarity, frankly, speaking for players in the Water business in India.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you.

Tarun Sawhney: Ladies and gentlemen, thank you very much for joining us for the Q1 FY 25 earnings call of Triveni Engineering & Industries Limited. I think we're at a very exciting point in time for across our businesses. Sugar and ethanol are expecting huge changes, especially from the Central Government, MSPs on the anvil, exports could potentially be considered in the immediate future as well to evacuate the stocks, the global world market price has risen recently. I'm quite certain we'll be able to export that good returns.

As far as ethanol is concerned, I am anticipating a huge improvement in terms of pricing and structural improvements to ensure that both grain and sugarcane-based feedstocks are measured out with equal positive treatment over the next couple of months. Defence and gears continue to do well and I'm expecting orders within our Water business group in the next few weeks. So, it's all exciting times. I look forward to talking to you in approximately three months. Thank you so much.

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