



Triveni Engineering & Industries Limited

Earnings Conference Call Transcript

May 29, 2015

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Triveni Engineering & Industries Limited Q4 & FY15 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, sir.

Gavin Desa: Thank you, Good Day everyone and a Warm Welcome to all of you participating on Triveni Engineering & Industries Limited Q4 & FY15 Earnings Call. We have with us on the call today, Mr. Tarun Sawhney – Vice Chairman & Managing Director; Mr. Suresh Taneja – Group CFO; Mr. Sameer Sinha – President, and other members of the senior management team.

Before we begin I would like to mention that some statements made in today's discussion maybe forward-looking in nature and a statement to this effect has been included in the invite which was mailed to you earlier. I would also like to emphasize that while this call is open to all invitees, it may not be broadcast or reproduced in any form or manner. We would like to start this call with opening remarks from the management following by an interactive Q&A session wherein you can discuss views and key issues.

I would now like to hand over to Mr. Tarun Sawhney to share some perspectives with you regarding the company's operations, results and the outlook. Over to you, Tarun.

Tarun Sawhney: Thank you, Gavin. Good Afternoon, everybody and Welcome to the Fiscal '15 Results for Triveni Engineering & Industries Limited. For the period, net sales for the company stood at ₹ 2,051 crore with profit after tax of ₹ (152) crore.

Looking at the highlights, as far as the Sugar business is concerned, the overall country's production is expected to be over 28 million tonnes, leading to a gross surplus inventory with significant pressure on sugar prices. These declining prices and the unviable Sugarcane prices commensurately have impacted profitability quite significantly and

negatively. The company had a better operating performance in Sugar season 2014-15, both with respect to crush as well as recovery. The outlook for the next season is dependent on planting, the effect of El Nino, weather patterns, etc., and of course, a significant function of the Sugarcane price. Sugar operations have continued in their losses on account of the decline in the aforementioned Sugar pricing. There is no hope for Sugar prices to rise unless some of the industry demands and the association's demands of sizeable buffer stock amongst other measures are created by the central government and potentially certain measures by the state government to mop up the significant surplus of Sugar. For long-term sustainability of the Sugarcane industry, the cane pricing reforms are more central than ever and now with the current situation in the industry, potentially one-time financial restructuring may also be required to look at the long-term sustainability of the sugar processing industry across India.

Co-Generation and Distillery businesses have performed well during the year. I will be discussing that in more detail later on in this call.

As far as the Engineering business is concerned, business sentiments have improved during the year and the momentum is little slow but we can certainly see a lot more enquiries coming in, in both our Water and Gears business. However, the real spate of fresh investment domestically is very much on the cusp but has not happened in the last fiscal year, the year under review. Of course, petering of those sentiments had weighed down a little bit on the capital goods sector and took a little bit of toll on our businesses. Still overall we are extremely positive on both the Water and the Gears business looking forward. The outstanding order book as of 31st of March 2015 was in excess of ₹ 500 crore.

Looking at the Financial Highlights for the quarter ending 31st of March '15, our net sales was ₹ 447 crore, with PAT of ₹ (85.6) crore. The lower Sugar prices and higher cost of production have resulted in a significant write-down of ₹ 111 crore with respect to Sugar inventories. The charge of depreciation during the year is lower by ₹ 18.2 crore due to the revision in the useful lives of the asset in compliance with the Schedule II of the Companies Act 2013. The overall debt for the company as on 31st of March is ₹ 1,472 crore, which is about 25% higher than 31st March' 2014 figures. The increase in debt is due to the higher cash credit utilisation while term loans Y-o-Y basis were lower by 11% at ₹ 518 crore. The average cost of borrowing of loans for fiscal '15 stood at 10.4%.

Let me now turn to the individual businesses and give our thoughts on those in specific: In the Sugar business, the country's output is expected to be in excess of 28 million tonnes and this is compared with a domestic consumption including the pipeline of approximately 24.7 million tonnes under 25 million tonnes. There is a clear addition of over 3 million tonnes to the domestic stock pile. States like Maharashtra and Uttar Pradesh have accounted for the increased volume of Sugar production due to the higher yield of Sugarcane with better recoveries, for example - in Uttar Pradesh; the average recovery has increased from 9.27% in Sugar season of 2013 - 14, to 9.54% in Sugar season 2014 -15. Maharashtra achieved an all-time record high production of 10.44 million tonnes as of 15th of May 2015, where there were still factories crushing in Maharashtra. As of 15th May,

there were three factories crushing in Uttar Pradesh. Uttar Pradesh has produced over 7 million tonnes. With the estimated production at higher than 28 million tonnes, we are expecting the closing stock of Sugar at the end of the sugar year just over 10 million tonnes which is clearly 4 million tonnes higher than a normative requirement of the government to meet domestic consumption of sugar in the initial months of the next sugar season - from October - December 2015 period. As a result of this massive increase in the quantum of Sugar, the all India ex-sugar mill prices which was approximately ₹ 29.20/quintal in October 2014, have fallen to ₹ 26.50/quintal by February, ₹ 25.50/quintal by March on an all India basis and a shade lower than that this point. On the 31st of March, the all India cane arrears were in excess of ₹ 20,000 crore and at the end of April 2015 that had driven to ₹ 21,000 crore and we are very much around the same mark as of today, may perhaps a little bit higher. In order to be able to resolve this staggering increase in surplus, the industry has made representations to the central government and has asked for certain packages and certain measures to be brought about. This includes the creation of a different type of buffer stock, one where the government actually goes out and buys the Sugar from the mills. Clearly, interest free loans have also been spoken about, but more importantly, financial restructuring of the sugar mills and the debt on the balance sheet side of the sugar mills have also been discussed.

Another measure is blending of ethanol and conversion of B-Heavy Molasses into Ethanol. I know that has been spoken about in the press for a long time. This measure, the industry and the central government understand is more of a medium-term measure because it requires capital expenditure into Distillery expansion. Clearly, if such a program can work, it will mop up approximately 2 million tonnes of excess sugar and with the support of the government potentially a higher price for ethanol. This can be very effective and can become a useful tool in years of excess Sugar production. It will take time for such distillery capacity to come up and therefore it remains the medium-term initiative. The union government has taken certain measures to help the industry, for example increase in the import duty on Sugar under OGL for 35-40%, the duty-free import, authorization scheme, DFIA for Sugar has been withdrawn for a period and discouraging export obligations under the advanced authorization scheme for sugar has been reduced to six months to prevent any leakage of sugar in the domestic market. All these measures that have come about are positive and on behalf of the company we do appreciate the measures. However, we do need some hard hitting and longer lasting measures in order to be able to revive the ailing price of sugar in the domestic market.

Regarding the global market, in the second half of February 2015, the global Sugar prices fell below 13 cent/pound for the first time since January 2009 due to various factors, especially factors regarding Brazil's role in the international Sugar market. The improvement in Thai Sugar production contrary to the previous estimates of global agencies also played a role in depressing global sugar prices. Steep decline in the Brazilian Real over the past one year was 30%, which impacted the global trade of Sugar from other countries.

Looking at our Sugar business, our Cane Crush was 5.13 million tonnes with a recovery of 9.57%, we produced approximately 490,000 tonnes of sugar. On account of the improved recoveries by 25 basis points season over season and a higher volume of Sugarcane crush by 10%, the overall Sugar production for 2014-15 season was higher by 13% as compared to the corresponding 2013-14 numbers. During the current financial year, the quarterly average Sugar realization declined Q-o-Q at approximately 16% for the company and has significantly of course impacted the performance of sugar prices in the business. The free-sale realization for the three months ending March 31st 2015 was approximately ₹ 27,172/MT and this is staggeringly lower than the corresponding quarter for March 31, 2014 which was at ₹ 29,829/MT. The UP government, we discussed in previous calls, has announced certain subsidies and we are still anxiously awaiting the release of the subsidies of approximately ₹ 28.6/quintal which has been promised, however, the modus, etc. is yet to be disclosed and is of certain concern to the industry.

The Co-generation business has performed well. The operating efficiency at the plant continues to be excellent. From the sale of renewable energy Certificates (REC) with respect to Khatauli and Deoband, income of ₹ 3.1 crore was realized in the quarter ending March 31, 2015 and for the entire fiscal year approximately a shade under ₹ 5 crore was realized. The new tariff order has been issued by UPERC whereby tariffs of power export into the grid will be effective as of the 20th of January 2015. However, the implementation of said order has not fully been carried out and we are hopeful that it will happen with retrospective effect over the next few months.

The Distillery business again exciting and at a topical point, has performed extremely well. The performance Q-o-Q and Y-o-Y has been in line. During the quarter the net sales was approximately ₹ 43.6 crore with PBIT of ₹ 12.5 crore. The difference between this and the corresponding quarter numbers of the previous year are also in account to the higher transfer pricing. We account for transfer price at market price of Molasses from the Sugar business to the Distillery. Share of Ethanol for Fiscal '15 is approximately 45% of the total sales volume and looking forward I think that percentages may derive very steadily in fiscal '16.

As far as the High Speed Gears and Gear Boxes business is concerned, for the three months ending March 31st, our sales stood at ₹ 41.9 crore. This is a significant increase compared to the quarter ending 31st March 2014, where the number was ₹ 28.9 crore. At a PBIT level, the profit was ₹ 12.4 crore compared to ₹ 7.2 crore of the previous year. The overall market domestically is impacted by slow down but we are seeing significant interest on a global scale. Supply chain agreements that we have entered into are seeing substantial orders and we are excited about fiscal 2016 and the growth of this business.

Retrofitting and spares, basically the repair and service portion of the business is also growing at a very healthy pace and is contributing a significant amount to the profitability of this business. The order intake of approximately ₹ 110 crore in fiscal '15 is marginally higher compared to the

previous year. However, our book-and-bill completion within the few months has increased quite substantially and that augurs well for the future.

As far as the Water business is concerned, for the three months ending March 31st, the net sales was ₹ 54.1 crore which is higher compared to the March 31st 2014 numbers of ₹ 48.2 crore. At PBIT level, there was a marginal profit of ₹ 0.8 crore as compared to a loss of ₹ 5.3 crore for March 31st 2014. While the turnover is higher than previous periods, it was constrained and the optimal turnover we wanted to achieve was not possible due to a few delays from some of the customers, project delays and payment issues with some customers still persist. We have seen an incredible amount of traction over the last 4-5 months within this space both from an order finalization, performance in the Industrial and Municipal segments there is a significant amount of momentum that has been gained and many orders in both the segments are in the pipeline or are waiting finalization over the next few weeks. During the year under review, the order intake was approximately ₹ 122 crore and the bulk of these orders are from the Industrial segment, while in the Municipal segment there were low activities for last year but we are anticipating a very significant increase in the municipal order space going forward and this is clear with the amount of RFPs that are out there and the orders that are pending finalization. We are expecting large orders to be finalized in the favor of a company going forward. However, until they are announced, we were unable to disclose the exact names.

I would like to open up the floor for the question and answers. Thank you very much.

Moderator: Participants, we will now begin with the question and answer session. The first question is from the line of Nirav Shah from GeeCee Investments.

Nirav Shah: First, on the Sugar segment. The association's proposal with the government for creating a buffer, what is the proposal, and at what rate should it be procured?

Tarun Sawhney: It is a strategic reserve that has been proposed by the industry to the government. The first on buffer stock per se because one of the proposals is to buy out the Sugar rather than just the interest component. The modalities of that will have to be worked out by the government and the industry has not given anything in writing in terms of what our request for those modalities at this point in time but one would look at the fair market price being the barometer for such a transaction.

Nirav Shah: The supply would remain in the system that would keep a check on the pricing likely sure because the outlook for next year production is also pretty stable, it is not declining. it is expected to decline by a significant amount?

Tarun Sawhney: There are two parts to your question; yes, of course Sugar remains within the system, but it is in the purview of the government as to when it will release it. So the Sugar is in the country but it is not available for sale and therefore that does have significant impact raising sugar prices to ₹ 30/Kg,

but we will have a very promising impact on Sugar prices from where they are at this point in time. The next point relating to next year Sugar production for the country, I think a lot of that depends on the monsoon, the progress of the crop and weather patterns from now until the start of the season. We have seen that despite good planting numbers, so you are right, that the planting across the country has been very good, but the weather patterns will play a very significant role in determining the yield and the sugar and cane. The eventual recoveries of the Sugarcane for the sugar industry, and that can play a very significant role maybe even up 10-15% somewhere it has been more with respect to production. So it is very difficult to say that yes planting has been very good right now and that would equate to a stable Sugar production next year, because there are many imponderables between today and the start of the next sugar season.

Nirav Shah: Relating to the buffer topic, if we assume that 3 million tonne buffer is created and UP's share which is linked to production would be around 23-24% and on inventory levels it would be even lower. So 0.8-0.9 million tonnes buffer going to UP, still the problem would remain because the mills would get only even at the FRP price, somewhere around ₹ 2800-3000 crore, whereas the arrears are ₹ 7000 crore.

Tarun Sawhney: You have to look at two perspectives: No.1 is cane arrears and No. 2 is the change in sentiment in pricing. Let me firstly agree with you that even if you were to get 3 million tonnes, your arithmetic is absolutely correct, you are not getting rid of the entire arrear situation. However, here you are improving sentiment and you are raising Sugar prices. So, you get a certain quantum of money because of the entire scheme and there is a positive sentiment it raises Sugar prices and also raises the quantum of Sugar being sold. The scenario that has transpired over the last 4-5 months for this calendar year has been one, where sugar traders have purchased sugar with great precaution, therefore, the pipeline is zero, and the confidence in the sugar sector has remained low

Nirav Shah: Regarding the Gears segment, what is the current contribution from Exports?

Tarun Sawhney: As far as the Exports numbers are concerned; we will be happy to give it to you offline, I do not have them ready with me, but suffice to say that in previous years, exports have been below 10% and for the period going forward we are looking at that number doubling or tripling.

Nirav Shah: Would that exports include deemed exports for our sales through Triveni Turbine or it is purely the new customer base?

Tarun Sawhney: Sales to Triveni Turbine are not deemed as exports for the Gears business, because the sale is done between Mysore and Bangalore.

Nirav Shah: No, I am talking about the deemed export for the turbine is in turn going to either sell it to Middle East or other location?

Tarun Sawhney: For gears it is not deemed export.

- Nirav Shah:** What would be the broad range and how the margins are compared to our pure product from the exports and can you provide a broad range of margins for domestic products, export products and loose spares and refurbishments?
- Tarun Sawhney:** I am afraid it is very difficult for us to be able to share that, as it is highly competitive information.
- Nirav Shah:** Any growth guidance can you give for the Gears segment and are the margins sustainable at around 30% which we have currently done?
- Tarun Sawhney:** Over the last 3 or 4 years despite a challenging environment, the business has been able to hold on in terms of its revenues and margins if anything have expended over the same period. We have had high degree of confidence that we would be able to maintain these margins as we grow, going forward.
- Nirav Shah:** On Water segment front, now that we have reported a positive PBIT, at least can we assume that the losses that we are reporting on a quarterly basis is behind us that most of the low margin municipal orders have been executed and going forward the numbers should be at least positive if not back to the previous margins of around low-teens?
- Tarun Sawhney:** I think your assessment is correct, Q-o-Q, I would not like to comment; but I would like to comment for one fiscal year and I think the pain period is pretty much over. We are seeing a tremendous amount of interest which is in this quarter at least Q1 FY 16 going to fructify into business.
- Moderator:** The next question is from the line of Arun Malhotra from Sentalum Capital.
- Arun Malhotra:** You raised the issue of Sugar business getting into a distressed situation and probably a restructuring is there for the industry. I raised this issue in the last concall also. Any thoughts on why we are subsidizing the Sugar business with the other two businesses which are much more in a healthy position?
- Tarun Sawhney:** Yes, I remember that question very well. My answer of course still remains the same as from my last conversation, you are right, we have three businesses, two that are profitable and one that is not profitable and one can construe it as the two are subsidizing the third. However, at this point in time, the management is exploring all options and once we have fructified on any type of options we will first present it to our board and then of course communicate it to you through intimation to the stock exchange.
- Arun Malhotra:** Yes, I understand, but the point is let us say if there is some problem, there is some restructuring from the local bank, then both the other two businesses will also get into a problematic issue, isn't it ?
- Tarun Sawhney:** You are right, but I think the restructuring of the Sugar industry like it has happened for other industries by the central government will take some time and will take a lot of working out simply because the sugar industry is enormously a large industry across the country and it requires a

tremendous amount of persuasion by the central government and then on to the banks. We are little bit of time away from everybody actually agreeing that this will happen and implementing it on a national scale. This is a wish list of the industry, presented to the central government. However, whether it happens or not is a very different question.

Arun Malhotra: We as investors are frustrated with the Sugar business at the whole sugar industry, are you also as a promoter frustrated and probably think about exiting the business at some point of time?

Tarun Sawhney: Let me deal with the first part of your question; yes, of course, clearly, it would be untrue to say that one is not frustrated; we have tried our best in terms of operational improvements Y-o-Y. However, we are plagued with a very high Sugarcane price which is not commensurate with the valuation and the sale price of Sugar over those subsequent periods of time, therefore, leading to fairly catastrophic losses and the types of losses that the company has not experienced in its 75-year - 80-year history. Yes, it is a very frustrating experience but we are hopeful. I think this is an industry that has gone through a prolonged down cycle, but there is belief in this business that it can do well, it can deliver profits and deliver shareholder returns on a sustainable basis. In terms of any divestiture, etc., I am afraid; we have not considered anything at this point in time.

Arun Malhotra: On the Water business, the EBIT is still quite small. Can we conclude that the low margin orders are over and we would see industry norm EBIT margins going forward?

Tarun Sawhney: That is not the sense that I have tried to portray, so let me go over that, I am glad you have asked this question. Firstly, the orders that we have had in the past and any orders that we have in the future have certain hurdle rates below which we would not go. However, the financial performance is not necessarily dependent on the margin that we take the order at, it is dependent sometimes on the payment that we get for the work that is done. So delays in payment result in operational and financial issues and the other point causes that projects do get delayed. So we do a certain quantum of work but because of delays at the clients end too impacts the profitability. Now, looking forward, people are anxious to get the work done now. That was not true of the last fiscal year or even the year before that. We are seeing a certain amount of movement in both the Industrial as well as the Municipal spaces. The only way one can talk about that is with the types of order finalizations that will happen in Q1 of this year, which we believe especially the municipal space in just one quarter will be equal to entire fiscal year on an all India basis in comparison. So, that type of momentum will then change the fortune structures of the industry but certainly of the company with respect to its Water business.

Arun Malhotra: Regarding the delays, I would believe that taking order would be much easier, but factoring delays is also a part of the cost process, so you probably have to factor in the delays in the costing so that our EBIT margins are positive, otherwise, Sugar and Water business would continue to be value-destructive businesses for us?

Tarun Sawhney: Let me separate both the Sugar and Water. Of course, the Water business is certainly not value-destructive, it would not be going forward and the small losses that one has experienced over the last couple of quarters is something that hopefully will be a thing of the past, but we do factor in such delays clearly, especially with Municipal projects. The delay that we experienced were inordinate, they were higher than what we had anticipated. Even you can appreciate when you budget, you have to make the most sensible budget, take into account business sense. We have been in these businesses for a long period of time, and therefore, we have a certain idea of how long those delays would be. Sadly, we were wrong in that estimation and they were a little bit longer. But I think going forward with some degree of confidence and hope, one can say that that is a thing of the past and we will come back to the norm.

Moderator: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: With respect to Sugar industry. How are you looking at Sugar prices given the massive production we have had plus the outlook of further surplus, and how are you looking at Sugar prices in dealing with the significant Cane arrears?

Tarun Sawhney: With respect to our views on Sugar prices going forward, I think we would not see a massive decline unless there is something major that happens; if there is a major currency correction, could be either the Indian Rupee or the Brazilian Real or any other major policy decision that happens. Sugar prices now in India across the country fairly linked to the New York Sugar Exchange. So, at the levels of 12 cents that we are at in New York today ballpark or the close which was yesterday, we are sort of fairly priced according to that domestically. So, until we see any major changes or policy changes, I do not see prices going substantially up or substantially down. We will be trading within a band of ₹ +/-100 to 150/quintal, and that will be based on demand for the summer months, demand for the festival seasons, or on the negative side, any press report, etc., any sentiment changes to the negative. So that is the kind of band that we will be trading in. But, the fall of 20% that we have seen from October 1st to March 31st in terms of Sugar prices across the country, I do not think we will see that kind of a massive fall or increase unless we see some systemic or policy-related changes.

Achal Lohade: In that case, how do you look at industry surviving given those who are integrated they can still survive with the Distillery and Co-generation profits, what about the rest of the industry – do you think there is a risk of mill shutting down in the next season?

Tarun Sawhney: There is always a risk of mill shutting down across the country. Now, the interesting thing about this year is that the arrears across the country cannot be given to one state alone, they are spread across the entire country. It is all the other Sugar producing states; Maharashtra, Karnataka, Punjab, Haryana, Tamil Nadu, Andhra. We are seeing arrears across the country. So that pain is being experienced pretty much across the country. You are right if you do have allied businesses, you are in a marginally better shape to be able to combat these highly stressful times, but you may very well see some factory shutting down. I do not see Cane arrears

coming down in a great hurry because the position that we are today is the companies that have banking relationships and exercised those relationships to the maximum, which means whatever stock has been hypothecated, the receipts on that basis has been given out as Cane price. The only money that will come is on the sale of Sugar. So until the total quantum of Sugar start increasing, I think it is challenging to see how that divesture 21,000 crore is going to come down. That is now a problem not just for the industry. We sympathize with the plight, that is being experienced by the farmers, clearly, we sympathize with the year on-year pain that we have experienced as the industry but I think this is a problem that both the state and central governments also have to contend with and face as a reality.

Achal Lohade: Would you imagine the B-Molasses or the Heavy Molasses road could give some benefit can offset some amount of production, have you heard the industry being positive on the B Molasses route or the government being aggressive enough in terms of the ethanol blending program?

Tarun Sawhney: I think you raised an excellent point and I had mentioned this in the main section of the call today. I think of too potentially little bit higher than 2 million tonnes Sugar value can be taken out through the B-heavy route conversion into ethanol; however, you will need a slightly higher price for that ethanol if this were to happen. The government will look upon this kind of a scheme that is favorably; however, for this to take place, there needs to be capital expansion, there needs to be expansion in Distillery capacity across the country and that by its very nature will take 18-months for it to happen. So whenever there is clear direction and policy change in that favor, it will still take 18-months for people to be able to invest in those capacities to take out that Sugar value from the system.

Achal Lohade: What it implies is probably 2015-16 also there would not be much impact of this B-Molasses even if people want to do, there the capacity may not be good enough actually, is that a right understanding?

Tarun Sawhney: Yes, my opinion on this is that it will be marginal if any.

Achal Lohade: Recently, we heard one of your peers actually talking about certain CAPEX related to environmental norms, specifically the zero discharge mandate by the NGT. Any thoughts on the same?

Tarun Sawhney: We are looking at the same as well and we have approached our board in terms of provisional approvals for such projects to meet these new norms that are being talked about by the Pollution Control Board and of course the NGT.

Achal Lohade: Would you be able to elaborate a little bit what exactly it means, what would be the nature of investment for us specifically Triveni and what about those guys who are already struggling with cash, how would they cope up with that, do you imagine Distillery shutting down or the deadline getting postponed the?

- Tarun Sawhney:** I think the deadline should get postponed, because the deadlines that have been set up, end September 2016, that is fairly close. What it means in terms of physical CAPEX is the commissioning of an incineration boiler and such boilers do take 9-12 months, maybe even 15-months to commission. So we are very much at that cusp by the end of this quarter, we will be at the cusp for ordering new equipment. As far as funding is concerned, I take the SDF route for getting 40% of the funding is very much there and frankly speaking the banks have still not lost complete faith with the industry and I think the banks will fund the rest and there will be some contribution by the company, that is the greatest challenge as to where that comes from.
- Achal Lohade:** Tentative investment for Triveni, what would be required?
- Tarun Sawhney:** If we have to undertake such a project, it would cost us approximately ₹ 40 crore.
- Moderator:** The next question is from the line of Suyash Kapoor from Mapple.
- Suyash Kapoor:** Is there any plan on behalf of board that they are going for a QIP to raise some capital?
- Tarun Sawhney:** No, not at all.
- Suyash Kapoor:** What is the general appetite for investors for your shares like various companies are taking this opportunity where the markets are hovering around to increase the capital on the basis of QIP, so is the company thinking on the same line of raising some capital?
- Tarun Sawhney:** Actually, we are not, let me answer your question directly, frankly speaking, all our communications are made through the stock exchange, so the company has taken no steps in any of those directions and neither do we have plans at this point.
- Moderator:** The next question is from the line of P.D. Gupta, who is an investor.
- P.D. Gupta:** We are a group of investors in your company for a long time. Actually one thing I want to know we are a leading Sugar producer in the country and when we compare the Sugar results for a full year with the other companies like U.P., itself, we are finding ourselves on the lower side, I do not know what was the reason sir, I do not want to compare the rest of the other companies on this forum, but there is something which I could not follow it?
- Tarun Sawhney:** The accounting standards that are followed or the accounting principles that are followed by different companies differ, so the only way to compare results is on a financial year on financial year basis. To look at quarterly numbers of any two sugar companies, will not give you the actual picture as it is dependent on valuation of Sugar. I might have valued the Sugar at X and another person may have valued the Sugar at Y and that leads to differences, because assume that we at Triveni are very conservative in terms of our valuation and we take those write-downs and our results will be poorer. The other of course is an important element is the treatment of off-season charges, so your repairs and maintenance, the accounting of

that also differs between the company to company. So you will see that on the full year basis, you come back to the norm; however, on a quarter on quarter basis, the treatment is such will result into differences in profitability which may not be an accurate comparison between two companies on a quarter-on-quarter basis.

P.D. Gupta: In our conference call on 29th of May '14, we had a very good word from you that there would be other positive news delivered to you in the next meeting, again on 19th August '14 in the conference call when we come back to you in 3-odd months time, we will have excellent news to report, this is all about Engineering division, and again there was a board meeting on the 11th of November for demerger or consideration of a restructuring. We are waiting for a long time. This is appropriate time I think so.

Tarun Sawhney: At the end of the day we do not necessarily make forward-looking statements in this call and certainly not on any other platform. As far as the good news is concerned, we have signed a very important strategic supply agreement in the month of September 2014 and that is very positive news for our Gears business and we did announce that not just from the company's perspective, but also at the conference call that we had after that. So that was one of the positive news. As far as the meeting that we had in November, which is to look at any options, the board said that it will be happy to consider it but at this point until any proposals are finalized, there is nothing to consider. So only when the board considers such options, we will come back to the stock exchanges, to our shareholders and investors with the appropriate news.

P.D. Gupta: I agree. Our Gears division is doing extremely well and the future is very bright as well as our Water division. Can you quantify something on the performance of these two divisions by 2018?

Tarun Sawhney: I am sorry I am unwilling to give any forward-looking statements.

Moderator: The next question is from the line of Dr. N.K. Arora., who is an investor.

Dr. N.K. Arora: I just want to ask about the Gears business. Under the supply chain agreement with Lufkin when are we likely to see the actual deliveries?

Tarun Sawhney: The average deliveries that we have for Gear Boxes are between 6-7 months, the agreement was signed in September 2014 and the implementation of that agreement started shortly thereafter in the following quarter. Under this agreement one gas turbine gear box was delivered in March 2015 and so over the course of this fiscal year is when we will see very significant orders and revenues and all of these will be deemed exports.

Moderator: The next question is from the line of Shirish Hisaria from Kotak Mahindra Bank.

Shirish Hisaria: Just want to check, are there any specific regulations for a closure of the Sugar factories, wherein you have to fulfill those regulations and then only you can close the Sugar factory, what are those regulations like if we are

seeing so much surplus and we are expecting sugar mills to close their plant, so what kind of regulations they have to follow before closing the plant?

Tarun Sawhney: That is a subject of much longer conversation, but you are governed by the Industries Act, you are governed by Labor Act, etc., and depends on which state you are in, there are also state determined acts that will come into play on the closure of any business, be it Sugar or otherwise. So in many respects, it is no different than shutting any other large industry in India.

Shirish Hisaria: So there are no specific regulations?

Tarun Sawhney: There are no specific regulations over and above what is there for the other industries. With respect to the Sugar industries, of course, you will take IEM every time you want to set up an industry and therefore you may have to comply with certain additional specifications or rather you have to look at those under the Industries Act and that maybe one of the additional things. So you have to look at what is regular plus some additional. In respect of actually shutting down a sugar factory, there has been some debate about that, but it is much easier said than done. So, one has to remember that farmers have planted Sugarcane and therefore there will be pressure by state governments, etc., potentially to operate such plants or to find a home for the cane has been planted by the farmers.

Moderator: That was the last question. I now hand the conference over to the management for their closing comments.

Tarun Sawhney: I would like to thank everybody for joining us for the fiscal '15 results for Triveni Engineering & Industries Limited. There is active and spirited discussion today. I look forward to speaking to you in approximately 3-months' time and one remains hopeful that both the central and state governments will be supportive of the sugar industry although the policies and any schemes that have to be announced I would hope that would be done before we spoke the next time; however, these are all conjectures at this point. As far as the Engineering business is concerned, one remains hopeful that in Q1 we will see brighter days, the change and increased order booking, etc., and we hope to come back to you with some positive news regarding the Engineering businesses in terms of their growth trajectories and in terms of their order booking when we next speak in 3-months time. Thank you very much and good afternoon.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, on behalf of Triveni Engineering & Industries, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.