



Triveni Engineering & Industries Limited

Investors / Analysts Conference Call

May 3, 2006

Moderator: Good morning Ladies and Gentlemen, I am Parimala, the moderator for this conference. Welcome to Triveni Engineering & Industries Limited's earnings call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Abhinandan Singh of Citigate. Thank you and over to you Sir.

Abhinandan Singh: Good morning and welcome to the Triveni Engineering & Industries' Q4 and FY06 earnings call this morning. Joining us on this call are Mr. Dhruv Sawhney, Chairman and Managing Director of Triveni Engineering & Industries Limited and other members of the senior management team. We propose to commence this call with opening remarks from Mr. Dhruv Sawhney, which will be followed by a discussion forum. I would now like to invite Mr. Sawhney to share his perspectives on the Company's Q4 and FY06 performance.

Mr Dhruv Sawhney: Thank you very much indeed. Good morning Ladies and Gentlemen and welcome to this call. I have with me here Mr. Suresh Taneja our CFO, our Company Secretary and Vice President – Legal, our Corporate Vice President, and other members of the senior management in Noida.

We have finished 2005-2006 on a very happy note - turnover is up by 24% and PAT has risen 32%. We foresee a good growth in the year 2006-2007 as well, on a similar, if not better, level. All our businesses have had growth, but the exceptional growth has come in the engineering sector where turnover has risen by 73% and the profit before tax has had a triple digit growth. All engineering units are foreseeing similar growth rate for 2006-2007.

In our sugar sector we are embarking on one of the most exciting times in Triveni's history. We would be putting up three sugar plants in the year 2006-2007 along with another cogeneration unit of 22 megawatts and a 160 kilo liter per day distillery. The combined capacity of the Triveni units at the end of 2006-2007 would be 61,000 tcd. We will be having much increased figures for crushing, for the season 2006-2007, and at the moment our forecast is a 50% increase to around 6 million tons. We foresee, at the moment, a good year. The monsoon is not forecast to be bad in UP at all, and in fact in our areas which are not dependent on the monsoon, so much it does not matter to the same extent it matters in another sugar growing states of India.

Our cogeneration plants have now settled and are performing well, and they should be performing in off season as well. Along with the new cogeneration unit at Khatauli substantially increased earnings in 2006-2007 and 2007-2008 will come from cogeneration.

Our steam turbine unit has actually been through a watershed. We have had an exceptional year in terms of sales to all sectors from cogeneration plants, to sugar, to steel, to textiles, to IPPs, and currently our order book is even better than what our performance was last year. As on the 1st of April our order book was Rs. 405 crore versus the turn over of Rs. 280 last year.

As on 1st of May this has now gone up to Rs. 444 crore, in fact we are booked solid till the end of February and really we are quoting April 2007 deliveries and thereafter and are leaving the last month for our old clients.

We have done this because of our success in indigenous R&D, our new models with high efficiency blades have been extremely well received in the market place. We are strengthening this R&D by introducing a new model in 2006-2007, which will take our range from 18 to 25 megawatts and this will come about in the next 2 to 3 months. We have now embarked on a further expansion program to double our manufacturing capacity and so in 2 years we will have increased capacities by almost 4 times from December 2005 to March 2007.

We are continuing our emphasis on service and will be putting up a training school for service engineers and designers which will probably be one of the first one globally. We believe in the 1 to 12 megawatt market segments, we are one of the two largest manufacturers globally in the current year, so we have now reached a global size as far as technologies and market is concerned in our power niche area.

In high speed gears growth has also been exceptional, and the current order book is very healthy, it is 72% of last year turnover and so we expect similar growth to what was achieved last year this year as well.

In water and waste water treatment products, which has a small base, we had seen 70% growth last year and probably triple digit growth in the current year. This is really because of our distinguishing factors on technology and service, something that the Company started a few years ago and now bearing its fruit.

I would rather respond to questions now than give anymore overview, so over to you.

Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. To ask a question please press *1 now. First in line we have Mr. Surendra Singh from Mangal Keshav Securities. Over to you Sir.

Surendra Singh: Mr. Sawhney first of all congratulations on a good set of numbers.

Dhruv Sawhney: Thank you.

Surendra Singh: Could you give us some sense on what is the SAP price of cane procurement price you are currently paying in UP and how do you see the trend going forward considering the expansion that is happening in that area?

Dhruv Sawhney: Yes, there was a competition for cane in the Western UP areas, I would like to distinguish between the areas of Saharanpur, Muzafarnagar, Meerut, and where our new plants are coming up, there is not competition in those areas, but we talk about the once of Saharanpur, Muzafarnagar which is where I think your question is directed.

Surendra Singh: Right.

Dhruv Sawhney: Okay. The price, there was in an incentives paid by all factories over the state advised price, and if you look at our average price for the season this is including everything from transport to loading to the deduction of cane transport and the extra incentives paid to the farmer everything, our cane cost was Rs. 133.72 or about, just under Rs. 134, that is the cost including the taxes, commissions, and everything. Now that is a fairly substantial price and what it did was to ensure cane supply in a year where the yields had come down because of the late rains. The gur and khansari has taken an enormous knock this year, so the trends right now are that these people have now packed up and are going to go to other areas of probably UP where there is much less competition for them and they don't have to have this big cry and war for cane. We foresee next year with the current sugar prices not having to necessitate any major increase in cane price, and in our forecast we are taking Rs. 5 as a maximum, but we could even have the same average price.

Surendra Singh: But so far your greenfield ventures are you reasonably certain in terms of your plants would be able to procure the required amount of cane, particularly for your green field ventures?

Dhruv Sawhney: Yes, now in each of our green field ventures we are very conservative in our forward planning. For example, if I take Raninagal which has a capacity of 5,500, the areas that we have allocated to us we are taking a conservative roll rate and a conservative crush in the first year of 45-50 lakh tons, so generally this can go up to 75-80, but we are waiting for it for the year after. Now in our areas there is:

1. No factory within 20-25 kilometers,
2. There is very little gur and khansari,

we picked the areas which are good for cane growing, where there is good irrigation, but we need a 1 year time lag for the planting of our cane by our staff, which is happening in the current year for this year 2006-2007, but the predominant will happen in 2007-2008.

Surendra Singh: Also, you talked about the enhancement the command area that have been given to you post the capex that is coming up, are you reasonably certain that would be available to you for the next crushing season?

Dhruv Sawhney: Are you talking about the new plants or the old plants?

Surendra Singh: No, the total command area as a whole given the way you are expanding capacities.

Dhruv Sawhney: Another good question, lets take the old areas, the UP Act states that capacities of the cane areas must be allocated as per capacity and a few other criteria like cane price payments in time, etc.

Surendra Singh: Right.

Dhruv Sawhney: So the Government, which did not do it last year, it gave a little lower to the government factories, it allows them to have a lower drawal rate and had a higher drawal rate for the private factories, now this anomaly we believe will not sustain itself in the next year with so much extra capacity having come on board. So our calculations, when I say that we expect to crush 6 million tons next year, I am saying this with these conservative caveat, otherwise it would be far higher, but this is our view of where cane supplies will be fairly sure. The year after that for us from the same capacities would go to 775, so 07-08 we are saying 775, that's 7.75

million, and in the year 06-07 we are saying 6 million, this gives you an idea of the ramp up which is coming from our cane development activities.

Surendra Singh: Okay. Thank you. I will come back later.

Moderator: Thank you Mr. Singh. Next we have Ms. Nandita Parker from Karma Capital. Over to you Madam.

Nandita Parker: My questions are related to sugar. I missed the answer about the cane procurement prices and if you could just elaborate on that a little bit.

Dhruv Sawhney: Did you hear any of it or shall I go over it all again?

Nandita Parker: Just on the cane procurement part, if you could just give me a trend on prices what

Dhruv Sawhney: I said that prices have probably hit their peak_ in the current year, cane prices, and prices are related to sugar prices. Cane prices are related to sugar prices because the main competition for sugar factories comes from gur and khansari, which are the alternate sweeteners. Now, if their cane price paying capacity- which also has to be taken into account, and in western UP certainly in the district of Saharanpur, Muzafarnagar, and Meerut this has now reached a peak, so we expect diversion to be much less next year and this is our feedback from the alternate sweetener manufacturers, and they will shift to other areas of UP and we don't expect any major increase in the sugarcane price for the next season. The incentives that were paid by factories will probably gets regularized by the government in an enhanced state advised price, so there will be no real total cane price rise in the next year, and that is why we are forecasting actually an increase in margins as far as sugar is concerned.

Nandita Parker: Okay, so since the end of the year in April have you already seen a decline in cane procurement price?

Dhruv Sawhney: No, the factories are all shut now. We are talking about the next year which will start in November 2006.

Nandita Parker: Okay, and what was the yield?

Dhruv Sawhney: Yield last year had gone down to about 650 quintals per hectore in our estimate from 720, that was our estimate, the Government's estimate is still 700. You are talking about yields in the cane or you are talking about sugar recovery?

Nandita Parker: Sugar recovery.

Dhruv Sawhney: Sugar recovery in Western UP was substantially lower than the year before because of frost, the late rains, and the over fertilization of that crop by the farmer, and sugar recovery generally went down by 0.5 to 0.7 of all factories. Our Deoband factory, however, was one of the two highest in Western UP. But this phenomenon, of low recovery, is something that happened for the first time in the last 10 years, so we don't expect this on an average basis in the next year, but we expect a much better mix in Western UP.

Nandita Parker: Secondly, so I may ask a question about carbon credit, so where exactly are you in that process?

Dhruv Sawhney: I will ask our Vice President Mr. Sinha to answer that exactly.

Sameer Sinha: Good morning. For both the cogen projects at Deoband and Khatauli, our project design documents are complete. We have received the host country approval. We are appointed TUV SUD Group for doing the validations. So, the validations studies are going on and we expect this validation report to be complete for the Deoband project by 31st May, so that by mid June we would apply for registration. Now registrations normally takes about 2 to 3 months and after that we intend to have all our CERs verified before we offer them for sale so that we have mitigated all the risk and we would maximize the price realization for CER.

Nandita Parker: So the impact of that, if there is to be a positive impact, would be in the later half of the year?

Sameer Sinha: Yes, right.

Nandita Parker: September onwards.

Dhruv Sawhney: Yes we would be getting the carbon credit for from 2004 to December onwards with retrospective effect.

Nandita Parker: Okay, retrospective to what date?

Sameer Sinha: To the current date, which means from the date the cogen plants started, the first one started in December 2004.

Nandita Parker: Okay and so in your release when you talk about 200,000 carbon credit that would include what number for 2005?

Sameer Sinha: That would include about 140,000 to 150,000 for 2005-2006, the current year, and the remaining would be for the prior period.

Nandita Parker: Okay, so 140 for the current year.

Dhruv Sawhney: Current year means the year ended March 2006.

Nandita Parker: And let's say 60 for the previous year.

Sameer Sinha: Yes. The annual figure is on an average would be about 160,000 CERs, which you would keep on getting, and as our cogen season extends this would keep on going up to 200,000.

Nandita Parker: I see. Okay, thank you.

Moderator: Thank you Madam. Next in line we have Mr. Abhinav from Fitch Ratings. Over to you Sir.

Abhinav: Part of my question has been answered earlier, but what I wanted to know is that what are your views on sugarcane availability for the industry for all the planned new capacities?

Dhruv Sawhney: Again you see lets restrict ourselves, one, to UP, okay, I really don't want to comment on other states, and in that I really want to comment on the districts that we are in, otherwise I could take a fairly long time, I could brief you, but it would be a separate call. I am going to take a minute because this is very much on investors mind, so I am really going to take a very quick minute and give you the methodologies of how the Governments allocates cane.

The Cane Commissioner is responsible for a reservation order every year. The order is valid for only one year. This order gives you an area, a reserved area in an assigned area, from that area nobody else can procure cane, so in the areas that is assigned for you, the roll of cane depends of competition from gur and khandsari. So you have two risk factors,

1. How much area are you going to get?
2. How much is going to be the diversion in your area?

Now, let me answer both of those for our plants. The first is our areas are going to be as per capacity. Now our enhanced capacities at Deoband and Khatauli have just been recognized by Government because they were put into operation last year, and to get recognized you have to get certification from the National Sugar Institute, which we got last year, and there is a committee of the Federation of the Cooperative and of the State Government which forms, they have had five visits to us over 2-1/2 months and now have certified our capacities, so we are one of the first people in the expansion which will have a certified capacity, now then the allocation for that has to be as per capacities and that is uniform to all the people, that is what law says, so it is fairly much uniform, may be some slight exception.

As far as diversion of cane, I mentioned that the cane price that has been now paid has substantially curbed this diversion, which is why our drawl rates from cane or for the cane that we had in our area this year we were able to draw 64%-65% versus 50% earlier. We can now even increase this to about 70%-72%, so cane availability for the levels that we are projecting are another problem. The cane availability to crush 6 million, which will be a 50% increase in crushing capacity for the group in the year 2006-2007, is not a problem.

Abhinav: Just taking it forward, I understand that there is no other plant in the distance of 25 kilometers from the new plants.

Dhruv Sawhney: Yes.

Abhinav: Now by law it is 15 kilometers, I think.

Dhruv Sawhney: Yes.

Abhinav: So, what if a new plant comes in the area of 15 kilometers from your plant?

Dhruv Sawhney: No, you see a new plant can only come up if it is 30 kilometer away, because it is 15 one side and 15 from my side.

Abhinav: Okay.

Dhruv Sawhney: Did you understand? So you really need to have nobody with 25, that is

Abhinav: I understand.

Dhruv Sawhney: I am sorry, you really need to have somebody within 16-1/2, but when I say 25 - where the areas between 16 and 25 there either a river or there is a forest or there is no cultivable land to put up a sugar plant.

Abhinav: Okay. Fine. Thank you.

Moderator: Thank you very much Sir. Next we have Mr. Dipen Mehta from Dipen Mehta Share and Stock Brokers. Over to you Sir.

Dipen Mehta: I have just joined the call a little bit late, congrats any way, but have you explained the reasons for lower sugar profits in Q4 and for FY06?

Dhruv Sawhney: Yes, basically there is slight reduction in sugar overall profit was,

1. That the recoveries in Western UP for the reasons that I have explained of late rains and over fertilization of the soil by the farmer, and this is an exceptional thing that happened which hasn't happened before for the last 10-15 years, caused recoveries to go down by 0.5%-0.7% for all factories in western UP, and this has increased the cost of production fairly substantially, and
2. Along with this was a cane price rise to meet with competition because the late rains also affected farmer's yield to some extent, but really the overall margins for our factories went down fairly comparable to last year and were compensated for by the increased sugar price.

Next year, we will be having the benefit of the UP Government's incentive policy which gives you some benefits on cane pricing as well as sugar realizations, so those 1.3 to 1.5 rupees a kg incentives will come in which we have not taken in the year 2005-2006 and that would substantially help the net cane cost and improve margins.

Dipen Mehta: Okay, I will reserve my questions for the next round. Thank you.

Dhruv Sawhney: Thank you.

Moderator: Thank you Mr. Mehta. Next we have Mr. Abhishek Dutta from SSKI Securities. Over to you Sir.

Abhishek Dutta: Congrats on your good set of numbers.

Dhruv Sawhney: Thank you.

Abhishek Dutta: Just wanted to know the capex distribution in different segments going forward for 2007 and 2008.

Dhruv Sawhney: 2006-2007 or 2007-2008?

Abhishek Dutta: 2006-2007 and 2007-2008.

Dhruv Sawhney: Okay, I will ask our CFO Mr. Taneja to give you a quick idea.

Abhishek Dutta: Yes.

Suresh Taneja: Let me first of all give you the break up of the capex for 2005-2006.

Abhishek Dutta: Okay.

Suresh Taneja: Now, we carried out Khatauli expansion of capacity program which is about Rs. 46 crore.

Abhishek Dutta: Okay.

Suresh Taneja: And we also carried out expansion of Deoband capacity, which is about Rs. 31 crore, and we set up a new cogen plant at Khatauli at a cost of Rs. 88 crore.

Abhishek Dutta: Okay.

Suresh Taneja: And we have set up at Sabitgarh, which is a new sugar unit, at Rs. 123 crore, and in respect of expanding the infrastructure facilities at our turbine and gear unit we have spent about Rs. 19 crore.

Abhishek Dutta: Okay.

Suresh Taneja: Now as regards 2006-2007 is concerned, we are setting up three sugar units at a cost of about Rs. 420 crore.

Abhishek Dutta: Okay.

Suresh Taneja: And we are setting up a cogen plant, we are expanding cogen capacity also by 22 megawatts and setting up a distillery at 160 kilo liters per day.

Abhishek Dutta: So for this cogen how much capex?

Suresh Taneja: The cogen is about Rs. 75 crore.

Abhishek Dutta: Okay.

Suresh Taneja: And distillery is going to cost Rs. 90 crore.

Abhishek Dutta: Okay.

Suresh Taneja: Then there is a brown field expansion of our Ramkola unit from 3,500 to 6,500 tcd, and we are again doubling the turbine capacity, so which is about turbine capacity is Rs. 45 crore, and in all we will be spending about Rs. 700 crore in 2006-2007 is the total capital outlay.

Abhishek Dutta: Okay.

Dhruv Sawhney: And 2007-2008 we have no plans.

Abhishek Dutta: No plans, okay, and how are you planning to finance this capex of Rs. 700 crore?

Dhruv Sawhney: The board is considering various options as we have communicated with the exchange, and as and when it takes further directions in this we shall make those public, but this is under active consideration, all options are under active consideration of the board.

Abhishek Dutta: So this entire capex of Rs. 700 crore is the capitalized in 2007 or?

Dhruv Sawhney: Yes.

Abhishek Dutta: Entirely?

Dhruv Sawhney: Yes.

Avishek Dutta: Okay, okay. Thank you.

Moderator: Thank you Mr. Dutta.

Dhruv Sawhney: Sorry, before that I just wanted to add that this Rs. 700 crore will also be applicable for the UP Government incentive, most of it, except for the engineering. So that our total capex, which would be eligible for the UP Government incentive scheme, would now come to about Rs. 1,000 crore.

Moderator: Thank you Sir. Next we have Ms. Parul Patel from StratCap Securities. Over to you Madam.

Parul Patel: Could you throw some light on your Triveni Khushali initiative and you plan to roll out 40 more such stores and you are also looking at doubling the turn over to Rs. 15 crore, could you throw some light regarding that?

Dhruv Sawhney: Yes, I will ask our Corporate Vice President Mr. Tarun Sawhney to brief you.

Tarun Sawhney: Good morning. Yes, we are planning to expand the Khushali Bazaar initiative fairly aggressively. We are setting up a minimum of two stores on a monthly average. In addition to that we will also be launching a whole host of financial products and other items for our stores. We are expanding in the lines of grocery items from this month and our launch for grocery items will take place on the 8th of May at our exiting stores. This will therefore not only include farm inputs which includes fertilizers, pesticides, and farm implements, but also diesel, tyres etc, vehicles, the FMCG items, some white goods, but also grocery items, thereby ensuring that not only the man in the rural area is our client but also the lady of the house is excited about visiting our stores thereby doubling our target audience. This will be a considered focus for this year, coupled with our expansion in product lines and number of stores. It will also allow us to grow our margins, which as you know for farm inputs are only 2-3% and for FMCG and durable items are almost in double digits if not higher. Thank you.

Parul Patel: All right. May I ask what kind of catchments are you looking at when you say two stores on a month on an average basis and what kind of turn over per store are you targeting?

Tarun Sawhney: The stores vary in size and the catchments area of course varies, there is no, I can speak about a rule of thumb per store, each stores will be catering to a distance of approximately 12-15 km radius, that is the catchments area per store. We are looking at first year revenues on an annualized basis ranging between Rs. 1.5 crore to 2 crore per store in the first year.

Parul Patel: Okay, all right, as on date how many stores do you have, as on date?

Tarun Sawhney: We currently have 13 stores in operation.

Parul Patel: All right, thank you so much.

Tarun Sawhney: Thank you.

Moderator: Thank you Madam. Next we have Mr. Saurabh Marfatia from Emkay Shares. Over to you Sir.

Saurabh Marfatia: I wanted to ask you, I suppose you provide mechanical equipments for sugar cogeneration plants.

Dhruv Sawhney: Yes, we provide steam turbines and the whole water treatment.

Saurabh Marfatia: Yes, do you have like any technology even to provide ethanol plants, because now a lot of companies are concentrating on producing ethanol.

Dhruv Sawhney: We are not in the pressure vessel area. Except for waste water treatment, which we supply to a verity of industries including sugar, ethanol, we don't provide distillation plants, but we are very strong as you know in the power sector in cogeneration, that is our core strength, and that is why we have this massive growth in the industry and we have by far the most prominent market share here.

Saurabh Marfatia: So, you are setting up a distillery plant in the coming year.

Dhruv Sawhney: Correct.

Saurabh Marfatia: So far you have not been utilizing your molasses, have you been selling it or?

Dhruv Sawhney: Yes, we have been selling it, we have probably one of the best rates of any, because we sell in bulk and we are able to get the large buyers to buys from us.

Saurabh Marfatia: Can I know the average realization that you get from molasses?

Suresh Taneja: It is about Rs. 235 per quintal.

Saurabh Marfatia: Alright.

Suresh Taneja: It is exclusive of taxes.

Saurabh Marfatia: You sell the whole of it right, whatever you get?

Dhruv Sawhney: Yes, we sell it as per the proportion stipulated by the Government. They have certain stipulation of how much you have sell to various categories of users.

Saurabh Marfatia: Alright. Thank you, I will come back later.

Dhruv Sawhney: Thank you.

Moderator: Thank you Sir. Next we have Mr. Suhas Naik from IL&FS AMC. Over to you Sir.

Suhas Naik: I have three specific questions, can I ask all of them.

Dhruv Sawhney: Yes.

Suhas Naik: First is on the funding side of the expansion, we are already in the month May and you want to finish the expansion by October, so would it amount to any time overrun, in case you don't get the funding in the right time, this is the first question. Second is on the consolidation account.

Dhruv Sawhney: Can I do one at a time?

Suhas Naik: Yes please.

Dhruv Sawhney: The first one is that we have used internal resources and some bridge finance, which is already in place.

Suhas Naik: So, you won't see any time over run because of ...

Dhruv Sawhney: We don't expect any time over runs. Now some of the plants will come in to operation by October-November - that is two plants. The cogen will also be up by October-November. One sugar plant and the distillery will be in January '07.

Suhas Naik: Okay. Second issue is on the consolidated numbers, we see almost Rs. 23-24 crore of higher profit on a consolidated basis, could you just comment on that actually?

Dhruv Sawhney: Yes, this is a nonrecurring item, so we had not stressed this. Few associate companies where Triveni has a substantial share holding, in these companies Triveni had preference shares, and these associate companies had Triveni shares which were sold and the profit booked on that, that proportion of it has been put in to the consolidated results. The usage of this money by the associate companies was the repayment of the present capital, so actually that money came back to Triveni.

Suhas Naik: Okay.

Dhruv Sawhney: But it is a nonrecurring item, so we don't expect to do this in the future, so we have not put that in.

Suhas Naik: Yes, I was wondering about that number.

Dhruv Sawhney: Yes, otherwise we would have been ...

Suhas Naik: There is no note also explaining that, that is why.

Dhruv Sawhney: Well, the reason is that you know it may give a wrong impression that we are trying to stress something which is not an operating profit and something that is nonrecurring. So we would rather stick to our business even though the benefits and the value is there as per accounting standards and as per the projections in the market place.

Suhas Naik: The last question is on the overall strategy issue, we have a strong engineering division which has now grown to a reasonable size, are you looking at unlocking value by demerging it at some point of time, and listing it separately as an engineering company rather than a conglomerate that we are right now?

Dhruv Sawhney: Well, you are aware that these things have to be first considered by the board before they can be public, all I can say is that the board of directors is considering all options actively and as and when anything is decided upon we will communicate, but really I am not willing to or able to go any further at this moment.

Suhas Naik: One last point is on the raising funds right now. What is the extent of dilution one would expect in case you go for an equity dilution?

Dhruv Sawhney: Nothing has been decided on any account as yet.

Suhas Naik: You have not finalized yet. Okay, thank you very much.

Dhruv Sawhney: Thank you.

Moderator: Thank you Sir. Next we have Mr. Nirav Shah from Pioneer Intermediaries. Over to you Sir.

Nirav Shah: My question relates to the turbines division, how much turbines did we deliver in FY06 in mega watt terms.

Dhruv Sawhney: We delivered 426MW of turbine in 05-06 and we expect to deliver 700 MW in 06-07.

Nirav Shah: In FY06 deliveries, can you share the deliveries by industry?

Dhruv Sawhney: No, actually we don't have that by industry at the moment.

Nirav Shah: But what is the major share, which industry has a major share?

Dhruv Sawhney: The industries which have been prominent in the past year and which are prominent in our current order book, by the way our current order book is we have orders on hand for 610 megawatt as on 1st of May. So your question is a good one, so we supplied 400 and something last year and we have orders on hand on 1st of May for delivery in the current year a little over 600 MW. These are sugar, non-conventional IPPs using biomass, textile, less steel but more cement, and other process industries. As you know, our market share is now 68-70%, so we virtually cover all industries. And when we are talking about market shares, it is including all imports and second hand imports.

Nirav Shah: Okay. So what is current delivery time?

Dhruv Sawhney: Actually, we are offering deliveries to the general clients we are now saying April '07. We just have space for a few old clients for March '07, but we generally now are offering deliveries in the year 07-08.

Nirav Shah: Okay, so going forward do you expect

Dhruv Sawhney: One second, I want to tell you that our expansion where we are doubling our capacity is going to be completed in the third to fourth quarter of 06-07. In 07-08, we will be able to compress deliveries again back it's just that we had a phenomenal growth in enquiry and that is why we have doubled our capacity again, but will be back to international norms for delivery in 07-08 when we expect to make our major portion exports. We just don't have the capacity right now to take exports then what we can.

Nirav Shah: Okay, so how much would the delivery time for expansion program?

Dhruv Sawhney: After that we want to get to deliveries of maximum 7-9 months.

Nirav Shah: That will be the delivery time, 7-9 months.

Dhruv Sawhney: Yes.

Nirav Shah: Okay. And relating to the sugar division, the opening and the closing stocks for the quarter, if I can get?

Dhruv Sawhney: I will ask our CFO to respond that.

Nirav Shah: Okay Sir.

Suresh Taneja: I will first give you the closing stocks. The closing stock is 17.31 as of 31st March '06, and during the quarter the total dispatches have been 9.93 lakh quintals.

Nirav Shah: Okay, and the distillery?

Dhruv Sawhney: It is coming in Muzaffarnagar between the Khatauli and Deoband sugar plants, we have a 200 acre plot there. So, it is in the middle of the two. We have 200 acres, so we have plenty of land for bio-composting, we probably will have the largest capacity plant anywhere in India.

Nirav Shah: Okay. What is the PLF of the captive power plants?

Dhruv Sawhney: In the month of February it was over 99, in fact February-March it is over 99%. So average was over 92%.

Nirav Shah: Okay and so what power consumption norm for Triveni Engineering, means how much units are consumed per ton of cane crushed, if I can get?

Dhruv Sawhney: Between 25 and 26.

Nirav Shah: Okay. For any further questions I will come again. Thank you Sir.

Dhruv Sawhney: Thank you.

Moderator: Thank you Sir. Next we have Mr. Prasanna Pathak from UTI Mutual Fund. Over to you Sir.

Prasanna Pathak: Most of my queries have been answered. I just have a specific query on the sugar division. Here your margins are almost half and for other sugar companies in western UP the dip has not been so sharp, so what is the reason, you were explaining that recoveries and cane prices were one of the reasons, but apart from that whether something else, because other companies should have also suffered such a?

Dhruv Sawhney: I don't think it is half. I will ask our CFO to share with you this.

Suresh Taneja: No, no, it is definitely not half, it is marginally lower, from 18% PBIT to sales it has become 16%, and what is very encouraging as of now is that if you take in to considerations the market value of 1900 or 1950, in the subsequent period our total percentage would be in the region of about 18-20%.

Prasanna Pathak: Okay. This 18-16% you are saying for the year or for the quarter?

Suresh Taneja: No, it is for the year.

Prasanna Pathak: Okay, I am specifically looking in to quarter numbers.

Suresh Taneja: You know that could be very misleading, because you have to take the composite because 04-05 also if you take it is a composition of last year production as well as this year production, so if you take the full financial year results, they are more meaningful.

Dhruv Sawhney: And various companies do inter quarter valuations in different ways.

Prasanna Pathak: Okay fine, fine.

Dhruv Sawhney: So I really think either one takes cumulative figures, but the best is the yearly figure.

Prasanna Pathak: Okay. On the cogen front, what is your total capacity after expansion?

Dhruv Sawhney: Our capacity for high pressure cogeneration units, not the captive power that is existing, will be 68 mega watts.

Prasanna Pathak: Okay and this is all exportable, right?

Dhruv Sawhney: No, not all of it, because some of it is used in the power plant, so it will be 51-55 mega watts that will be exportable, but we will have a longer operating period.

Prasanna Pathak: Okay fine.

Dhruv Sawhney: But we go for, I mean, the reason we put the second unit is so that this capacity is utilized for the maximum time.

Prasanna Pathak: Okay and in the steam turbine division there is a drastic jump in the margin, like it has gone up substantially. What is the reason like, is it the better capacity utilization or like, better realizations, would you like to comment on that?

Dhruv Sawhney: Yes, this is a good question. The jump in the margins has been the establishment of our technology. As I mentioned in our earlier call that the tapered and twisted blades which we designed, which took 3-1/2 years to come about, have radically improved efficiency figures. So we are now pricing our products comparable with the best in the world whether it is BHEL or Siemens, and a buyer really looks at his life cycle cost, you know, so higher efficiencies get translated into a higher sales price straight away, and it has allowed us to move away from our low cost competition who are not able to offer the same efficiency levels and include certain imports as well.

Prasanna Pathak: Okay, so going forward

Dhruv Sawhney: And that is why I say the technology is our real driver, when we have our new model, which will be coming out shortly of 20 mega watts, this will also have higher efficiency blades and it will help us to preserve the margins that we have. Our current order book is on the same margins or I think slightly increased margins to what we had in the year 05-06, of the last quarter. The last quarter margin is going to be preserved or increased for the whole of the year 06-07, so we expect a radical jump in the profitability of the steam turbine division in 06-07 again similar figures to what happened, similar percentages jump.

Prasanna Pathak: Okay fine, and other segment which I guess is the high-speed gear and the water treatment segment, there is again a dip in margins, so what is the reason?

Dhruv Sawhney: No, it is not a dip in margin... I will just... we have impact PBIT... if you look at PBT to net sales, in "others", PBT to net sales has gone to 11.26 this year 05-06 versus 3.57 the year before, there is a radical difference in margins. I mean the margins have gone up three times.

Prasanna Pathak: No, for the quarter again.

Dhruv Sawhney: Oh! Sorry, that was an adjustment of some old project, that is right, you are taking the quarter results. There was an adjustment figure that was put in the last quarter, relating to past years' projects, which were closed. But right now the margins versus past in the other business much, much higher, we are hoping for the preservation of these sort of margins which you are seeing at the end. So the final figure is 11.26% PBT.

Prasanna Pathak: Okay, right. And what is the amount of sugarcane you crushed this year, overall?

Dhruv Sawhney: We crushed 3.98 million tons.

Prasanna Pathak: Okay, and next year 06-07 your guiding for around 6 million tons?

Dhruv Sawhney: That is right.

Prasanna Pathak: Okay, and for 07-08 around 7.5. What was the recovery rate this year?

Dhruv Sawhney: This year the average recovery was 9.6.

Prasanna Pathak: Right.

Moderator: Can you come for the follow up Sir?

Prasanna Pathak: Okay fine, right, I will do that.

Dhruv Sawhney: Thank you.

Moderator: Thank you very Sir. Next we have Mr. Abhishek Agarwal from BRICS Securities. Over to you Sir.

Abhishek Agarwal: Good afternoon. I would like to know for how many days the Sabitgarh plant was operational this year, and what was the cane crushed at this plant?

Dhruv Sawhney: Sabitgarh plant, as you know this is a green field plant which is in a virgin area. There is not much sugarcane grown there, so our idea of putting this plant, but it has some of the best areas in India for growing sugarcane, so our idea was to have the plant to get the farmers to sow the cane for the next year. So, it was a trial run really, and it started in February really. So it has crushed about 9 lakh, but the idea was not to crush too much cane because all the existing cane that was there, the rest of it, we used for seeds, you know you have to take that same cane and multiply it six times. So we were able to use all that for seed, we are having a planting program of over 20,000 hectares of which 55% has already been, so we expect the next year Sabitgarh to crush 65 lakh, at a minimum.

Abhishek Agarwal: Okay, the next question is what will be the amount of incentive inflow in FY06-07?

Dhruv Sawhney: The incentive inflow?

Abhishek Agarwal: Yes.

Suresh Taneja: You know the total would be - as we told you the total capital investment of about Rs. 1,000 crore would qualify for the UP incentive, and one we would be able to get 10% capital subsidy, and secondly, on the incremental production we will be able to get between 1.3 to 1.5 per kg. So as you can see, if we have achieved about 3.94 million tons of crush this financial year.

Dhruv Sawhney: No, it is not that exactly, it is over the last 5 years. So that is the calculation you can make, you have to calculate it exactly what is eligible. All the new plants would be eligible, and the incremental of the sugar plants over the last 5 years maximum crush would be eligible. So it is not exactly the 200.

Abhishek Agarwal: That is it from my side, thank you.

Dhruv Sawhney: Thank you.

Moderator: Thank you Mr. Agarwal. At this moment, I would like to handover the floor back to Mr. Dhruv Sawhney, Chairman and Managing Director of Triveni Engineering & Industries Limited for final remarks, over to you Sir.

Dhruv Sawhney: Thank you very much. I want to share with you this extraordinary story that we are seeing in our engineering business. India has a tremendous comparative advantage in the engineer to order with service and we seem to have captured that space very well. That is why we are seeing growth rates of over 80% in sales and over 150% in profit. Now, to be in a situation where you are looking at growth rates of 80-90% in 06-07 again and triple digit increases in profit is really an extraordinary situation and that is where we are today.

In steam turbines, in gears, in water treatment, we have orders, so we are confident of our figures for 06-07, but 07-08 is also very good, because the Indian economy is progressing very well and deliveries of projects in these areas are normally 18-24 months, so our enquiry level for deliveries in 07-08 are very good and very shortly we will be booking orders now for 07-08. So even though we have expanded our capacities, and we are putting up a manufacturing plant for water treatment products as well, and we are going to shorten our deliveries, we expect robust growth in 07-08 comparable with the best in the industry. We will also be able tackle exports much more aggressively in 07-08 because we will have the benefit of shorter deliveries and a strong domestic base. We feel that we are in quite a unique position here in all these three products.

On sugar, I would like to say that we are really looking at this more on a medium to longer-term basis, which is why we have put the capacities in but our fuller utilization comes from cane development and cane sown. So we are really looking at just under 4 million tons crushed at 05-06 going to 6, going 7.75 and then going to over 9 in 08-09 on the same crushing capacities. This is where we have picked our areas and we believe that by then we would be in a very prominent position in all our sectors. Thank you very much.

Moderator: Thank you Sir. Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.

This is a transcription and may contain transcription errors. The Company or sender takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.