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Sub: Transcript of Analyst/ Investor Conference Call held on 5th February, 2025	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analyst/ Investor Conference Call held on 5th February, 2025 post announcement of unaudited financial results of the Company for the Q3 & 9M FY25 ended on December 31, 2024. The transcript is also available on the website of the Company at: www.trivenigroup.com

You are requested to kindly take the same in your record.

Thanking you,

Yours faithfully,
For Triveni Engineering & Industries Ltd.

GEETA BHALLA
Digitally signed by GEETA BHALLA
Date: 2025.02.11 18:49:10 +05'30'

GEETA BHALLA
Group Vice President &
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M.No.A9475

Encl: As above

Triveni Engineering & Industries Limited

Q3 & 9M FY 25 Earnings Conference Call Transcript
February 05, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Triveni Engineering & Industries Limited Q3 and 9M 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 Q3 and 9M 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 of 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.

Tarun Sawhney: Thank you, Rishab. Good afternoon, ladies and gentlemen, and welcome to the Q3 & 9M FY 25 earnings conference call for Triveni Engineering & Industries Limited.

The consolidated financial numbers for the nine-month period, the revenues from operations stood at ₹4,060 crore, an increase of 3.6%, and the PAT stood at ₹51.1 crore. Looking at the key highlights, the overall profitability of the Company during the nine-months ended December 31, 2024 was subdued. And this was mainly due to the lower margins in the Sugar and Alcohol businesses.

In our Sugar business, while sugar prices in Q3 FY 25 were subdued, they have firmed up substantially recently based on lower estimates of net production of approximately 27 million tonnes of sugar in Sugar Season (SS) 2024-25 and timely announcement of exports. A trend of initial lower recoveries in the State of Uttar Pradesh has been observed for the SS 2024-25, but the crop estimates in Western Uttar Pradesh remain unchanged from our previous call.

There have been several positive policy measures that have been announced. Firstly, and in no order of sequencing, the Government has announced an export of 1 million tonne of sugar for SS 2024-25. Triveni, including our subsidiary, has received an allocation just shy of 32,000 tonnes for sugar exports. The Department of Food and Public Distribution (DFPD) has issued directions for sale of rice in the open market through the open market sales scheme for 2024-25, where the reserve price of rice sold to distilleries for ethanol production has been fixed at ₹2,250 per quintal, therefore, improving the availability all feedstocks at slightly better prices.

The Cabinet Committee of Economic Affairs (CCEA) has approved the revision of ethanol procurement price for Oil Marketing Companies (OMCs) derived from C-heavy molasses for the Ethanol Supply Year (ESY) of 2024-25 from ₹56.28 to ₹57.97 per litre.

Turning to our Engineering businesses. The order booking for our Power Transmission and Water business has registered a strong growth in Q3 FY 25 and 9M FY 25. The combined closing order book stands at ₹2,356 crore for the Engineering businesses, an increase of a handsome 52.4% on a year-on-year basis, signifying an all-time high for the Company.

The Board meeting of the Directors concluded yesterday had an important announcement of an incremental capex of ₹60 crore for the enhancement of capacity in the Power Transmission business. This will take the gears capacity to ₹700 crore by September 2026. The existing capacity, just for abundant clarification as of today is approximately ₹400-odd crore, and the project for enhancement of the gears capacity is for ₹500 crore, and it's underway and should be completed in the next few months.

I also wanted to provide an update on the Scheme, as you're all aware, this is in conjunction with value unlocking that the Board of Directors has felt very important. And this is also the first investor call following our announcement on the 10th of December 2024, where the Board approved this Composite Scheme of Arrangement proposing, firstly, an amalgamation of Sir Shadi Lal Enterprises (SSEL) with Triveni Engineering & Industries Limited (TEIL). SSEL, Sir Shadi Lal is a subsidiary of Triveni Engineering, where Triveni owns ~61.77% stake. And secondly, the transfer and vesting of the Power Transmission Business, PTB undertaking of Triveni Engineering to Triveni Power Transmission Limited (TPTL). Triveni Power Transmission Limited is a wholly owned subsidiary of the TEIL presently.

Looking at the balance sheet. On a consolidated basis, the net debt after considering surplus funds is ₹960 crore as on December 31, 2024. And it includes ₹126 crore pertaining to the subsidiary, Sir Shadi Lal. The overall cost of funds stands at 5.6% during Q3 FY 25, which is marginally higher than 5.3% in the corresponding previous period.

I would now like to turn for a segment-wise business review. And starting firstly with the Sugar business. In the ongoing sugar season, 2024-25, the Company has crushed 3.4 million tonnes of sugarcane until December 31, registering a growth of approximately 3%, which includes the crush for Sir Shadi Lal Enterprises as well. As of yesterday, the crush of the Company is, by and large, the same as the crush as it was for the last SS, which is very, very encouraging. And the future actually looks quite promising as far as the overall crush of the Company. And I'll just spend a minute on that.

In our last conversation, we've spoken about our estimates being slightly higher for this year. I'm happy to say that on a consolidated basis, we expect our total sugar crush to be higher by approximately 15%. Of course, this includes the acquisition of Sir Shadi Lal. But even on a stand-alone basis, it's a very healthy growth in terms of the overall cane crush for the Company. And we hope to improve our performance as we proceed through the course of this season. It's important to highlight that SS 2024-25 had a delayed start relative to SS 2023-24 for the Company. And therefore, the crush and date numbers are not quite the same.

The initial recovery trends for the ongoing SS are on the lower side due to inclement weather, the inherent degeneration of the 0238 variety of sugarcane. However, we are intensifying our efforts to reduce the proportion of sugarcane to variety 0238 from the 50-55% to approximately 30-35% for the next season.

Moderator: Ladies and gentlemen, we have lost the line of the management. Please be connected while I rejoin the management. Ladies and gentlemen, we have the management connected. Sir, please proceed.

Tarun Sawhney: My apologies ladies and gentlemen for that interruption, the call suddenly dropped. I'm going to back track a couple of minutes and start off with the crush estimate and to give us the repetition if any. We anticipate a 15% increase in cane crush this year on a consolidated basis. However, even on a stand-alone basis, as I mentioned, I stand by what we had said in the previous quarter that we do expect an increase in crush.

One must remember that SS 2024-25 had a delayed start when compared to the previous sugar season for the Company. And therefore, the crush and date numbers are not entirely comparable. The initial recovery trends for this sugar season are on the lower side due to inclement weather and the degeneration of the 0238 variety. One must also remember that when you start to see a new crush, the ratoon crop, which is the plant crop of the previous season, which was very seriously impacted in a few factories by disease. However, we have intensified our efforts and plan to reduce the quantum of 0238 from about 50-55% this year to approximately 30-35% in the next year.

I would also like to point out that we have a negative 0.6% difference in recovery as of today. However, that difference is narrowing with the arrival of healthy plant cane across all the sugar factories. And we certainly intend on catching up as much as possible. I don't think you a complete catch-up would be possible. However, there will be positive strides made to catch up the difference that exists today.

The sugar revenues for the quarter declined by 9.5% due to lower sugar sales volumes and lower realisation price in Q3 FY 25. The segment margins were lower due to lower contribution margins as subdued sugar realisations could not fully offset the higher cost of sugar produced in the preceding season of 2023-24. Lower initial recoveries in the ongoing season of 2024-25 resulted in an inventory write-down in view of the higher production cost. It is expected to moderate, of course, in the remaining period of the season. A higher charge of off-season expense in the 9M FY 25 by ₹20.5 crore, and this was due to the early closure in the previous season.

The results of the subsidiaries, Sir Shadi Lal were impacted due to lower production in SS 2023-24 and extensive repairs that were carried out by SSEL during the last sugar off season. However, I'm delighted to inform everybody that the plant is running, the sugar factory is running at full capacity, including in the quarter under review.

The sugar inventory as of the 31st of December 2024 was 29.46 lakh quintals valued at ₹38.8 per kilo. The current realisation price ex-factory for refined sugar for Triveni is approximately ₹41.8 per kilo. And for sulphitation sugar, it's approximately ₹41 per kilo.

I would like to just point out the change that has happened and I talked about some of the Government measures that have been very important, including a lowering of the estimated sugar in the country. So, if you looked at the month of December, our blended realisation, was just a shade above ₹38 per kilo. For January, our blended realisation price was just a shade under ₹40 per kilo. And today, we are looking already at about 0.50 paisa higher than those levels on a blended basis. So, a very nice trend in sugar prices.

And given the fact that the quantum of sugar being produced this year coupled with the sugar exports will lead to a lower closing stock of inventory. And therefore, I think now we've made a step jump in terms of our average sugar price and the expectation is certainly higher and beat some of our estimates as well, which is very, very positive.

Looking at the more detailed industry scenario, I talked about the 1 million tonnes of exports, and that equates to ~31,880 tonnes of sugar export for Triveni Engineering as a whole. And with the balance sheet improving because of less net sugar than the country, we anticipate a closing stock just about 6 million metric tonnes by 30th of September of this calendar year. This is after considering a diversion of 4 million metric tonnes into ethanol. And I think that, of course will lend itself quite well to maintaining sugar prices. And it's also sufficient sugar. I should point out that any number above 5.5-odd million metric tonnes for us, does not cause any cause of concern. So, we have a good million metric tonnes in hand within the country before any alarm bells can sound.

On a global basis, the international markets have been reasonably volatile. And there is a deficit that is assumed for the SS 2024-25. However, the deficit has decreased by about 0.5 million metric tonnes since our last conversation. The lower production estimates in key export countries is which includes Brazil and Thailand.

International sugar prices recently did a low of $0.177 per lb (pound) for raw sugar and London #5 prices dropped to $466 per metric tonne on the 21st of January. However, they have tightened, they have increased since then. The expectation of a tight global supply has led to this rally, which went up to almost $520 per metric tonne for whites.

Turning to the Alcohol business, the revenues grew by 4.4% in Q3 FY 25 and 7.9% in the nine-month period. However, this is mainly due to improved realisations driven by higher proportion of grain operations. However, the profitability of the Alcohol business was lower. A lower sales volume on the high-margin ethanol produced from molasses in Q3. And due to the shortage of molasses-based feedstocks, resulting from a policy decision of GOI (Government of India), restricting sugar to B-heavy molasses in the previous sugar year are the primary causes for this event.

The alcohol from molasses-based feedstocks formed approximately 48% for Q3 FY 25 and approximately 49% (of sales) for 9M FY 25. Apart from lower contribution, it has also led to a non-recovery of some fixed expenses during this period as distilleries remained closed due to shortage of feed stocks.

The high-margin FCI Rice, as you would remember, was substituted by maize in July 2023, consequent to a policy decision. And therefore, it is substituted with a higher proportion of low-margin maize operations in the overall grain and therefore impacting the overall ethanol operations. The consolidated loss of ₹2.8 crore for the quarter pertain to the distillery of our subsidiary, Sir Shadi Lal. For ESY 2024-25, the OMCs have executed contracts for approximately 930 crore litres compared to the supply quantities of 672 crore litres in the previous ethanol supply year, representing a massive 38% year-on-year increase.

The proportion of ethanol from grain-based feedstocks in the current tender is 64% of which maize is 52%, which is substantial, and points towards an interesting and changing dynamic in the Ethanol Blended Petrol (EBP) programme as we see it. The achieved blending percentage for 2024-25 as of the 31st of December stood at 16.4%, while the blending percentage for the month of December was much higher, it was 18.2%. And I think there are parts of the country where we will be touching 20% blending in this supply year. Uttar Pradesh could be a clear example of such a state.

Turning to our Engineering businesses, I will very quickly; cover both the Power Transmission business, the revenue growth in Q3 was a little bit lower than expected, at about 3.3%. And this was due to two reasons. I've spoken and written about the shifting of certain large orders include this Q4, but also because we had one of our important profile grinding machines, which was under repair. We have three very sophisticated profile grinding machines. And one of them, the oldest one was under repair and this was a planned repair. And as a result, not to compromise on quality, we did push out some of the deliveries. So, everything is pretty much on track.

The revenue growth for 9M FY 25 was higher, of course, at 13%. During Q3 FY 25, the Defence business received a second order for 42 propulsion gearboxes of Triveni indigenous technology for Fast Patrol Vessel from Mazagon Dock Shipbuilders Ltd. (MDL). The order booking grew at 23% during the quarter, which perhaps a little bit of slowdown in the domestic market, but a huge increase as far as export markets are concerned, and a lot of activity happening in export markets.

The order book for 9M FY 25 grew at 32.9%, almost 33% to ₹320 crore, driven by both product and aftermarket segments. But overall, the business has witnessed strong growth in exports driven by increased engagement with customers and new qualifications orders that we've received across product lines. The outstanding order book reached an all-time high of ₹377 crore on the 31st of December, which included long duration orders of about ₹136.6 crore.

The Water business revenues declined due to a delay in receipt of new orders and some slow execution in certain projects. However, the profitability of the Water business improved in Q3 and 9M FY 25 by 67% and 25%, respectively, due to the reversal of certain provisions which has been made in earlier years on receipt of capable awards.

The order booking grew substantially both in Q3 and 9M FY 25 over the previous corresponding period. And as of the 31st of December 2024, the order booking for the Water business stood at a handsome ₹1,979 crore, which included ₹1,122.6 crore towards O&M contracts, which are executed over a slightly longer period of time.

If I just spend briefly, just a few minutes on the outlook for our various businesses. As far as sugar is concerned, the industry and we are keenly awaiting the revision of the Minimum Selling Price (MSP), although the MSP conversation was for an increase in the ₹30 brackets. And frankly speaking, if we're selling sugar at maybe ₹42 for refined sugar today. And the future for this year looks reasonably buoyant, but we don't see any declines to these prices going forward as we get into the larger consumption months. So, an increase in MSP while it's welcome. I think the industry would like to see a higher increase in MSP to be considered by the Central Government. This is particularly because over the last two years and since 2019, both Fair and Remunerative Price (FRP) and State Advised Price (SAP) has risen during this period.

While we welcome the price increase for ethanol derived from C-heavy molasses, there is much more that needs to be done in terms of ethanol price from potentially B-heavy as well as from grain operations. And in order to make grain operations viable for today and for the future. And we are hopeful that's the Ministry of Petroleum and Natural Gas (MOP&NG) and Central Government will look upon this and suitable revisions, especially for ethanol derived from grain.

Our Power Transmission business outlook continues unabated, and this is due to major investments in infrastructure. Domestically, we are seeing investments in Steel, Cement, Oil and Gas, other key process industries, which are likely to see growth for us as well.

In addition to the overall economic growth, there has been market share gains and venturing its new product applications. And this will be a key driver for growth for the future for the B2B business. The international markets, as I mentioned earlier, continue to offer high potential. And we are just scratching the surface as far as the aftermarket business is concerned for global markets. And so that will be an area of high profitability and substantial growth for the future.

The Government of India's continued thrust on Aatmanirbhar Bharat and Make in India, opens up a plethora of opportunities for indigenization and we're certainly going to be a beneficiary not just for the gearboxes, but also for different equipment where the Company has expanded sufficiently. The business expects increased order booking from key segments that we're in, which include gas turbines, propulsion gearboxes, shafting applications, special application pumps, etc. where we have received complete qualifications and there are Request for Proposals (RFPs) that have been already placed.

The setting up of the dedicated multi-modal facility for our defence products will also help the business in gaining key confidence with customers and expand our overall service offering.

And lastly, as far as our Water business is concerned, there are new opportunities emerging in recycle and reuse and zero liquid discharge businesses on an EPC as well as on HAM model basis. And whatever industries are available as off-takers for buying treated sewage. This model is expected to emerge significantly and prominently in the thermal power sector.

The Company is also evaluating various international opportunities and intends to participate in several tenders in the water and wastewater treatment sector, mostly whenever we possess our pre-qualifications and preferably on our own. And of course, this only when funding is assured through multilateral and reputed agencies.

Thank you very much, ladies and gentlemen. I'd like to now open the floor for questions.

Moderator: Thank you. The first question comes from the line of Sudarshan Padmanabhan from JM Financial. Please go ahead.

Sudarshan Padmanabhan: My question is to understand a little bit more on the ethanol spreads. I mean, the distillery business has seen a fair amount of profitability getting impacted.

Now that the FCI procurement of rice has been announced, and they have also announced the C-heavy ethanol price. Two things. One is, do you think that the prices would be good enough for you to see a better spread? And number two if you can give some colour on the ethanol volumes going forward? I mean in terms of whether the 20% blending is going to happen, how it translates into better volume.

And also, in terms of our strategy, we know how we are planning to position ourselves in terms of whether we are going to use more of A, B or C or since we are multimodal manufacturing, whether it makes more sense to move out of just plain manufacturing?

Tarun Sawhney: Okay. I think you've asked one question in about six parts. So, I'm going to try and offer you the best possible answer.

Now first and foremost, I think the past is not really a reflection of what one anticipates for the future. So yes, we've seen an increase in ethanol manufacturing on C-heavy molasses, the Company almost all of our facilities are running on C-heavy as of today, save one. And so we're going to see, of course expanded margins for ethanol manufacture from C-heavy, not just because it's C-heavy, but also because there's been an increase in price. So, there's a benefit on both fronts.

Next, as far as maize is concerned, yes, there is a quantity of maize that will be used by Triveni, but also to supply by others. I anticipate that with the next crop a few months away, and that crop anticipated to be a rather large crop, we will see better and much more attractive prices for maize as well. That's one.

The second thing is, of course, the availability of FCI rice at a slightly higher rate will also put pressure on maize pricing. So, I think there's a dual impact as far as maize is concerned. Now the ethanol tender, as you're well aware, for ethanol manufactured from FCI rice was closed today. We, of course, also participated. So, you're going to see some substitution happening with ethanol made from FCI rice at a slightly higher price point from where we were previously.

At that price point, you are making more margin than you are with grain with maize at this particular point. So, I think from our perspective, certainly, we will see a broadening of margins as we go forward, okay? It's not like it can't be instantly today, because we have some grain that is still coming in that has been procured. But going forward, I certainly think over the next few quarters, you will see an expansion in margins.

Now turning to the industry perspective, because you asked a very important question that the industry anticipated a much higher increase after two years in ethanol from the sugar stream, both for juice for B-heavy and for C molasses. As we also anticipated an increase in ethanol from grain. Of which only one of these sub items has happened, which is the increase of C-heavy. And that is negative as far as the industry is concerned.

Yes, I am a little concerned with the impact that it will have on this year's ethanol blending programme. The industry is very nimble. A lot of capacity is already in place. And so, with minor rectifications, the Government can then provide further impetus to the industry. But given where we are today, I fear that some of the standalone manufacturers on grain will be facing a very, very acute pinch given where prices are and the increase in other costs for manufacturing of ethanol. I hope that answers your question.

Sudarshan Padmanabhan: Yes. On the sugar outlook, after I think the Government announced the exports, you've seen a spike in the prices. And in the context of two things. One is with the exports happening and also the demand and supply being more favourable to us, the prices have increased.

And second is in the context of export itself getting better spreads, how do you see the coming season, as far as sugar is concerned? Also taking into concern that last year we had the rate drop. And when do you expect the MSP to come to because SAP has happened, but MSP is not being touched by the Government yet.

Suresh Taneja: Okay. Another excellent question in six or seven parts. So as far as MSP is concerned, I think that your guess is as good as mine. We at the industry and at Triveni have been writing in letters. I know that UPSMA, ISMA, all agencies in the sugar sector have been rising to DFPD to the Central Government requesting for an increase in MSP. I was under the impression that during the month of January except, this would be taken up, however, as we all know, we're in the middle of February and then with the start of February, and it hasn't happened thus far.

I was mentioning this in my opening comments. Even if an increase in MSP happens, while it is very, very welcome, unless it's a substantial increase in MSP the impact on the market is going to be only momentary and the prices will be impacted by other events and not just because of MSP. It does offer a lot of confidence. But I think the numbers that were being considered of ₹36, ₹37, ₹37.5 something like that was a very maximum. So, it is still much lower than what the prevailing prices are at this given point in time.

Now turning to the question of Triveni's sugar production, which you talked about. I had mentioned that despite having a late start of the sugar season, as far as crush is concerned, as of yesterday, we're on par with our crush with the previous year. In addition, the overall crush of the Company is going to be higher by 15% on a consolidated basis and even on a standalone basis, which is quite substantial year-on-year growth and very much in line with what I had mentioned earlier. So, we're quite on track as far as that is concerned.

However, the blip is recovery. So, recovery started off very poor, I have to say. However, it has caught up quite substantially, we can see the gap year-on-year at this point in time is about 0.6% and lowering. Will we be able to cover up completely, no we will not. But as healthy plant cane comes in at all the eight factories, the catch-up will certainly happen from this gap. So those are very, very positive trends.

Now where does that leave us? It leaves us with more sugar as a company. For the nation as a whole, we expect about 27 million metric tonnes of production mix. We expect the closing stock to be just above 6 million metric tonnes, which is also absolutely fine as far as the nation is concerned. And all of that coupled with the 1 million tonnes of exports will lead to attractive pricing. It already has from the month of December; our average price is up by ₹2.5 per kilo. That's a pretty reasonable and a welcome jump. It is a long due jump also; I have to tell you.

My personal view is that I think we've moved to a different plateau. So, I don't see prices coming down very substantially. And I think we're at a new trajectory after two years. Last time we had this jump was about two years ago, we're at the new trajectory also because of the balance sheet position across the country. And so, as we get into the summer months of high consumption, I think these prices will be, of course, range bound as they always are, but we've moved to a higher range level because of the market fundamentals. Right, I hope that answers your question.

Moderator: Thank you. The next question comes from the line of Sanjay Manyal from DAM Capital. Please go ahead.

Sanjay Manyal: Hi, just a few questions on recovery part. You said it's almost 60 basis points down on gross recoveries. What is the estimate of what it will settle at, after the crushing season and the cost of production, which is at ₹38.8, and I'm assuming here that the entire inventory is of the current season only, by what rupee it can come down, whether it will settle at ₹36 or ₹37 means, what is a broader estimate?

Tarun Sawhney: Sanjay, we don't give advanced estimates, and we're already in the first week of February, we're halfway through the season. There's a substantial part of the season that is still underway. Plant cane has now started coming in full force across all the factories, and it looks very, very encouraging.

Now what I can share with you is a little bit of the past. So, the gap that is 0.6% today or 60 basis points as you put it, was 82 basis points about 45 days ago. So that gap has narrowed quite substantially. How much it will narrow in the future? I wouldn't want to guess. The trends look like the gap will narrow more. I don't think it will go to zero, as I had mentioned during the course of this call. The impact on cost of production, of course, will be substantial. Cost of production of sugar that is being produced and will be produced will be at much lower rates for a variety of reasons, including the fact that recovery is up.

Suresh Taneja: Historically, if you look at the trend, you find that the recovery in Q4 onwards is much better than Q3. Obviously, it will help in terms of moderating the cost of production.

Sanjay Manyal: Right. Great. And then why this recovery is down? Is it still an impact of red rot or can we say the newer variety which we have introduced, those are not fetching as high a recovery as CO0238 used to do or maybe any other reason?

Tarun Sawhney: Sanjay, the first part of the season is crushing the ratoon crop. The ratoon crop is planted in the previous year. And last year, for the first time, we had a huge impact of red rot at select factories. So, the plant cane was converted into ratoon cane, not all of it, some of it was uprooted, but a large portion of unhealthy crop came in this ratoon.

So, we started this season with ratoon from the previous year. And therefore, that it was kind of expected that it would be better. One didn't have estimates of what the recovery would be. So, it is a consequence of that. As far as new varieties are concerned, are they as miraculous as 0238. I would say not exactly 100%, but they are very good replacements of 0238 offering stability, offering good health to farmers. At no point will I say that any of the new varieties that we have tried are unsuccessful thus far.

Sanjay Manyal: Okay. And my last question is on the Water business. You mentioned that there is a slow execution. So, if you can just elaborate on that, which particular order is this where the execution is slow? And is there any working capital blocked also over there?

Tarun Sawhney: Typically, I don't give a single order, but since you've asked the question, I will say that we moved a little bit slowly in Bangladesh. As you know that the country has had a little bit of tension there. There is no money blocked. I have to say, because we get paid right up front. So, there's no financial impact, but execution is a little bit slow because of the various conditions in that country. The rest of the business is coming along very nicely. There's good order intake, and the future looks very optimistic.

Moderator: Thank you. The next question comes from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Good afternoon, everyone. And thanks for the opportunity. Just wanted to understand on our stand-alone Triveni crushing numbers. Correct me if I am wrong, last season, we had around decline of around 11-odd percent from 9.3 to around 8.3 million tonnes. So, this year, we would be recouping that loss ground. I know you have given a guidance on the consol basis. But on a standalone, will we recoup that loss grown of around 11%, what we had last time?

Tarun Sawhney: No, no, we won't be able to recoup the entire reduction, but we will certainly recoup a portion of that. I sort of given a guidance with a positive bias, I might add, as of now, But a lot can change between now and then. So, we won't gain that entire 11% back, but we'll gain a portion of it back.

Shailesh Kanani: Fair enough. And you also said that there is some delay in start season. Can you elaborate what are the reasons? What are the reasons we had this delayed start? I understand Maharashtra had state elections and there are also delays. Any particular reason why this?

Tarun Sawhney: We always start around about Diwali. If you go back a number of years, sugar factory starts on either side of Diwali. Diwali is a very important parameter, the weather changes, etc. And Diwali was a little bit later this year. Also, besides the festival, we also monitor the sucrose in cane to test in the field, and we were finding lower test results, and therefore, we purposely delayed the start of the season until the starting recoveries would be more acceptable. And that, of course, was an impact of weather and some rainfall, etc.

Lastly, I would also say, and I just mentioned to the previous question, that we start off with ratoon cane. And ratoon cane was the plant cane of the previous year, which was by and large, an unhealthier plant cane. So, the quantum of ratoon, that Triveni had overall was also a little bit lower in absolute numbers than we would have ideally liked. Now when you have that, you don't want to start your factories very, very early because then you start processing immature plant cane, which is very healthy. So, there's a balance that you have to take.

So, I suspect that this season of course will end much later than previous season ended. And that's very positive from a variety of perspectives, including the absorption of the off-season expenses and the impact on results, etc going forward.

Shailesh Kanani: Understood. So just wanted to understand on the SAP prices as well, have they been firmed up with no change for the season.

Tarun Sawhney: I'm sorry, what prices?

Shailesh Kanani: SAP prices for sugarcane. Have they been firmed up? Any announcement on that front has happened?

Tarun Sawhney: No, no. There hasn't been any announcement on the SAP price. Although I do believe that there is a Cabinet meeting this evening at 5 o'clock where lots of policies, including excise policy are going to be taken up. But this is just a rumour that one has heard.

Shailesh Kanani: Okay. Any indication or any understanding, we are expecting no increase rate?

Tarun Sawhney: We're not expecting any increase in the SAP for this year.

Shailesh Kanani: Yeah, that would be great. Sir, last question from my side on the ethanol front, since now we have availability of FCI Rice, how do we see ethanol volumes for FY 26?

Sameer Sinha: We would be going up to in terms of alcohol production in FY 26, close to about 25 crore litres of which 22.5-23 crore litres would be ethanol.

Tarun Sawhney: Yeah. But as far as FCI Rice is concerned, yes, I mean, we have participated in the tender. So, a portion of that will -- and since the tender is concluded today, we know what the results are imminently, we'll be able to give you a much more accurate split, if you like, offline. We don't have that ready right now.

Moderator: Thank you. Ladies and gentlemen, in the interest of time and fairness to others, we request you to restrict to two questions per participant and rejoin the question queue. The next question comes from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: Hi Tarun. My question is not really about this quarter, but over a little longer span. If you look at the composition of various businesses that we are in, barring the Power Transmission business, which is relatively more robust, predictable economics and predictable outcomes over a period of time, brick-by-brick being built. On a shorter-term basis, interplay of the other businesses always produces a very mercurial kind of an outcome, sometimes to delight, but other times to depress. And it becomes really hard to make any predictable long-term outcome of the rest of the business is even though verticality have been added like ethanol value chain and sugar and related businesses more, so to say secure.

So, I'm aware that operational excellence of Triveni, very disciplined financial management of the business all that remains, but challenges and perversities of these businesses, what do you make of that? And what do you think about it? Other than the Power Transmission business, there's a lot of flux all the time.

Tarun Sawhney: So, Bharat, you've asked an important fundamental question which merits an answer. You're right. Even in our Power Transformation business, it's a technology business. It is because we were developing new technologies. I gave an example of the marine gearbox order that we've got with our own indigenous technology. So, it's based on a lot of hard work, a lot of R&D that is happening and expanding markets, expanding customers, etc. So, you're right. it's a function of the efforts that you put in. Of course, as long as your technology development pace goes hand-in-hand and technology improvement goes hand in hand. You remain best-in-class. One can expect positive outcomes repeatedly quarter-on-quarter, year-on-year.

As far as the other businesses are concerned, and I'll sort of bucket them, it includes our Water business, which unfortunately, because we're primarily looking at municipalities and Government orders, large Government orders, etc, there is volatility. It is not easily determinable. You don't know both domestically and internationally, exactly when tenders will close and when awards will happen. So, there is some flexibility over there, which is why I've always said that investors in that business should look at it over a longer time horizon, not quarter-to-quarter, look at it year-on-year, look at much couple years. look at it in terms of the capabilities that the Company has, the PQs (pre-qualifications) that the Company has and how does that position it? Because water is a fundamental problem. Now assessing it as an investor is a difficult issue, as I understand, but it is a fundamental problem for the nation and for the world. And companies that are addressing that problem, will be few and far between that have the knowledge and PQs in place.

Turning then to large businesses, as far as Sugar and Ethanol are concerned, you are absolutely right. They are regulated industries, they are regulated from every corner. The pricing of your raw material and the pricing of your end product. There are differences because we in Uttar Pradesh also have policies that the State Government to contend with as far as sugarcane price is concerned. And on a national basis, of course, we have the Central Government adjudicating on what the sugar price should be, what the ethanol price should be, what the ethanol feedstock price should be as well. But I want you to look back over the last 6-7 years.

Yes, you are asking a question, Bharat at a point in time where there is a little bit of pain in the industry. Where because the decisions that have been taken by the Government have not been as much or as high as the industry expected, it had a negative connotation and consequence and didn't leave a great taste in everybody's mouth.

But if you go back and look at the last seven years, policy making as far as both these sectors, I'm talking about ethanol as well as sugar, has been outstanding. It has been timely. It has been vastly different from the 90-year history of this industry, and it is pretty much done away with the sugar cycle. So, I understand your hesitation in terms of painting this with a clean brush stroke. But I would like you to reflect on these two or three things. Number one, we're nowhere near a cyclical business that we were a few years ago. By a few years ago I'm saying a decade ago and decade plus ago. There is far more certainty now that ever existed.

Yes, the last year is a very poor example of what I'm trying to say but look at it over a longer time span. Look at it over 7-8 years, there's been reasonable amounts of policy certainty and very productive, accurate positive decision-making that has been done by the authorities well in time that has allowed industry and investors in the industry to take advantage of Government policy.

I do believe that's the second point; the Government policy is not going to abate. We want it, frankly speaking. The industry wants it. The industry does not want the Government intervention to willy-nilly go away because then you're competing with much larger sectors. The ethanol sector is still the sunrise sector. It's a baby sector compared to the petroleum sector overall and the standing on a standalone basis will be, of course, much more muted. And therefore, with one hand of the Government, with one hand of senior people in the BJP Government supporting and the Honourable Prime Minister himself, of course, supporting the ethanol blending program. I would say that over a medium to long-term horizon, even just until the end of this decade. There are a lot of positive things that are in place. What do I anticipate for the future. If we look back in the 7-8 year period, we have seen the Indian sugar gross production and sort of tapered at about 34 million metric tonnes approximately 34-34.5 million metric tonnes. That's the total quantum of sugar.

Our consumption has increased. We may take 28 million tonnes, last year it was 29 million tonnes. We will, with our natural growth rate, we will be 30 million tonnes very, very soon. And so, you will then see again, we will come to a point in time where the country is making just about sufficient amount of sugar to be able to supply to the ethanol blending program and for human consumption. And so, our efforts have to be on productivity, on new varieties, on gains on the ground, farm improvement, etc. to further enhance the availability of cane coming into the sector.

And that itself throws open a whole host of new possible businesses, new opportunities and predictability and health of the returns of your core business. So, I think that is what the future has in store. I'm happy to take this conversation offline. I can go on talking about this and free to call at any point, we can take this conversation offline. But I would like to say that you asked a question at the worst possible time in the last 8 years. So, I understand why you asked it, but it is not totally reflective of how much we have accomplished as an industry.

Bharat Shah: No, there's no doubt about that. I think we have come a long way is a fundamental truth. So, I'm not even debating that. But I mean, when we look at a lot of hard work that goes behind achieving in an industry, which is essentially is facing a lot of challenges, and then time-to-time to see it with kind of either resignation or despondency. It leaves you with a thought whether really all of that is worth it or what is it.

So, it is only from that of view I'm asking. Of course, compared to 90s in the policy chamber and today, there is a lot of change and a very positive one. But still, if you look at when our Distillery business is expanded, our Sugar business is expanded. At times you are left wondering, is it an expansion of problems? Or is the expansion of value creation in the business, it's only from that standpoint, I'm asking. So, at a vantage point that you stand at, would you view the future with kind of a muted optimism or a greater belief or kind of concerns and of resignation?

Tarun Sawhney: Okay. Excellent question. I think your observation is right. I would not disagree with your observation as of today that the last 12 months have not been as proactive as far as decision-making is concerned and even compared to the last 7-8 years, as I was talking about.

Yes, you're absolutely right, that Triveni has invested capital in expanding both our Sugar as well as our Ethanol businesses. We've clearly done it with a return profile in mind, we clearly have. Have we met that return profile as far as ethanol is concerned, the answer to that is no. We have not. And our results certainly speak of it today. Do I believe that we will move to the same higher margin profile that we had three or four years ago? No, I do not think so either. But I do believe that there will be massive improvements. So, I would not say muted optimism if I have to put my position in just a few words, I would say cautious optimism, because I think that there are a lot of positives yet to be achieved, a lot of positives.

In agriculture, there are very few sectors like the sugar sector, where investors can participate, and private industry can participate in an organised manner. And I'm a great believer in agriculture and the successes that lie ahead of us, not just now, but also 5 years from now, 10-15 years from now. It is a fundamental backbone to India of the future.

I honestly believe that the sugar industry offers you the best exposure to that sector, without a shadow of that. It encompasses the very best of Indian agriculture, the very best possibilities of research and development for the future. But will it be smooth selling? No, it will not. So, I completely agree with you that there are points in time where you will have an unhappy feeling because of delayed policy and decision-making.

But from a longer-term perspective, even a medium-term perspective, I'm convinced that this sector will offer a healthy return on capital that I, my Board and our investors certainly expect of us.

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

Somnath Saha: Hi, thank you for the opportunity. My question is on the, as the Government has allowed the FCI rice ethanol, so when we can expect the impact to come from? And what could be the optimal mix of feedstock, if you can put some light on that?

Tarun Sawhney: Right. As I mentioned a little bit earlier, the FCI tenders just closed today. So, we don't know the result of that. But once we know the result, if you contact us maybe in Monday next week, we will be able to give you offline the exact split, if you would like. At this point in time, grain plays an important role in the overall package of ethanol delivered by Triveni. FCI rice will also play a role. The details of which will be clear to us only once the tender result come out.

And also, in terms of timing right now, while the Government has announced the price of FCI rice, none of it is available to the industry. It is only after the conclusion of the tender and then the listing of it and then the processing of it that you will be able to produce ethanol from FCI rice. So that's going to take a few months, a few weeks.

Somnath Saha: My questions are, the average realisation from Shadi Lal for sugar is quite low as compared to a standalone business. Any specific reason for that?

Tarun Sawhney: Yes. So, the Shadi Lal sugar unit firstly only produces plantation white sugar. And even though we have made a lot of investments, the quality of sugar being produced at Shadi Lal does not compare with Triveni. Though Triveni is a wrong benchmark to have on a standalone basis, because 70% of our sugar is refined, the balance 30%, which is not refined is for pure institutions of very, very, very high quality. And of course, the quality of sugar has improved. So, what we produced in December is inferior to the sugar that we have produced in January. And it will be inferior to the sugar we produced in February. We're going to be building up this sugar to much higher levels of quality. But SSEL is plantation white sugar and plantation will always sell at an average discount to what the overall Triveni price would be, where 70% is refined.

Moderator: Thank you. The next question comes from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Yeah, hi. Good afternoon. So, I have two questions. The first one is on the Power Transmission and the investment which you have announced ₹60 crore. Is it just related to the pure Gear business? Or does it include investment related to Defence as well?

Tarun Sawhney: Hello, Resham. The investments announced by the Board yesterday, which is just a shade under ₹ 60 crore (₹59 point something crore) is only for the Gears business. As you may know, a lot of this equipment takes a certain time duration between 12 to 18 months to order, some equipments do. So, we need to sort of plan ahead substantially in advance. And so, the increase in capacity have tried to be very specific is for the Gears business only, not for Defence.

Resham Jain: Okay. And also with respect to the earlier capex, which is ongoing, I think this year, whatever you landed close to ₹300 - ₹350 crore and with the earlier capex, the objective was to go to ₹500 crore and then ₹700 crore, given that the arrangement with our earlier partner is no more there and you have been doing a lot of positioning and marketing of your product in the overseas market. Any colour and thoughts on scaling up this given that you might have get more clarity on exporting some of these products? Will the scale up take like 5-year time? Or do you think it will take 3-year time or whatever number of years?

Tarun Sawhney: Resham I'll caveat by saying we don't offer guidance, but the technology, the acceptability with OEMs has been immediate and overwhelming, very positive. We are now working on the second tier of getting third-party acceptances because there are some very, very large customers, primarily in the Oil and Gas sector, where you do need their specific approvals, etc. And so, we are working on that.

The second very definitive area is aftermarket, where we have just started, so those returns will come in and they won't take time. They'll come in immediately, and they will grow from a small base at a very high rate of growth and also, of course, afford the kind of profitability that we have seen in the domestic sector of aftermarket.

Answering your first question about the expansion in capacity and the expansion in capacity, the Board has confidence that we need ₹700 crore worth of capacity as we start off 2026-27. So, in the year by the end of FY 2026, we need to have ₹700 crore of Gears capacity in place to be able to look at the expansion of business that the Board is evaluating at that particular point in time. So, we're not looking at 5 years. I can't give you the number because we don't talk about those numbers. Again, it is certainly not in that type of time horizon. We won't be investing so much money into a business that we're going to get 3-5 years from now.

Moderator: Thank you. The next question comes from the line of Maulik Chaudhari from Monarch Networth Capital. Please go ahead.

Maulik Chaudhari: Just I have two questions on Power Transmission business. First is can you please share an estimated timeline for the demerger to happen? And secondly, can you talk about the total addressable market for this segment globally?

Tarun Sawhney: Right. As far as the Scheme of Arrangement is concerned, we anticipate approval from NCLT by the end of this calendar year. So that is the timeline that we anticipate for the Scheme of Arrangement. And in answer to your second question, which was the overall market for just high speed and turbo gears, globally the market is about $650-$700-odd million.

Maulik Chaudhari: Okay. And who is the biggest player globally?

Tarun Sawhney: The largest players are European gearbox manufacturers.

Moderator: Thank you. The next question comes from the line of Udit Gupta, an investor. Please go ahead.

Udit Gupta: Good afternoon. My question is, when is our Defence facility coming online?

Tarun Sawhney: Right. We had projected the last time around, last conversation that we had that this facility would be operational by the summer of 2025. And it had been delayed by a couple of months. It is further delayed that some of the machines are taking a little bit longer to come in. So, we're still projecting the facility to be up and running during calendar year 2025.

Udit Gupta: And what are the projected revenues from that facility once it comes online in 2026 or something?

Tarun Sawhney: I'm afraid we don't offer any guidance on that.

Udit Gupta: And the capacity or something or anything which you can tell us?

Tarun Sawhney: You see it's a multimodal facility, so putting a rupee value to capacity is very, very difficult, where you are doing a large number of discrete products that have different markets, and they have different output opportunities from the same facility.

Moderator: Thank you. The next question comes from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Thanks for taking my question again. So, my other question was related to the demerger which you have announced. It seems that Triveni Engineering will still be holding 30% stake even after demerger. So why such structure, if the value unlocking has to happen, it should have happened in a clean structure where Triveni would not be holding anything otherwise, the same Holdco discount will be applicable to the Power Transmission business once it gets demerged. Like what used to happen in Triveni Turbines earlier, it will get into a similar structure?

Tarun Sawhney: Right. So, Resham, two reasons. And we can be on opposing sides of this argument over here. I think the experience with Triveni Turbines was actually quite a positive one for the Company. It was not a negative one. But that's my personal view. And I appreciate your sharing your view on this subject, which can of course, be different to mine.

The second and very, very important is because we are incubating a Defence business, which we have large aspirations for. In establishing pre-qualifications (PQs) and the ability to be able to quote, there are balance sheet considerations that even from a Group perspective that are very, very important to allow us to be in contention. That was a very fundamental consideration in this determination by the Board of Triveni Engineering that we should not handicap a business just because we're separating the business, the Power Transmission business because it's the right time, we are separating it with the Defence business, which is co-located in the same city and utilising the same facility and offices that exist today. And therefore, there should be nothing that has handicapped the success of that business, which is very, very positive and will continue to deliver value for all shareholders, existing and future.

Resham Jain: Yeah. I understood. I think this is a fair reason. I didn't think on those lines, but yeah, this is fair. And obviously, we have greatly unlocked value in the past. So yeah, thanks for this.

Tarun Sawhney: Thank you.

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

Tarun Sawhney: Thank you so much, ladies and gentlemen, for joining us for Q3 and 9M FY 25 results for Triveni Engineering & Industries Limited. As many of you have rightly pointed out, we're all not happy with the speed of decision-making and the impact that it had on a variety of the businesses viz. Sugar, Water, Ethanol, etc. But the hope still is that we will have a very positive business environment going forward. I think one of the big changes and a huge impact on profitability as well as revenues is the rise in sugar price and the rise of almost 10% over 3 months is outstanding. We are a new level, it is a step change in price because of a change in market fundamentals and economics. And I think that will continue. And that, of course, will lead to greater health and better results for the Company going forward. So, thank you for joining us today, and I look forward to having this conversation in 3.5-odd months' time. Goodbye.

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