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Sub: Transcript of Analyst/ Investor Conference Call held on 31st January, 2024	

Dear Sirs,

Pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015, please find enclosed transcript of the Analyst/ Investor Conference Call held on 31st January, 2024 post announcement of unaudited financial results of the Company for the Q3 & 9M FY24 ended on December 31, 2023. 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
Group Vice President &
Company Secretary
M.No.A9475

Encl: As above

Triveni Engineering & Industries Limited

Q3 & 9M FY 24 Earnings Conference Call Transcript
January 31, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Triveni Engineering & Industries Limited Q3 and 9M FY 24 Earnings Conference Call. I now hand the conference over to Mr. Rishab Barar from CDR. 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 24 earnings conference call. We have with us today, Mr. Tarun Sawhney, Vice Chairman and Managing Director; Mr. Suresh Taneja, Group CFO; Mr. Sameer Sinha, CEO Sugar Business Group; as well as other members of the senior management team.

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

Tarun Sawhney: Thank you, Rishab. Good afternoon, ladies and gentlemen, and welcome to the Q3 & 9M FY 24 earnings conference call for Triveni Engineering & Industries Limited. The overall performance for the Company during the nine months ended December 31, 2023, has been satisfactory with a healthy performance in the Sugar and the Power Transmission business in particular. There were some challenges in the Alcohol business due to feedstock constraints and the profitability of the Water business was impacted due to a slower execution on some of the projects, and these are problems relating to some customers.

For the nine months, the revenues from operations (net of excise) stood at ₹ 3,918 crore with a Profit Before Tax (PBT) of ₹ 312.3 crore and a Profit After Tax (PAT) of ₹ 234.1 crore. At the recently concluded Board meeting, the Board of Directors of the Company has declared an interim dividend of ₹ 2.25 per fully paid equity share for the FY 2023-24 and a special dividend of ₹ 2.25 per share.

The Board has also approved a new venture of the business of manufacturing and marketing Indian Made Foreign Liquor (IMFL) as part of the forward integration of our distillery operations. This would involve the establishment of a state-of-the-art bottling facility at our Alco-Chemical facility in Muzaffarnagar in Uttar Pradesh to produce high-quality IMFL products. The total capital cost would be approximately ₹ 25 crore, and it is subject to the necessary statutory clearances. The facility is expected to be ready for commencement of production by the end of Q1 FY 25. So, in a few months' time.

It was also noted by the Board that the project for enhancement (in existing capacity) for the Power Transmission business for ₹ 250 crore to ₹ 400 crore is under progress and is expected to be completed by December 2024 instead of March 2024 as informed earlier. The Board has also further approved the CAPEX of ₹ 180 crore for further enhancement in capacity from ₹ 400 crore to just above ₹500 crore. It is important to note this is the reason and the rationale for this approval at this stage is because of the longer time period in acquiring some of the very highly specialized equipments from some of the European vendors. Some of the highly specialized machines have order timelines of 12-18 months, and therefore, the majority impact of the ₹ 180 crore investment approved by the Board will be felt in FY 2025-26.

It is also noted by the Board that the commissioning of the new multi-feed distillery at Rani Nangal is expected by March 31, 2024, just a few months late. Furthermore, considering present Government policy and challenges in the availability of the permitted grains at viable procurement prices for distillery operations, it is been decided to keep the implementation of the new proposed distillery expansion at Sabitgarh in abeyance. Any further development will be intimated in due course.

The Board has also approved the entering into a share purchase agreement to acquire 25.43% stake of Sir Shadi Lal Enterprises at a total value of ₹ 35 crore. The proposed acquisition affords an opportunity for us to expand our Sugar and Distillery business. It is a strategic fit for us as the company has a sugar factory and a 100 KLPD distillery. The sugar factory is in the vicinity of some of our sugar units and we have evaluated the opportunity of the company, and we believe that it is capable of being turned around by us in a very short period of time. The equity value of the target has been determined at ₹138 crore based on our estimated value of assets and liabilities, which is primarily from information in the public domain and our knowledge of the target being in the same geographical area of operation.

Returning to the highlights of the businesses. For our Sugar and Alcohol business, there's better performance in terms of crush and recovery during Q3 in the ongoing Sugar Season (SS). The crush (sugarcane) is higher by 6.7%, and the recovery is higher by 38 basis points on a net basis (after considering the diversion of sugar in B-heavy molasses). And the sugar production is higher by 11%, that is it was extremely encouraging and higher than what had forecast and spoken to you all about at our previous conversation. We are quite happy about the improvement in total sugar production.

The higher sugar realizations have helped the Sugar segment profitability and largely offset the impact of lower sales and the increased cost because of the revision in State Advised Price (SAP). Alcohol sales of 13.8 crore litres for the 9M FY 24, an increase of 8.3% over the previous corresponding period. The segment profitability has been impacted due to low-margin maize operations in substitution of using the surplus food grains from the Food Corporation of India (FCI). FCI rice is what was being used for in the previous corresponding period.

Looking at the Engineering businesses, there's been a robust increase in both turnover and profitability in the Power Transmission business growing at 34% and just under 45% Y-o-Y for turnover and profitability, respectively, for the nine-month period. The order booking also increased by just a shade under 25% increased by ₹ 240.5 crore and closed at ₹ 297.2 crore. The outstanding order book for the entire Engineering business, including our Water business stands at ₹ 1,546 crore.

The Profit Before Tax (PBT) for the Company declined by 8.4% in Q3 FY 24 and was flat for the nine-month period. This is because, as I mentioned, the Sugar business reported higher profitability due to higher realization prices. The Power

Transmission business also reported significantly higher profitability commensurate with the higher turnover. And there was a decline in profitability of the Distillery operations, as I mentioned with the substitution of maize for FCI rice, and the segment profitability of the Water business was in line with the lower turnover of the business.

The gross debt of the Company (on standalone basis) as of December 31, 2023 is ₹ 515 crore compared to ₹ 389 crore. However, after considering surplus funds, which are held in Fixed Deposit (FD) of ₹ 369 crore, the net debt is ₹ 145.5 crore. The overall cost of funds is 5.25% for Q3 FY 24 vs 4.75% in the previous corresponding period.

Looking at our Sugar operations. As I had mentioned, the realisations have led to much improved contribution margins and have offset the impact of lower sales volume and increased State Advised Price (SAP). It is important to mention that the sugar inventories on December 31, 2023, were 29.63 lakh quintals valued at ₹ 36.6 per kilo and this will be a staggering 24% higher than the same situation on the December 31 2022, when the inventory was 23.93 lakh quintals. And the decisions to produce more sugar, I'll be covering that in our industry update of the Alcohol business, etc., have allowed us to be able to produce significantly larger quantums of sugar. Of course, the higher recovery and higher yields and higher processing capability of the Company has also helped quite substantially. The co-gen operations achieved sales of ₹30.6 crore for the 9M FY 24 period.

The current realisation is perhaps slightly lower than late November - early December, but still stands at a fairly healthy ₹ 38.80 to ₹ 39 for refined sugar per kilo and sulphitation sugar is lower, approximately ₹ 38.40 to ₹ 38.50 per kilo. For the quarter, the sugarcane crush was 3.33 million tonnes, a 6.7% increase. The net recovery was higher at 9.76% vs 9.38% in the previous corresponding period with sugar production being 11% higher.

The gross recovery is also important to give you a flavour of difference, because it gives an impact of what this quarter and Q1 of the next fiscal year which is the last bit of the sugar season. The gross recovery for the Company stands at 11% for the quarter under review, which is 0.39 basis points (bps) higher than the 10.61% for the previous corresponding quarter.

The average blended realisation for the quarter was 6.4% higher at ₹ 3,952 per quintal. And this led to a PBT increase of 5.5% to ₹ 120 crore. On the 18^{th} of January 2024, the Government of Uttar Pradesh revised the State Advised Price (SAP) of sugarcane and increased all three, the general, the early, and the rejected variety by ₹ 20 per quintal and therefore, early variety has been revised to ₹ 370 per quintal, general variety of sugarcane has been increased from ₹ 340 to ₹ 360 per quintal and the rejected varieties have been increased from ₹ 335 to ₹ 355 per quintal. The press note also notified that the transportation charges for sugarcane from out centres has been increased by ₹ 0.45 to ₹ 9 per quintal. So that is a little bit of a benefit actually to the industry.

Just before that, on the December 15, 2023, the Department of Food and Public Distribution (DFPD) issued directions in view of the expected lower sugar production of the country to limit the sugar sacrifice through B-heavy and Sugarcane Juice route to 1.7 million metric tonnes of sugar, and this was compared to 3.8 million metric tonnes in the previous season. And I think it came as a bit of a surprise to the industry. And of course, it has impacted distillery operations. And will continue to impact distillery operations, not just with Triveni, but for the nation as a whole.

The sugar balance sheet for the season looks reasonably healthy, according to ISMA, with an opening balance on the October 1, 2023 of about 5.6 million tonnes.

The net sugar production now stands revised at 31.7 million tonnes potentially with an upward bias. Domestic sales or consumption of about 28.5 million tonnes. We are looking at a closing stock on the September 30, 2024 at a very healthy 8.8 million metric tonnes. This, of course, is after considering 1.7 million tonnes of sugar diversion towards ethanol.

What I'm trying to say is that actually we have sufficient sugar in the country. And regardless of what the outcome of rains are over the summer months, I think the higher balance is something that we cannot be very comforted with in terms of providing enough sugar for consumers within the country and not just this year, but also for the next year.

Amongst the major sugarcane producing states, we expect Uttar Pradesh to produce between 12-14% increase in sugar output for the season, while Maharashtra is expected to decline by about 15%, and Karnataka by about 22-24%, leading to an overall 3-4% lower net sugar production for the country. The Government has also imposed 50% duties in the export of molasses, which is effective from the January 18, 2024.

Very quickly, looking at the international scenario, we're looking at a surplus production globally. We're looking at a record output from Brazil with estimates coming in above 43 million tonnes of sugar for the 2024-25 season. We are looking at the Thai sugar crop to remain subdued. And this is important because when one looks at the regional balances and regional supplies of sugar, not just this year, but going forward etc., Thailand is expected to be subdued for this sugar season. International sugar prices still remain robust. After a considerable period of weakness in recent weeks, we've seen prices rebound. And on the 24th of January, the New York #11 contract was trading at about $ 24.5 cents per pound and the London #5 contract had rebounded to just about $ 685 per metric tonne. Of course, it is up from the recent highs of approximately $ 760, which was in November 2023. But it is still a very robust level.

Turning towards the Alcohol business, during the quarter the profitability of the distillery operations has been impacted due to low-margin maize operations and in substitution for FCI rice. Maize operations would also lead, as I had mentioned in our last call to lower capacity utilisation, and therefore resulting in slightly lower production. The issue of lower capacity utilisation is being technically resolved for us to be able to enhance our capacities through some very simple changes in the production systems.

The increase of transfer price of B-heavy molasses by ₹ 100 per quintal is subsequent to the increase in the SAP and increase in statutory fees of ethanol has also led to some lower profitability. The net turnover was boosted by high alcohol sales for our IMIL business, and that was very encouraging, and a big bright spot within our alcohol operations.

During the quarter and nine-month period under review, the alcohol produced from sugarcane feedstocks formed 73% and 67% of total sales volumes respectively. In the previous corresponding quarter and nine-month the alcohol produced from sugarcane-based feedstocks formed 64% and 79% of total volumes respectively. So, I think it is important to mention very clearly that this is a concerted decision to produce more sugar. And as the season transpires, of course, there will be greater quantum of sugar that will be produced, and so we will be making C-heavy molasses at 6 of our 7 sugar factories for the course of this season.

The inventories will be higher and sugar prices are quite robust. And we believe that the flexibility that we have, as a Company in terms of operations has again been tested and proven that we have made correct investment decisions in the past. The production fell during the quarter under review under Distillery business by 4.2% to 44,000 kilolitres. However, the sales realisation increased by 4.3% to ₹ 59.1 per litre. IMIL sales improved by 25.5% to 11.68 lakh cases for the quarter under review.

Looking at the domestic scenario, the OMCs have announced an incentive of ₹5.79 per litre for maize-based ethanol with the effect from January 5, 2024. However, I must point out that the majority of this increase, this incentive has been captured by higher maize prices, and maize prices are higher than ₹ 24 per kilo touching almost ₹ 25 per kilo on certain days as well. So, the majority of this increase unfortunately has been captured or rather taken away, the benefit has been taken away by increased raw material prices.

Turning quickly to the Power Transmission business, the increase in nine-month turnover and profitability were 33.9% and 44.8% respectively, driven primarily by improved product sales and excellent and favourable product mix, improved realisations and our continuing cost control measures. The order booking continues to be robust with higher domestic contribution. Our order book on December 31, 2023, stood at just under ₹ 300 crore, with long-duration orders of ₹ 136 crore.

Looking at the Water business, the revenues declined unfortunately due to the delay in execution of certain projects. The business is actively targeting foreign projects, wherever it possesses the pre-qualifications and funding is ensured through multilateral and reputed agencies. The order booking on December 31, 2023 stood at ₹ 1,248.8 crore, which includes approximately ₹ 880 crore of O&M contracts, which are over a slightly longer period of time. It is important to also mention that we did maintain our profitability. Although, it is lower in line with the lower revenues for the profits of the business. The PBIT was ₹ 6.2 crore for the quarter under review.

The outlook for the various businesses, let me start-off with the Sugar business, where we are witnessing improved operational results for the ongoing season, in terms of crush, in terms of recovery, and in terms of sugar realisation, when we compare this over the previous year and season. The current estimates of lower production in the Sugar Season (SS) 2023-24 and 2024-25 are likely to maintain firm, stable and with potentially a small positive bias in sugar prices.

The recent increase of ₹ 20 in SAP has been well absorbed by prevailing sugar prices. A higher proportion of refined sugar production post the conversion of our Milak Narayanpur sugar unit and a higher pharmaceutical grade production at our Sabitgarh sugar facility augur very well for the sugar realisations of the Company, in comparison to our peer group. We continue to make judicious investments in our facilities to enhance crush, add quality and efficiencies.

While there may be a shortfall in production, Maharashtra and Karnataka, Uttar Pradesh is certainly showing significantly higher production. The recent weather conditions in Uttar Pradesh of dense fog with limited or no sunshine for long durations, have had a limited impact in certain pockets on yields. But we believe that this has not impacted the plant cane crop. And our estimates of increased production and especially at Triveni Group is concerned stand unabated.

Looking quickly at the Alcohol business, the recent Government actions relating to feedstocks have led to some disruptions in operations, and we experienced that head-on in the last quarter. After utilizing the permitted B-heavy molasses, the distillery operations will be carried out with C-heavy molasses and maize, as the feedstocks. This is in stark difference to B-heavy and FCI rice, which was used in the previous corresponding period. It will lead to slightly lower operating capacities and hence lower production, and the margin structures will also be different.

I would again like to say that in this scenario of feedstock prices, it would be more sensible actually to make greater quantums of sugar, which is exactly what we will be doing. The situation is under watch. And we hope these pricing situations are anomalies, and that the Government of India will relook at the Ethanol Blended Petrol (EBP) program over the next few months more favourably and give us a little more flexibility in the industry. In my opening remarks, I had mentioned that our Rani Nangal new distillery facility will be operational by the end of this quarter by March 31, 2024.

The Power Transmission business has a strong and robust outlook. We have seen brownfield and greenfield expansions domestically in a variety of sectors especially in metals, mining, cement, etc. There is high potential that is being witnessed in the aftermarket, and this is what is resulting in higher levels of profitability. And this primarily comes from the oil and gas and API sector, the power sector and the fertiliser sector. The product business is mainly driven by growth in demand for steam turbine gearboxes, not just domestically, but globally as well. The potential of waste-to-energy through agricultural and municipal waste is going to be very encouraging as well for the Power Transmission business.

On the exports front, there is enormous positive outlook in order bookings and gaining market share across product segments. We're seeing our OEM shares increase especially in Western Europe and in North America. Within the Defence segment, the business expects increased order booking from key segments of propulsion gas turbines, propulsion gearboxes, propulsion shafting and special application pumps and this will happen hopefully over the next couple of quarters. The setting up of the multimodal defence facility, it will also help in terms of expanding our service offerings within this business segment.

Lastly, looking at the Water business, after the achievement of success in the Maldives and Bangladesh, the business is trying to expand activities in overseas markets. Having said that, the municipal business opportunities are looking very attractive in states. However, there are delays in execution in certain projects. It happens because there has been a lot of activity, economic and non-economic activity that has delayed some executions etc. But we believe that we will be back on track in this quarter and in the following quarter as well.

In conclusion, the business strategy in terms of identifying and harnessing growth opportunities for the Company remains the same. We have been able to successfully add value for our stakeholders and shareholders. We continue to see significant leadership opportunities in a rapidly evolving and competitive environment. I think the Company is well placed for the future to embrace the next phase of growth.

Thank you very much. I would now like to open the floor for questions.

Operator: The first question is from the line of Sanjay Manyal from DAM Capital. Please go ahead.

Sanjay Manyal: I have a few questions. I think your crushing number is approximately 7% up as of now and even recoveries are better. Can we expect the similar trend for the full season?

Tarun Sawhney: Yes, I believe we can.

Sanjay Manyal: So, we can expect similar 6-7% kind of crushing and probably the recovery improvement would be in a similar range, right?

Tarun Sawhney: For sugar production, yes. I think we would be happy to look at, I think an increase in sugar production by a double-digit figure of 10-11%. And I think that will continue through the course of the season. The sampling of plant cane that is coming is very encouraging, and we are hopeful that the weather that we've experienced in the month of January will abate as we move into February.

Sanjay Manyal: My second question is on the profitability of B-heavy and C-heavy per litre. What exactly has changed after the policy change and as well as after the sugarcane price increase in the current season. So, what would be the profitability per litre for B-heavy and C-heavy, even maize-based ethanol?

Suresh Taneja: As regards to B-heavy molasses, we have been getting a profitability of about ₹12-13 per litre. But as Tarun would have explained to you right at the beginning, there is an increase in transfer price, subsequent to increase in cane price. As a result of that, it will come down a little bit, but it will still be strong. And as regards to maize, yes, the margins are under pressure as of now in the region of about ₹5 as of now and let's see to what extent the correction takes place.

Sanjay Manyal: Okay. So ₹12-13 for B-heavy, ₹5 for maize and for C-heavy, if you can explain probably?

Suresh Taneja: C-heavy is also on the same level as the B-heavy molasses. Also, there is a recent price increase.

Sanjay Manyal: Okay. And because the policy change has happened in the mid of the season. So I think our estimate of ethanol volumes would also change. What can we expect in terms of ethanol volume for FY 24 and FY 25?

Sameer Sinha: What would happen is that we would be looking at adding another about close to 5 crore litres in our dispatches going forward. And for the new distillery coming up, we will be adding another about 4.5 crore litres for the next year.

Sanjay Manyal: My last question is on the acquired company. I'm assuming that you will be having controlling stake after this open offer and everything. What could be the optimum crushing capacity for this company? I understood I read somewhere it is close to 10,000 TCD, but the number which the crush number was much lower. So, what could be the optimum crushing capacity once you acquired this company?

Tarun Sawhney: We cannot comment on the outcome of the open offer. It is still too early to tell. But to answer your second question, the capacity of Sir Shadi Lal's factory at Shamli is 7,500 TCD. And we believe that it can operate at that level. It has sufficient cane, of course. Frankly speaking, it has the greatest quantum of cane amongst factories in Uttar Pradesh.

Sanjay Manyal: Does this company also has the payment, means farmer dues and high debt level also?

Tarun Sawhney: From publicly available information, the debt levels are not very high, about under ₹40 crore. But the farmer dues are certainly exists, and it is about ₹ 225 crore, which is the dues of the previous season's farmer dues.

Operator: The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Congratulations, on doing well in a very challenging quarter. I just wanted to understand a couple of things. On sugar volume front, we seem to have done well against the quota. Is it due to a pharma grade sugar or the volume seems to be higher against the domestic quota what we have been allotted?

Tarun Sawhney: There are two parts to your questions. But firstly, the domestic sales have been higher in the quarter under review, because the second tranche of the September quota, which was allowed to be sold in October was actually sold in October. So that is one reason for the quantum of sales. The second reason, of course, is that we had very attractive realisations in the month of November, in the month of October and also for the majority of December as well.

Shailesh Kanani: I understand. I just was looking at the volume of quota given to us and the volume what we have done in the domestic dispatches. So, there was some overlap from the second quarter you're saying quota?

Tarun Sawhney: Correct, because the September quota was given in two tranches. One, the first tranche was supposed to be sold by the end of September and the second tranche could have been sold up to the 10th of October, and we exercised that and sold it in October.

Shailesh Kanani: Second question was related to ethanol volumes. If I heard it right, last year we had done 18 crore and FY 25, you are guiding 22 crore or 27 crore? I'm confused of the number.

Sameer Sinha: So two parts to that question. One, of course, we did 18 crore. And this year, again, we will be about 18.5 crore plus, 18.75 crore along those lines. And the reason for that is 33% of what we are doing would be grain-based. Therefore, wherein the capacities are limited by 20%. Now going forward, and the second part is that our Rani Nangal distillery, which was supposed to have come a little earlier is now coming at the end of March, and therefore, we would be adding another, as I mentioned, close to 5 crore litres going forward for next year.

Shailesh Kanani: So it is around 23-24 crore will be in the next year?

Tarun Sawhney: Absolutely, yes.

Shailesh Kanani: My other question was, I would like to discuss, means I would like to know our views on macro challenges the Company faces, right? Given the present circumstances and projections, we are anticipating that the sugar inventory by the year end of the season is going up from 5.6-8.8 (million tonnes), right? So, which should be negative for sugar prices in general, right?

Secondly, ethanol volumes are contingent among the availability of starchy feedstock. We have no clarity on FCI rice still. In spite of rice production, what I understand is FCI has stock, but they have not released the rice for ethanol production. So how does the management envision these challenges? And what strategies they are trying to implement in this situation?

Tarun Sawhney: I think the first part of your question which is with reference to sugar prices based on the balance sheet position of sugar in the country is, I think you need to look at all factors in terms of making that assessment. The fact of the matter is that sugar production in the country has declined Y-o-Y. I think because of net diversion towards the EBP program, there will be an increase in the closing stock. However, this is quite important for the country as there have been reports of a poorer monsoon for the upcoming summer. Now that is point one.

The second point is that the plantation of the adsali crop, the 18-month crop in Central and South India, Maharashtra, Karnataka has been down quite significantly. And those reports are still coming in, but there is a significant decline, which means the total millable cane in the country for the next year in that portion of the country is going to be a little bit lower. And as a result, despite the slightly higher closing balance, I think we're in a scenario where we have very robust sugar prices, and sugar prices are a function of the situation today and also the expected situation in the following year. And as a result, as I had mentioned in my opening remarks, I believe that sugar prices will remain stable with a slightly upward bias.

Your second question about FCI rice. Well, frankly speaking, this is a decision that's been taken by the Central Government. We're not in a position to be able to comment on the release of rice or the quantum's that are required for the nation.

Shailesh Kanani: I was just wondering, if the situation remains what it is right now, and starchy feedstock availability may be less or the price, as you rightly said are not that remunerative. We would continue to kind of have an enhanced volume of ethanol going ahead as well, right? I was just thinking on those lines.

Tarun Sawhney: I think the way that you should look at it is different. The first thing is, yes, with the change in feedstocks, B-heavy and rice moving to C-heavy and B-heavy combination and maize, there is a impact on production, but an impact on the margin structure. But that is more than compensated by the extra sugar that is being produced, much more than compensated by the extra sugar that is being produced. And I'm not talking about the additional output due to enhanced capacities, etc., but I'm just talking about the conversion of B into C. So that decision again is something that is quite important.

Now the fact that the Company, most of its distillery assets are dual feed in nature means that we are still making a positive contribution, regardless of what the input feedstock is into the business. And I think that is something that makes us very different from our peers in the industry.

Shailesh Kanani: How is the availability of maize for our distillery facility? Is it readily available even if it is at increased rate of ₹ 24-25 (per kilo)? How is the availability of maize in the market?

Tarun Sawhney: It is available, and the next crop of maize is yet to come into the market, and we believe that we will be able to book sufficient quantities for the course of the year.

Operator: We take the next question from the line of Sudarshan Padmanabhan from JM Financial. Please go ahead.

Sudarshan Padmanabhan: This is on the PTB business. So, my question here is, given the increased CAPEX, and also, we talking about defence and exports, we have been running at around ₹270 crore or between ₹ 250 crore to ₹ 300 crore a year in this business. With the CAPEX in place now and the growth outlook only looking better with exports and defence, where do we see this run rate increasing, say, over the next 18 months?

Tarun Sawhney: I refrain from giving any forward-looking statements. If you talk about the capacities, we are moving to a scenario where the capacities in the next few quarters will be just a shade in excess of ₹ 500 odd crore. We are certainly cognisant of the fact that our growth in export markets is something that we are now seeing in our order booking. And it is going to only translate in our revenues in the next fiscal year and certainly in the following fiscal year as well. So I'm fairly certain that the state of growth is going to be as per our plans and our investment in capacities are being done, so that we are well prepared and we do not face any delays.

One of the great things that we do in this business is we have delivery or manufacturing timelines that are the best in the world. There is nobody in terms of a turbo gear high speed manufacturer that can match our delivery timelines. And that’s one of the reasons that allows us to have a very healthy margin. And so, we're conscious of that. And therefore, the investments in machines, etc., which have long delivery periods need to be made in a time-bound manner.

The growth is certainly something that we envisage because we were absent from the majority of export markets for a long period of time. And now with that opportunity, I think we have huge possibilities of being able to continue the growth rate. I mean the nine-month growth rate, for example, was 34% odd for this fiscal year in terms of revenues and 44% in terms of profitability as you know.

Sudarshan Padmanabhan: A little colour on the defence side, because that is again looking exciting. And as of when that starts kicking in, that opens a huge avenue of related things which we can do a lot more than what we're currently doing.

Tarun Sawhney: Absolutely. So there's tremendous potential there. I would like to add a word of caution here. And that is that to have budgeted expectations in terms of quarters is something that sometimes doesn't happen, because the finalisation of tenders is not in our domain. It is finalised in our case, primarily by the Indian Navy and sometimes, there are delays in the finalisation of such tenders an award of such tenders. And so it is a process-oriented scenario. I would encourage you to look at this business over a longer period of time, where the decision on orders will then get blended in, in terms of averages over a longer period of time.

But yes, there is tremendous potential. The Atmanirbhar initiative is something that we are certainly beneficiaries of and we are counting on. The Make in India is something that is quite important for our defence capabilities, and that is why we have invested in this particular business.

Sudarshan Padmanabhan: One final question before I join back the queue is, currently the sugar availability is casting a little bit of ambiguity on the ethanol side. But from a longer-term perspective, the Ethanol Blended Petrol (EBP) program is on course. And second is, if I'm looking at the IMIL and the IMFL opportunity that we would eventually have. I mean, should the IMIL and the IMFL opportunity, I mean, it gives us the manoeuvrability between using ethanol towards OMCs or moving towards IMIL, how should the profitability in this division be from a longer-term perspective, given that you'll have these options?

Tarun Sawhney: I think you've asked a fantastic question. The point is, and I have been emphasising this that our corporate strategy is to ensure that all options are considered and that our businesses are functioned with the sole intent of maximisation of profitability. And that is one of the reasons for our expansions, etc. Now when we look at IMIL and IMFL, it is not only to create optionality, but it is also to add additional value. The margins come when the businesses are stable. And that's something that you have to recognise. We're a new entrant in a fiercely competitive new business. However, our intention obviously is to run highly profitable businesses. We see that our road to profitability will be as short as possible. But overall, the investment philosophy remains one of having optionality to maximise profitability.

Operator: The next question is from Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Good afternoon to everyone. I had a couple of questions. First, on the acquisition of Sir Shadi Lal, is it fair to assume that you'll be able to do the modernisation of this enterprise before the next sugar season? That is my first question.

Tarun Sawhney: At this point in time, we are in the process of acquiring 25.43% shareholding of the company. We have also launched as per SEBI guidelines, an open offer for 26%. If we do have majority control and control over the company, we are very certain that we will be able to put in some investments, of course to ensure production capabilities.

But I want you to know that this unit has crushed at its rated capacities in the past. The investments that could be made, and I don't know if they need to be made. So, I am hypothesising at this particular point in time would be in terms of efficiency improvements to lead to lower cost of production. So, it is not necessarily for a higher crush, it is to improve profitability. Now can it happen before the start of the next season? It is a little too early to tell.

Rajesh Majumdar: Right, sir. No, I understand that it is to reduce the cost of production because the crush already exists. Yeah. And there are possibly low-hanging fruits there. But yeah, thanks for the answer. But my other question was when you give the capacity of the Power Transmission business, this excludes the after sales. Is it correct to assume? Because after sales and service is also a big chunk of your revenue, I understand. So, when you give the capacities of ₹ 250 crore, etc., it excludes after sales?

Tarun Sawhney: No, it includes after sales. However, this capacity is a rated capacity. And depending on what products coming from the defence side, the same facility could potentially produce more but we are keeping the rated capacity at ₹ 500 crore post these investments.

Rajesh Majumdar: Because the new CAPEX that you've announced of ₹ 180 crore is giving you an incremental turnover of only ₹ 100 crore, which assumes a slightly more than 0.5 asset turn, which seems to be ridiculously low for this kind of a business.

Tarun Sawhney: I would discourage you from looking at it from an asset turnover ratio, and I'll tell you the reason why. A lot of the machines that are coming have long deliveries. And therefore, the effective utilisation in addition to capacity will happen at a certain point in the future. The original capacity enhancement that we did last year, that the Board approved last year was a lot in terms of infrastructure. Infrastructure is one part, which is, for example, the shed, etc. The machines, the testing equipment, the furnaces, etc., everything that needs to be put in is actually a little bit more expensive.

In addition, this CAPEX also adds complete capacity including manufacturing equipment to our defence manufacturing facility, for which, we are very hesitant to give a total capacity at this particular point in time, which is why I said it is a minimum capacity utilisation of ₹ 500 crore, and it is certainly higher than that.

Rajesh Majumdar: Yeah. Because as I understand, capacity is a bit of a misnomer in this industry. It depends on the product mix, etc., which you can finally deliver from that facility, right?

Tarun Sawhney: It does. So, what we're saying is that we will be able to deliver a significant portion of that ₹ 500 crore will be geared products and geared services, including aftermarket services, and a smaller portion of that will be from our Defence business, but that business will not require significant investments in the future for enhancement in terms of overall revenues. The quantum of that enhancement in capacity is something that we are not declaring at this particular point in time.

Rajesh Majumdar: My last question is on the capital allocation. How would we go ahead in the future? Because we had a certain plan on ethanol, etc., which seems to be slightly in the back burner for the time being. So, if we look at the cash flows being generated in the future, how will we be able to allocate our capital, also dividend policy, etc., or buyback in this regard, if you could highlight?

Tarun Sawhney: I think in terms of return to the shareholders, the Board's policy remains unchanged. And I think we've declared that, given on our website as well. In terms of allocation of capital towards growth, I think we're in a dynamic business environment, and things will change, things will come about at different points in time. So, I wouldn't say that looking at our postponement of one distillery at Sabitgarh is any great shock to the system. It is just been postponed. And I think I'm quite confident that the Ethanol Blended Petrol (EBP) programme will surpass EBP20 in the very near future.

And we're very bullish about that and all aspects of bioenergy for our nation. But allocation of capital will go towards the growth areas of the business. You've already seen the Board has allocated quite substantial amounts of capital towards the Power Transmission business. And from time to time, it will evaluate capital expansion within Sugar, Distillery and our Water business.

Rajesh Majumdar: At Sabitgarh, I mean if the policies of the Government were to change, Sabitgarh can be commissioned in a fairly short period of time? That's like just an added question.

Sameer Sinha: Yeah, I think so. Once we take a decision, we will be in a position to implement it within one year, because what we've already done is that we have frozen the engineering, we have got environmental clearances, all those things are in place. And we have discussed with the vendors, not placed the orders, but taken it to a fairly advanced negotiation stage.

Operator: The next question is from the line of Jayesh Mestry from Asit C Mehta Investment. Please go ahead.

Jayesh Mestry: Hi, good afternoon. My first question, the way you are into making yourselves into a many business vertical from a traditional sugar and ethanol blending. So now from this acquisition and the way you are spending a CAPEX for this bottling facility also. So by making that the way you are also doing a multi-feed facility, you are also creating. So it is one kind of new vertical apart from ethanol blending, you are also making yourself into ENA kind of thing as a full-fledged, that is the main business strategy to open up that new verticals by this acquisition and also setting up this facility as far as business growth is concerned. That's what I understood. Correct me, if I'm wrong? It is my first question.

Tarun Sawhney: Yes. I think you're a little wrong. The acquisition of shares is in a business that runs a sugar factory and 100 KLPD ethanol plant. With respect to the second part of your question, with the IMFL and bottling business, that is very directly a move towards premiumisation and forward integration of our existing products. We are already a large manufacturer of ENA in our existing facilities. So, this is a forward integration of that business.

Jayesh Mestry: So, this is one kind of synergy that can be read?

Tarun Sawhney: I'm afraid I don't understand what synergy you're talking about.

Jayesh Mestry: I mean to say that this acquisition will give you synergy.

Tarun Sawhney: Absolutely, because it is in lines of businesses that are closely tied to the existing business operations of Triveni Engineering. It is also very close to two of our largest sugar factories and our large ethanol facilities as well. So, the geographic proximity as well as industry comfort is the rationale.

Jayesh Mestry: Second question, sir, the way the operating margin that has been improved in this particular quarter, we should be able to maintain around that trajectory in the coming quarters as far as your operating margin is concerned?

Tarun Sawhney: I am afraid we don't give forward guidance for our business performance.

Jayesh Mestry: And lastly, the way the Government have imposed some kind of temporary restriction and on export of sugar and also some kind of stipulated quota for ethanol manufacturing. But you are going to start with some multi-feed facility. So, what we understood that impact of that particular thing as far as ethanol blending will not be that much significant to you vs your peers, because you have a multi-feed facility, so you have another option as well apart from the sugar. So, correct me if I'm wrong, that's what, so it would not be that much be impacted to you by this particular thing?

Tarun Sawhney: Yeah, you are absolutely correct that we can move between various feedstocks in the generation of ethanol or ENA as the case may be. So, we have that flexibility for the majority of our facilities, including the new facility at Rani Nangal.

Jayesh Mestry: So that will not be a significantly impacted to you vs. your peers, right?

Tarun Sawhney: Yes. I think I have addressed that in the previous commentary during this call.

Operator: The next question is from Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: Good afternoon. So just two questions from my end. One is, I missed the number on the past dues for Sir Shadi Lal of cane arrears?

Tarun Sawhney: The cane arrears for Sir Shadi Lal as we understand are ₹ 225 crore for the previous season. This season's dues have been paid in their entirety as we understand.

Chetan Thacker: Understood. And the second bit was more on the IMFL. So, ₹ 25 crore is the investment for bottling. But over and above that for branding, marketing, what is the kind of investments that you are envisaging at this point of time?

Sameer Sinha: So, going ahead, we are competing with various established brands. But in terms of the product development, we know we have got a very good product. In terms of packaging, we have engaged the best agency, but we will not be making a huge marketing splash over here. Therefore, in terms of the total outlay for entry into this business and the media plan and the marketing expenses will not be very substantial, let's put it this way, without divulging the competitive numbers. And this is also restricted only to the initial launch would only be in the state of UP.

Chetan Thacker: So it will be more of a district-state strategy that you will be adopting as you then scale up this business and keep recalibrating?

Sameer Sinha: Yes, it could be a regional strategy of UP, and UP is a very important market as a percentage of the national sales, etc. And therefore, based on the success of the products, its acceptance, we'll roll it out over a period of time to the other states.

Operator: Thank you. I'd like to hand the conference back to the management team for closing comments.

Tarun Sawhney: Thank you very much, ladies and gentlemen, for joining us for the Q3 & 9M FY 24 results earnings call for Triveni Engineering & Industries Limited. As I mentioned, during the course of this call, I think that all the businesses have performed well, some much better than others. I think the performance of the Sugar business and the Power Transmission business is certainly notable. And I look forward to getting back to you about the growth that we have in these businesses at the next call, which will be for our full-year results. Plus, I do believe that there is a lot of upside within the Distillery business, and that Q3 is a mere anomaly in the longer-term picture.

And we are very much on track for ethanol blending of 20% and the Government, is in full support of this particular business, and similarly, with the Water business as well, I think Q3 was an anomaly. And I think the full-year results will showcase that when we speak in a few months' time. Thank you again and have a good day.

Operator: Thank you very much. On behalf of Triveni Engineering & Industries Limited, that concludes the conference. Thank you for joining us.