Triveni Turbine Limited

Q3 and 9M FY 18 Earnings Conference Call

February 12, 2018

Moderator Ladies and gentlemen, good day and welcome to the Triveni Turbine Limited Q3 FY '18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, sir.

Gavin Desa Thank you. Good afternoon, everyone and a warm welcome to all of you participating in the Q3 & 9M FY 18 earnings call for Triveni Turbine Limited. We have with us today on the call Mr. Dhruv Sawhney, Chairman & Managing Director along with 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 has been e-mailed to you earlier. I would also like to emphasize while this call is opening to all invitees, it may not be broadcasted or reproduced in any form or manner. We will start this call with opening remarks from the management following which we will have an interactive Q&A session. I now invite Mr. Dhruv Sawhney to share some perspective with you with regard to the operations and outlook for the business. Over to you, sir.

Dhruv Sawhney Thank you, Gavin. Good afternoon, everybody to the Q3 and 9M FY 18 investor call. I am going to take a little longer than normal to brief you on the operations, how the situation is today and our thoughts of the future.

Net income from operations was at ` 5.07 billion and the lower turnover is on account of rescheduling of deliveries by customers and the delay in the execution of certain development orders, actually this has happened both in the domestic and international market. When I come to Q4 and going down, there is correction that is coming on fairly quickly, but the situation is as of today.PAT is at ` 606 million. The strong point is that we have had a strong order intake during the Q3 and 9M FY 18 and we have 9M order growth of about 9%, but the key point is that our export order booking has increased by 33%. There had not been much movement in the domestic market and as I will come to later, this is what is reflected in the 9 month accounts, but the export order booking growth which was not there in the previous year i.e 16-17 has changed and now with the strong outstanding order book of ` 6.97 billion, it is about 10% higher than what we started off with at the beginning of the year. And the decline in margins is primarily due to the sales mix both in the product and aftermarket.

The order booking in last year was down on exports where the margins are much higher. These are being executed this year and this situation will correct itself because of the substantial increase in export order booking in the first 9 months and what we contemplate also for the balance of the year. There is also adoption of hedge accounting in the current financial year. As a result of which hedging, gains and losses which have been considered in other comprehensive income against other income or expenses reported in the previous period and so sort of an MTM gain of about ` 6 crore would be reflected when it is realized.

During the 9 months under review, domestic sales are significantly higher at 14% and exports are lower by 28% and this has had an impact on the overall margins. In the aftermarket segment, revenue from refurbishment has been lower than our estimation. This has taken longer especially on the export market side to pick up, but we are seeing very good enquiries and certain things are under finalization now, but that is the scenario for the consolidated performance up till now.

The domestic market continues to remain muted and last time too, I had given a more brighter picture, but I might kind of see that in fact there is a decline of about 10%, even though new enquiries generation more or less is at the same levels - 1.2 gigawatts, but the market has gone down. People are taking much longer to decide on brownfield, green field projects. In the process area that we all know are not happening in the way that we had thought it. Now we are again focusing on the export and the aftermarket for the next 6 to 9 months in terms of order booking and execution and putting new efforts there. While new enquiry generation in the international market has not improved because you know that in the power market in general, there has been a very big problem with the big majors. But in our line especially under 30 megawatt, enquiry generation has not gone down and neither has the market gone down, but the good fact is that now we are having improved new enquiries coming in from certain parts of Europe and Central and South America. Where we have seen results in the last 9 months is in the parts of South East Asia, very good results in Thailand Vietnam and South Korea in the process co-generation and waste-to-energy. These were better than expected and are expected to go forward. These are countries which we are expecting to carry on with their growth and concentration in renewables in the Biomass and waste-to-energy and process of co-generation area.

On the product order booking side, the international market is gaining momentum and the domestic product order booking in 9 months has shown a decline of 24%. In the international market, we have had a growth of 55%, that is ` 2.7 billion exports vs. ` 1.7 billion and the domestic ` 1.6 billion vs. ` 2.1 billion last year. The domestic market being constrained has had an effect on competition. We have not lost market share, but there is an impact on prices and margins. Fortunately, this is not prevalent. There is some pressure, but there is very slight pressure in the international market. But on the international scenario, there is not more competition. In fact, some of the older players are left now from South America, but because the market has been dragging and taking longer in 16-17 and parts of 17-18, there has been competition, but we see a much brighter picture as shown by our order bookings internationally going forward as well.

In the aftermarket segment, there has been a marginal growth of 2% in order booking, and on the turnover, a growth of 6.5% and the aftermarket sales to total sales has risen from 23% to 28%. Spares have shown a good growth. As I said, refurbishment has not met our estimation, services are flat, but both these areas are expected to take effect in Q4 and next year. The export offices that we set up, they have taken longer to have converted enquiries into orders and this is something that you just have to play with. We are correct in our decision the way we have gone as I said Thailand is gone up, so we are happy that we have an office there. South Korea we are handling from Thailand. Vietnam, we are handling from our office in Indonesia. South Africa we have an office and MENA also we have one. So we are in the right places and we do feel that these are going to turnout the way we have thought. .

In the 9 months under review, exports as I mentioned have had a healthy order growth of 33%. And this has helped the overall order booking. And while the spread at the moment is from South East Asia and Europe, if you ask me the new places where I am looking for is Central and South America which has taken longer but is getting a lot more traction now. And we are very well positioned there versus competition and our pricing is good as well. The mix of exports to total sales have come down from 56% to 44% and this is as I mentioned earlier on account of the lower order booking in FY 17. The mix of exports in the current year's order booking is now 54% from 45% in 9M FY 17. So this 9% growth we expect to continue and also expect FY 19 to be much better even though the volumes are going to be at about the same growth rate, but the mix is going to be much better and the surety of conversions are going to be also better. And we do not have to rely on the turnaround in the domestic market which still it happens; I would not like to put into the budget.

Coming to GE Triveni, the turnover has been in line with the orders in hand and the results for the quarter are reflective of the fact that there has been no dispatch and we have had to bear the overheads. But there are couple of orders that are almost in the finalization stage we are waiting for advances etc. in Q4. So what we would be expecting during the year as the time taken longer. But some we expect to complete before FY 18.

The strong focus that the Company has on technical development is continuing. And in fact, we are increasing our spend and we are increasing our market share in the ranges where we are not prevalent, we are having new product developments in the oil and gas sector. We are having new product developments under 30 megawatt for process co-generation. We have a new generation of blade profiles and modular program which was under development is now complete. The IPR of the Company has been building up very well and it is continued, and we are filing number of new IPRs in the overseas territories as well which is going to carry us forward and as a hedge to the vagaries of one particular market and one particular product range.

Domestically, I would say that while the sugar, food processing and process co-generation are very potential order givers, when they are going to come about is not clear. The movement in steel is good. Again, it is a little bit short to medium, cement we are not sure of, waste-to-energy is taking longer, but it is a segment that has to come. We believe that order finalization in FY 19 domestically will improve starting from Q1 and possibly in Q2

International pipeline I have already covered. But I would like to say one thing that in the international market in the renewable space, there is increased emphasis, not just on biomass but particularly on waste-to-energy and from a number of developing nations. In fact, they are going ahead as much faster than our domestic market and that augurs very well for our product range. In the sugar sector also internationally, there is better traction than we had expected especially from Central and South America.

Refurbishment is showing good visibility and in parts of South Africa, the South African Development Council region while they are not placing order for new equipment, they are looking very strongly at refurbishing older equipment. So a number of countries where they are not going in for new projects are now getting about thinking of refurbishing their old turbines and here we have very good chances. These of course as you are aware are the refurbishment of other makes of turbines. So it is a whole new line with a good margin. Based on the scheduled delivery for Q4, we believe that much of the backlog in deliveries will get addressed. Overall we expect a similar or marginally higher turnover for the full year. With a strong 9 months order book and a turnover and profitability is expected to increase quite a bit in Q4 and with the increased export and aftermarket operations and strong order book in the enquiry pipeline, we think that the performance this year for the Company is going to be good even though slightly below our expectations. Thank you.

Moderator Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan On the execution mix that we had, what was the quantum of execution that could have been done extra incrementally this quarter but is getting postponed. Is it domestic or exports and can it be recouped in Q4?

Dhruv Sawhney Yes, I mentioned that a bit. Actually, it is both and quite a bit of it is scheduled to be recouped in the fourth quarter, little bit has been done already because we are halfway through, but we are expecting quite a bit of it to be done in Q4. What slips of course will go to early part of Q1, but we are targeting quite a lot of it to be captured, that is why I can say that we are expecting the year's operation to be similar or marginally higher than last year.

Ravi Swaminathan And this challenge was related to export orders or domestic?

Dhruv Sawhney Both. There are little bit of both.

Ravi Swaminathan And approximate quantum, what could have been that?

Dhruv Sawhney I do not want to give the quantum, but one of the things we do is that we do not dispatch without payment. We are not relaxing our commercial terms. I think one of the things that Triveni has managed is that we do not have all these debtors and those problems. So I would rather take the impact on turnover and tell you what it is quite frankly rather than compromise and have the dispatch and book the sales and profit and then have it as a due. So we had not changed our commercial terms either internationally or domestically. See internationally, we have FOB supplies and sometimes they just take 6 weeks to send the ship, so you just left with, these are not commercial things that you can really go on, on an escalation or something because you want to preserve the relationship. So I would say that we will continue with our commercial policy. So given that commercial policy, I am still expecting most of it to be recaptured, but let us see, that is the long and short of it.

Ravi Swaminathan Sir internationally, the demand scenario or rather the economic activity in US, Europe etc. has started seeing an improvement, and the commodity prices were here and oil prices also are going up, so do you see traction improving from key markets especially Middle East you used to talk about large or sizeable orders?

Dhruv Sawhney In the Middle East, it takes time to get registered with various agencies and that has progressed well. So we expect a good enquiry intake and that has improved by the way, you are quite right. That activity is coming up and so we are concentrating on the Middle East and with the dispatch of our order on Kuwait National Petroleum Company which is one that got delayed one from the customer side. Actually, they are not going to commission it, they are 9 months back on their own project which is one of the things you can't do anything about. So it is a big thing for us and it is still on track and in the US, we have not approached the US market till now. But we are seriously exploring the markets now that we have an office in London and looking at servicing it much better from there.

Ravi Swaminathan And with respect to the domestic market, what would be the size of the market? In earlier calls you had mentioned that 0 to 30 megawatt would be somewhere around 400 to 500 megawatt….

Dhruv Sawhney 387. So you know it is 8%-10% lower. There is no big market.

Ravi Swaminathan And in terms of steel, you have mentioned some improvement which is there. Is it with respect to the larger players or mid-level ?

Dhruv Sawhney But this is very preliminary enquiry levels you know. So this is not even budgetary. So I don't want to put that as anything in a target till I start getting more traction in terms of serious discussions. So that is why I am not putting the domestic market as anything where we are concentrating in the short term. We have to renew our efforts export wise. That is an upside when it comes. But it is not something that we are saying right now.

Ravi Swaminathan After sales, it has grown at single digit. You told that there are some issues with respect to the refurbishment. In next 1 to 2 years, do you see it coming back because we have been spending so much in terms of setting up offices?

Dhruv Sawhney Yes, fair point. We are seeing a very strong improvement in refurbishment in FY 19. That is the latest feedback I took about 2-3 weeks ago for our 2018-19 budget globally. We are seeing a very strong committed order booking.

Ravi Swaminathan But refurbishment would be what percentage of aftermarket share, any rough figure?

Dhruv Sawhney You see, a lot of refurbishment is done by local players and that is a very small refurbishment. Our refurbishment is getting the rotor back to Bengaluru. So we are competing in different space. People want to do small little refurbishment, we can't do that because as you need a workshop and that has a lot of overhead for the type of market size. So what we quote on seriously we have very strong hit rate.

Ravi Swaminathan Lastly if you can give the status of the new facility and also the GETL's 9M FY 18 numbers, you told execution was not there in this quarter, but 9-months number both revenue and PAT.

C. N. Narayanan I think, Ravi, it has been provided in the investor brief. We have around ` 93 crore of turnover and around `1.6 crore of profit.

Ravi Swaminathan Okay. But that will be for the JV level, our share would be by 2, right?

C. N. Narayanan Yes, exactly.

Ravi Swaminathan Yes, and the status of the facility, sir?

Dhruv Sawhney Yes, the facility is extremely good. We have had lot of visits by international customers from the combined cycle line and the oil and gas line. We have now moved all the larger turbines there, as the very high-speed balancing is going to be in operation in this month. So it is all complete and production is going off. The GETL large turbine especially the 80 megawatt, one to Argentina will ship from there. There is not much cost left too, there is no CAPEX coming in and not expected for 2018-19 as well. There is almost no CAPEX. That has been all internally funded. So we have got not much fixed overhead. The productivity is better now in the last quarter than what we expected and actually better than our old facility. So it is a good decision. I would say that we have the capacity to almost double turnover.

Ravi Swaminathan So capacity utilization is roughly around 60%

Dhruv Sawhney Yes, but means that is low cost, so it is really a question of, you cannot say capacity. We have got the capacity now to take on a larger range of products, more sophisticated products in our testing and in our assembly. So we can cater to a higher range also.

Moderator Thank you. The next question is from the line of Manish Goel from ENAM Holdings. Please go ahead.

Manish Goel Just on to get a perspective on near term growth sir, we mentioned that both domestic and international pipeline has been more or less similar and if I look for the first 9 months, the order inflow has been single digit. So just to get a perspective on FY 19 as to would it be possible to register a double digit growth in such a subdued scenario with subdued inflows and the enquiry pipeline to be quite weak?

Dhruv Sawhney It is difficult to give a call, but I will tell you where the encouraging factors are because we are almost at double digit. It is in the international market in a new territory that is opening up. The enquiries are becoming more serious fromCentral and South America and the encouraging things we have had in South East Asia, Thailand, Korea. So I would say if the domestic market even slightly picks up, definitely we will get double digit. Without the domestic market picking up, we have to compensate for hardly any growth there. So you have to then get much higher growth in the export market and now we have got a higher base also.

Manish Goel Yes sir, but already like in current year, the domestic inflows have been quite subdued. So agreed that exports will do well probably next year based on the inflows, but domestic order inflow is quite weak on one side and on second side, even aftermarket seems to be just 2% on a 9-monthly basis inflows have been higher. So a bit concerned on the growth aspect for next year, that was one. And second on the margins as well. In the first 9 months, the margins have been almost 360 bps lower than last year and so how do we see that going forward as well because now steel prices are going up and lot of material costs are going up.

Dhruv Sawhney I mentioned that in the opening remarks but I will repeat it again. We have a much better margin forecast because of the order booking position today which is more export than domestic which it wasn't at the same time last year in the order booking. So that is why the dispatches that you have seen in the current 9 months are much more in the domestic market than on the export market and that has the effect on margins. But the positive part for the future is the order on hand, on export and going forward again is the growth in that and we don't find any slowdown generally in the global economies. There was something two years ago which affected exports in FY 17. But we don't find that now and Europe and Asia is quite gung ho so is Central America. Secondly, the position on aftermarket, domestic aftermarket, if there is not much growth in the market, then there is not much growth in the aftermarket. But we see good growth in the export aftermarket. So when I am talking about refurbishment growth, I am talking about services growth, it will mainly come from the export market and which is good because it is surer and it is at good margin.

Manish Goel So at least in coming times on profitability side, we will see much better growth than the topline, right sir?

Dhruv Sawhney We expect to see much better, definitely because of the change in mix and the various sectors that we are in.

Moderator Thank you. The next question is from the line of Anuj Sehgal from Manas Capital. Please go ahead.

Anuj Sehgal I just wanted to ask about the JV with GE. As you mentioned, the troubles that we are going through especially in the Power division, there is some discussion that they might be retrenching from some of the market. So could you share some thoughts as to whether the small turbine market is a focus for them and what is your sense of how do you see the JV continuing from here on?

Dhruv Sawhney I am glad you asked that because perhaps I should have clarified that GE when it had the merger with Baker Hughes, formed the Company called Baker Hughes GE in which it has 60% holding. And our joint venture now and the lower turbine line of industrial turbines which is above 30 - 100 megawatt have been transferred from GE Power to BHGE. Now BHGE is primarily in the industrial and oil and gas area and this area actually is doing better. So we are not dealing with GE Power or with GE, we are dealing with BHGE and the official collaboration is also with BHGE and that market is okay and where we may have a saying is in the combined cycle supplies of the power market, but that is same to all the competitors, whether it is GE or it is Mitsubishi or Siemens and I have already covered that. But that was not a large part of GE Triveni. It was catering to the sugar industry, the process industry, the steel industry; some part was to oil and gas industry, fertilizer in Indonesia and Argentina. So these problems of the Power sector generally, it does not affect us. What it has done in one or two cases is delaying some deliveries which were to the combined cycle which we already had. So that is one of the answers.

Anuj Sehgal Yes, and I just had a follow up question. So now that you are dealing with the JV, the Baker Hughes-GE JV, there is also discussion that GE might be looking to sell the Baker Hughes business. So what happens in that scenario?

Dhruv Sawhney But the technology is all with BHGE, it is not with GE. The Alstom Technology, the GNP Technology, the GE Technology is not with GE, in this line of above 30 -100 megawatt. It is with BHGE. So actually the GE Power is in the higher line above the line of industrial, it is more in utility and gas. It is an important question and glad you asked it.

Anuj Sehgal No, but I think my question was it is not that if GE was itself Baker Hughes, then does that revert back to GE?

Dhruv Sawhney It will have no effect on us. Our agreements are still valid,. The technology is still there. The need of GE in our JV is not there, the need is only of BHGE, which is there. So the operating point is, and what you are asking is similar to what some customers ask. There is no difference in either getting orders or executing orders or servicing orders or the growth of the business.

Moderator Thank you. The next question is from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand First question was with relation to margins. I just wanted to understand do we have raw material pass through clauses in our contracts, so do we basically hedge kind of key raw materials? Just wanted to understand how we protect against rise in raw material prices?

Dhruv Sawhney We have long term rate contracts because we are buyers of specialized raw materials, you know turbines, all specialized, castings, so it is not really the commodity steel or other raw materials. So we have these long-term contracts and secondly when we get our orders from customers or when we are quoting, we make back-to-back arrangements with our suppliers, fixed price arrangements with them for those orders, the raw material for those orders before we take the order on.

Ashi Anand So we are fairly insulated in terms of as and when we get an order, we do.

Dhruv Sawhney Perfectly, I would not say no exposure**.**

Ashi Anand The second question is you mentioned earlier that our margins in exports are actually higher than domestic. So however, if you just look at the 9 months numbers and if I look at how margins have moved, while domestic revenues are higher than exports, we have actually seen a gross margin expansion and the margin declines actually come in terms of employee cost or SG&A expenses. I just wanted to understand if you could just explain the gross margin expansion in a period where domestic revenues have actually grown as a share.

Dhruv Sawhney One of the good things is that whether you look at the gross margins, we have managed to preserve our gross margins. Now sometimes you book certain costs in one quarter rather than another quarter, these are to do with offices or to do with certain site expenses. So I would really take it over the 9-month period rather than a 3-month period, but the important point to mention is that with all this competition and with this change in product mix, our gross contribution vs. last year is pretty good and we booked the expenses as we incur them. So sometimes you have some extra expenses one quarter, some time you have much lesser . It is a capital good, so it is very difficult when the order is a 12-month cycle to know exactly what is going to happen in every month. So I would ask you to look at the 9-month figures on the same question rather than the 3 months figure.

Ashi Anand So the only thing even if I look at the 9 months figure, the same kind of observation holds. Gross margin from a 9-month basis has expanded enough kind of period by domestic revenues have gained share.

Dhruv Sawhney Yes. This is because there has been some extra expenses on our overseas operations. You know, if the exports were at the same level as last period, then you would have actually seen, the margins would have gone up by at least 2% more.

Ashi Anand Okay. So the mix of the margins would be different and may not come through next at the gross margin level, would that be fair?

Dhruv Sawhney Yes.

Moderator Thank you. The next question is from the line of Pavan Kumar from Unifi Capital. Please go ahead.

Pavan Kumar Sir, my first question would be, what is the current order book outstanding on our JV side, GETL side?

C. N. Narayanan It is around ` 134 crore.

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Pavan Kumar Okay. And of this how much order book would be already included in the ` 6.96 billion order book that Triveni consolidated already carries?

C. N. Narayanan It is close to 50%.

Pavan Kumar Okay. So effectively our order book, if I am right comes to around ` 7.7 billion, right?

Dhruv Sawhney Yes. But we don't have that in the order book because you don't consolidate the order book neither do you consolidate the sales of the JV.

Pavan Kumar My question was actually very simple, last time in 2017 where it was our peak year where we did ` 770 crore of revenues and around `123 crore of PAT. So if we wanted to go beyond ` 800 crore, our order book has to go somewhere at least on the consolidated level ` 6.96 billion has to go somewhere around ` 800 crore, and on the present rate of order book growth that seems very unlikely. So what is your outlook?

Dhruv Sawhney You see, we had a substantial, if you look at the book and bill in the year 2017-18, the current year, what orders we booked in Q1 and Q2 and which we are going to execute this year, they are ` 160 crore. So I would say `1.6 billion. And that is only for product. For the aftermarket, it is even more because that has a 6 months cycle or 8 months cycle. So there is quite a lot of book and bill. So it is not, if it was a situation of looking at the current order book and that is going to give you the turnover for the year, then your point is right, but you have to forecast a certain amount of book and bill, now if I forecast the same book and bill as I got this year, then it is extraordinary but I can't be sure of that because even if I book the orders which they are going to be some part of it will, may not get billed but from `1.6 million you don't expect it to go down to nothing, there will still be a substantial book and bill as we have had for the last 4 years.

Pavan Kumar So, book and bill, what would be at least a rough estimate of what it generally turns out to be…?

Dhruv Sawhney That is a million dollar question because you don't know the customer, but you can roughly say, I am giving you the figures of actually what happened this year. You want to take all of it, you want to take 75% of it, and we know the potential order booking next year which is very good. How much of that when the customer, which month he will do it, if he does it and if he takes a little longer to give us the advance then we don't start executing it. So it is difficult to actually pinpoint the book and bill. But I would say that the main answer to your question is that the order on hand is not reflective of the growth of turnover.

Pavan Kumar Okay. And secondly on the JV side, we have not seen any new orders being booked in the last two particular quarters. This has also been mentioned in your notes. So when are we going to see the traction on that side and what are the problems we are facing, so that we are aware.

Dhruv Sawhney As I said in my opening remarks, actually I would say 95% close, but you know we don't close an order till we get the advance. But we expect traction in Q4.

Pavan Kumar Can we assume that the growth on the base of `120 crore is going to be very significant maybe this JV has a capability to maybe go 2 or 3 times and maybe okay, let us give a timeline of some 3 years, but does that potential actually exist?

Dhruv Sawhney No, if you look at where the markets are going, our JV's market share is still got a lot of space for expansion. Our contracts are just being executed and commissioned. And the international market is improving, certainly in the next two years; I do expect we had very good order booking two years ago, so there is no reason why you can't have the same sort of thing coming again. And that is a huge increase; even you go to 80%-90% increase of what you have done. Just a few orders had a huge amount to the turnover and order booking of the JV. So I would say definitely in 2-3 years we expect definite difference in the position of orders on hand and turnover.

Pavan Kumar On the JV profitability front, I understand there has been a slight decline on the revenue booking on the JV side, but the profitability seems to have come down significantly. We had done some, if I am right, ` 4.3 crore last year in 9 months as compared to some ` 50 lakh this year. So what are the kinds of challenges we are facing on the execution side?

Dhruv Sawhney It is the delay in dispatches, so the turnover is not there. So with our IndAS accounting, it is all at cost. So you have nothing coming in till you dispatch and export dispatches are actually when they go on the ship. And these are large turbines, so going from one quarter to another quarter and that 2 quarters ago, you suddenly have a big bump in profitability. So that is really, it is a reason of the execution of the orders, not a question of the margins on the order.

Pavan Kumar And my final question sir. Actually for this year, we have still held in our notes saying we might do revenues on par with 2018 during the Q4 or may be slightly grow it looks very challenging given your performance, we are around 12% down on the revenue side. So what are your comments on that sir?

Dhruv Sawhney I would not put it down if I did not think.

Pavan Kumar I know execution has to be much faster.

Dhruv Sawhney That is a good question. Let me say execution is not a problem. I am 200% clear that we have the capabilities and all the material is there. If there is, it will be from a customer, but I do not expect that also when I made that statement, but of course there is always a small caveat. We have taken that into account, but I can say that from an execution and having it ready, we are able to fulfill that statement.

Pavan Kumar And one last thing if you could just fit in. 2019, would it be a realistic expectation that at least I do not want a guidance on the bottom-line or whatever, but on the topline front, is it possible for us or is it realistic for us to expect some 10% growth?

Dhruv Sawhney I won't go there. But I want you to look at the order booking position.

Pavan Kumar It is 10% higher.

Dhruv Sawhney So you have to look and then I will give you the order booking position when we end the year and then you make some estimates of book and bill in the first couple of quarters. And then that is the result. So basically the movements are good. In this capital goods business, it is not as easy to give guidance or want to go that way. So I don't want to, I am not hedging something but I am laying out all the facts to you.

Pavan Kumar So overall we expect the profitability also to come back going forward?

Dhruv Sawhney Yes, absolutely. That is all the product mix and the growth in order booking.

Pavan Kumar But it will take place after Q4 since Q4 also there might be a significant proportion of domestic order.

Dhruv Sawhney No, we expect a much better margin in Q4.

Moderator Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh Sir, if you can help us understand what is the kind of end market breakup for the first 9 months in terms of Co-gen, Cement, and also from export market perspective what would be the proportion of or which geographies will be contributing and how much proportion in the export sales?

Dhruv Sawhney See, I can give broad geography, but I don't want to go into specifics, its market sensitive information. I will ask my colleague to see some, if he has the breakups available with him.

C. N. Narayanan Charanjit, broadly the breakup for the export market, we have almost 40% came from the Europe, almost 30% from the SAARC and Central, South East Asian region and the rest of them is spread all across the globe. So that is broadly the mix of exports and in terms of the segments we have, in terms of domestic, almost 60% of the order booking that came from process co-gen which comprises of paper, chemical and almost 20% is from sugar and the rest of them is spread over in from other segments. And the international market, predominantly , the orders came from the renewable space. And the balance is from sugar and paper and other process co-gen.

Charanjit Singh Sir, this renewable space in waste to energy you have talked about in the initial remarks also, if you can give us some more color about these two markets like how they are evolving internationally, which geographies are we seeing much more traction.

Dhruv Sawhney You see, this is evolving very well. Because you see with the environmental problems of zero discharge and most places are going to looking at municipal waste as something that you have to exonerate and so it is surprising that even some countries in Africa, more than we find the cities in India are coming around to this and basically this is a sure market. The problem is waste collection. In countries like India, waste collection is a real problem but in other places it is not so bad. Now still what is happening which is a very good thing for us is you are having a lot of these waste to energy projects where waste collection does not necessarily have to be in the very sophisticated western fashion of every four things in different types of containers and everything segregated and all that. You still have very good power generation and very good waste to energy projects coming up and very viable. So they are fundable. Now you are having a lot of private equity players even in the developed markets, but even in the developing markets coming into these projects, the technology is not a problem, either , so it is a question of local municipalities and towns and so this is something that we can only grow. And it is both in developing and developed markets.

Charanjit Singh And sir you also talked about LATAM and South American geographies and we have also seen you know good traction of South East Asian markets. Now going forward, has still you know our order book backlog doesn't give us so much comfort on a very high growth scenario. Could you see like some of these with geographies translating into bigger order inflows within Q4 and Q1? So which geography holds more promise for us, where you are seeing this visibility sir?

Dhruv Sawhney Central and South America and possibly Europe, a little more in Europe. I don't think there is a huge growth in the South East Asia, because it is done very well. So frankly to get a huge, I mean I certainly preserving what we are getting in it on a pro rata basis, but the growth to go over this base are coming from there and little bit from Africa, but then Africa, the problem is finalization. It takes a long time. They have lot of potential but we don't start calculating on it, the same way we thought earlier till it is much more advanced.

Moderator Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari Sir, I just had two questions. First one is you did mention about execution delays, customer led delays and all, I just wanted to understand if it is possible for you to quantify that delay for example ` 40-50 crore of shipments, you were not able to ship or something like that. That will be of great help and secondly sir, you have kind of touched on the domestic waste to energy space as well, where I guess you are targeting the municipalities over there. Sir, if you can throw some light over there with respect to margins because what we understand is normally the municipal business, normally what we perceive is to be of low margin and high working capital kind of a business. So if you can throw some light over there as well? Thank you.

Dhruv Sawhney I will take the second one first. Actually when you talk about waste to energy project, don't look at the municipal business from a municipal low margin because it is a sophisticated power plant where there are not too many players who can give these turbines or give the equipment for the incineration and the biomethanation. So it is a different space, so therefore the margins are substantially better than they are in domestic process co-gen for example. Secondly, as I said when we are saying that we are trying to make up the lost ground on the 9 months versus last year in Q4, there is a substantial amount of orders that has not got picked up or some parts of the logistics are not working out from a customer angle. So I wouldn't like to go into the exact figures except to reiterate that we do find from an execution point of view that all of these can get executed and we are hopeful that where the customers were not picking up in time for the first 9 months, they will do it now because they are saying they are going to do it now. So that is why I am making the statements because it is not on a basis of best wish, it is on a certain commitment.

Moderator Thank you. Ladies and gentlemen, with this I now hand over the floor back to the management for their closing comments. Over to you, sir.

Dhruv Sawhney Thank you very much. Thank you for these very interesting and very good questions. I would just like to reiterate that we are happy that we have a much better platform of order booking in the first 9 months both in terms of quantum and in terms of product mix of both exports and domestic and also our enquiry based on aftermarket in the export area is extremely good and we do expect growth in both Q4 and certainly in FY 19. So we expect a good push from here. The domestic market again, we are not sure as to when the turnaround will be, we will be looking at it on a quarterly basis with you. At the moment, we do hope it is going to come in Q1-Q2. Certainly, new geographies internationally are becoming much more promising than they were before. The stability of the industrial space in the developed markets such as Europe is useful; the stability of industrial space in South East Asia is very good. And with the oil prices now being different to what they were a year ago or two years ago, we expect North America and MENA region to also start giving much better results. So with that, I thank you all for participating in this call and look forward to talking with you in the next quarter. Thank you.

Moderator Thank you. Ladies and gentlemen, on behalf of Triveni Turbine Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.