



EXPRESSIONS

As you know, it has been another year of delivering very good financial results – the total income of our company crossing Rs. 3200 crore and profit after tax at Rs. 281 crore. This represents an increase of 47% and 50% respectively over last year. The company has an increase in export income of 69% to Rs. 678 crore, although a significant amount is deemed export.

We are fortunate to have a seasoned senior team under the dynamic leadership of Unny. My compliments to him and the management team. Unny has completed almost a year in the top job and is demonstrating the drive to take Thermax to far-reaching achievements as a solution provider in energy and environment.

For this achievement, I also thank all our employees, business associates, channel and supplier partners for their dedicated work. Thanks, also, to all our customers for their trust and continued business.

Thermax is also very fortunate in having a fine set of independent directors who bring valuable outside perspectives. With the induction of Dr. R. A. Mashelkar, the Board is enriched with one of India's foremost scientists and respected personalities. His global exposure will be invaluable in spearheading new thinking on research, technology and innovation within the company. I am delighted that Dr. Mashelkar has joined our Board. Unfortunately, Mr. Ravi Venkatesan has resigned as a Director due to his hectic work schedule. I would like to acknowledge his valuable contribution to the company during his seven-year tenure on the Board.

I also welcome Dr. R. R. Sonde, who has impeccable credentials to lead our innovation mission. With the combination of Dr. Mashelkar, Dr. Sonde and our people, I am confident that we will do extremely well in research, technology and innovation. More about innovation, a little later.

Thermax has done very well over the last few years, growing from a size of Rs. 680 crore to Rs. 3250 crore over a period of six years – a CAGR of 37% with a growth in net profit from Rs. 48 crore to Rs. 281 crore. The energy business is growing rapidly with the demand for power. In the short term, with fuel and commodity prices having increased significantly and a high interest rate regime, there is some slackness in the market.

Although in the long term, in a power starved economy like India, the outlook is good.

Climate change and a strong impetus on reduction in carbon emissions are shifting the world focus to clean and efficient technologies. With our emphasis on waste to energy and high efficiency products, Thermax has led the way in this sector – although there is a lot more that we will need to do. In the environment business, the company has grown with an emphasis on water recycle, performance chemicals and air pollution control.

Last year the company has signed three significant technology partnerships, in both energy and environment products, which will enable us to participate in the growth of these sectors. The agreement with Babcock & Wilcox, for subcritical boilers, will put Thermax in the big league of power equipment suppliers. Unny will soon be announcing a separate entity to look after this business. The Balcke-Dürr agreement will give us a definite advantage in extending the scope of our business in electrostatic precipitators; and with the Georgia-Pacific technology we hope to get some good mileage in the paper chemical business.

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The three areas of renewed focus for the company, in the next couple of years, will be operational excellence, innovation and selective internationalisation.

Operational excellence is an ongoing process of eliminating waste from all our processes, re-engineering our systems to increase productivity and reducing non value added activities, with a clear focus on the customer. Although we have come a long way in this journey, we will continue focusing on this imperative. Anup Gandhi and his team, I am sure, will lead from the front to make a difference.

Selective internationalisation has been a strategic objective of the company – we have grown in our exports, however, we will endeavour to create a bigger footprint in our chosen markets of the Middle East and South East Asia. We are in the process of drawing up an integrated plan, with a wider portfolio of products, to expand our business in these regions. Progressively, we would like to de-risk our domestic business with more emphasis on international

business – beyond equipment exports.

Innovation has to be seen as all encompassing – in processes, in technology and products. By taking a holistic view of innovation we will be ready for opportunities that are emerging in renewable energy, water and waste water management, energy efficiency and resource productivity – leading to sustainable growth. The involvement of our employees, at all levels, is crucial for the success of our innovation mission. A start has been made with the launch of the Thermax Idea Incubation Centre and I am hoping a large number of our employees will participate in this exercise.

Over the past few years, with demand for talent on the increase, our biggest ongoing challenge is to develop managers and leaders at all levels who demonstrate the ability to manage change in a constantly shifting business and social milieu. The company is providing these leaders with the right kind of training inputs and creating exciting opportunities for them to achieve their potential. Innovation and talent are closely linked and the right people and processes can make a huge difference.

Traditionally, talent in Thermax has always had a unique dimension – of being “entrepreneurs from within.” Many of our earlier successes were a direct outcome of this cultural phenomenon. I would like to see more of this in the company as we grow, where people take ownership of new ideas, new ways of doing the same thing and new business models.

On capacity expansion we have to move much faster to capitalise on market opportunities. I am happy that Phase I of the Gujarat plant has been completed and the next two phases are under way. Our chiller manufacturing facility in China has commenced trial production and will be operational by July, this year. Ashish sent us some pictures of the plant and I must say things look good. Pheroz, Unny and I are planning a visit some time in August to get a first hand feel of the facility and to gain some new insights into the Chinese market, which as you must be aware, is the single largest market for absorption chillers followed by Japan and Korea. This is our first manufacturing facility outside India and we should all be proud of this achievement.

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Currently, the economy is sending some

confusing signals. Commodity prices are rising, especially in steel, cement and non-ferrous metals. The rupee is showing increased volatility. Inflation is on the rise. Oil, coal and other fuel prices have further increased over the last year. As the major portion of our income comes from the projects business, especially energy systems and captive power plants, where the order backlog is lower, the rate of growth in the current year would be slower. However, **every one of us will have to put in extra efforts to stretch resources, use innovative ways, apply new ideas and take all measures to minimise the impact of external factors on our growth and profitability. This is also a golden opportunity to put operational excellence in top gear. I am a firm believer in the practical wisdom of “fix your company, not the economy.” I am sure we can rise as a team to tackle this challenge with the senior management showing the way.**

The Thermax Social Initiative Foundation, which was formalised more than a year ago, has undertaken a number of community initiatives during the last financial year. What I would like to reiterate here is that the Foundation's core objective is to bring quality education within the reach of underprivileged children to give them a fighting chance to change the circumstances of their lives. The first model school we had started has been a great success and we have recently launched the second school. This has been possible because of our close collaboration with Akanksha and the Pune Municipal Corporation, and last but not least, thanks to our passionate and committed staff. The whole idea is to replicate this model in Pune and maybe other cities. What gives Anu and me special joy is the voluntary participation of many of our employees when called for. Many thanks to all of you.

As Thermax grows and prospers, with its values in place, we would like to spread some of this prosperity around to strengthen the economic and social fabric of our society.

With best wishes,

Meher Pudumjee



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