

## Conference Call Transcript

Thermax

Q2FY10 Results

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### *Corporate Participants*

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**Mr. M S Unnikrishnan**  
*Managing Director*

**Mr. Gopal Mahadevan**  
*Chief Financial Officer*

## Questions and Answers

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**Moderator:** Ladies and gentlemen, good afternoon and welcome to Thermax's Q2FY10 conference call hosted by Edelweiss Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's opening remarks. Should you need assistance during this conference call, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Hiral Desai of Edelweiss Securities. Thank you, and over to you, Mr. Desai.

**Hiral Desai:** Good afternoon everyone. I would like to welcome you all to the quarter two earnings call for Thermax. From the management, we have Mr. Unnikrishnan, Managing Director, and Mr. Gopal Mahadevan, CFO. I would like Mr. Unnikrishnan to start off by giving initial remarks on quarterly results, after which, we can have the questions. Over to you, sir.

**M. S. Unnikrishnan:** Thank you Hiral. A very good afternoon to all my dear friends and well wishers. Thanks once again for your keen interest in Thermax and desire to know more about the results of the company. I have with me apart from Gopal, Akshay, Vishal, Amruta, Pratima and Ashish also with me, my young team who have done the number crunching. You must have gone through the financial performance of the company for the quarter. I'll start by sharing some of the highlights of the quarter unlike normally I would do the other way where I give the numbers first and highlights later. So I'll reverse in the current quarter.

We have signed a joint venture with SPX Corporation, a Fortune 500 company. In the initial phase, this joint venture will provide air pollution control systems for power plants above 300 MW and also regenerative air pre heaters which would be needed for improving the efficiency of power plants. The JV has already got the Registrar of Company's approval. The company will be up and going by the beginning of next year.

The power division has received the single largest order in the history of our company for 270 MW IPP valued at more than Rs 1,000 crore. The division also received an order from Middle East. The order is worth Rs 160 crore from Yemen. It's from a cement company known as National Cement Company. The division had taken the first ever international order two years back from a paper mill in Philippines and I am very happy to inform you that we have been successful in commissioning this plant and handing it over to the customer with 100% commitments met.

The boiler and heaters division of the company also had a fairly good quarter in terms of order booking. A single order worth Rs 255 crore from received from Jaypee Cement for four numbers circulating fluidized bed combustion boilers which is the latest technology. Each of these boilers is capable of generating

steam sufficient to create 60 MW of power. It's possibly the largest capacity CFBC order received other than maybe for the Meenakshi order.

Equally at the water and waste solutions business of the company, I have been talking for almost two years that we are doing quite okay in the municipal segment in terms of getting registration. Last quarter had been good for the particular division.

We booked orders worth Rs. 155 crore from the municipal performance unit alone, of which, there was a major order from the Mira Bhayander Municipal Corporation of Mumbai with 11 numbers of bioreactor. Another order was received from Jammu & Kashmir lake development authority. One more order coming there afterwards, is a Rs 43 crore order from Chandrapur Municipal Corporation. So the municipal corporation business which is funded by the JNNURM is certainly getting traction within the company.

We have also shared during the last conference call, maybe last year I believe, I would have spoken to you that our company has enhanced the chiller manufacturing capacity as well as set up new chiller testing capability - first of a kind and second only in the world - for up to 3,500 tons chiller capacity. I am very happy to inform you that we have received the first order for a 3,000 tons capacity chiller from a textile mill in India and the equipment is already manufactured in a record period and has been dispatched two weeks back from the factory.

The environment division, the air pollution control division of the company, has received a very large international order from a cement plant in Egypt in a World Bank funded tender worth \$20 million in fierce competition with European manufacturers. This is for bag filters and air pollution control equipment for the cement plant.

Our Savli plant has already received ISO 9001 certification during the last quarter. These are the overall happenings in terms of positives of the company. And the numbers are already in front of you and many of them would have also got other than, I mean printed documents with upcoming press release also. I'll repeat it for the convenience of all participants.

We have an order intake of Rs 2,050 crore for Thermax. 85% of this is from the energy segment and environment segment is 15%. The percentage difference of 15 you may feel it is a little lower in comparison to the normal tendency of Thermax of 80/20. It's dwarfing of environment done by a very large order of Meenakshi of Rs 1,000 crore, otherwise it's not bad. The order carry-forward for the company as of September end was Rs 4,600-plus crore against the Rs 4,071 crore which I declared a year back.

Total income for the company is 15.4% lower, as expected, because I had also conveyed that since we started the year with a lower carry-forward orders and order execution cycle had been slow, fairly slow let me say, because of the difficulty faced by many of our customers earlier. Now things are picking up. It is 680 crore as against 804 in the previous year. But if I were to compare these numbers to the previous quarter, it is a substantial improved position because

in Q1 of the current year, we were at Rs 538 crore so now we have gone to 680. Of the Rs 680 crore, 77% is from the energy segment and 23% is from the environment segment and further dissemination of the numbers is domestic business is 74% out of this 680 and 26% has come from the international business side.

Overall exports revenue for the company for the quarter and for H1 also is marginally better than the previous year, if I were to also remove the deemed export. And cash and cash equivalent increased during this quarter by almost Rs 135 crore. And Gopal, I am possibly jumping the gun to tell them that our current overall cash position is at Rs 687 crore at the closure of the last quarter. These are generally about all the numbers I may not want to repeat H1 numbers which you would have already gone through, I would rather give that time frame for all of you to ask me questions. Thanks a lot again and please come forward with your questions.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Participants who wish to ask questions at this time may please press \* and then 1 on their touchtone telephones. If your questions have been answered and you wish to withdraw from the queue, please press \* followed by 2. You are requested to use your handsets while asking a question. To ask a question please press \* and 1 at this time. Our first question is from the line of Kirti Dalvi of Enam AMC. Please go ahead.

**Kirti Dalvi:** Good afternoon sir.

**M. S. Unnikrishnan:** Good afternoon Dalvi.

**Kirti Dalvi:** Yeah. Sir, a couple of questions. First is, on our order book. Could you give us a breakup of order book in terms of energy, environment, and exports?

**M. S. Unnikrishnan:** Well, certainly I'll give you. Gopal, would you want to do the number?

**Gopal Mahadevan:** Yeah, sure, yeah. The total order balance as of September 30, 2009, is 4603 out of which energy is 3894 and environment is 709.

**Kirti Dalvi:** Okay. And sir, our international order balance?

**Gopal Mahadevan:** You want domestic and exports?

**Kirti Dalvi:** Yeah.

**Gopal Mahadevan:** Domestic, out of this, is 3983 and exports is 620.

**Kirti Dalvi:** Okay, and similarly can we get the similar breakup for a consolidated.....

**Gopal Mahadevan:** Sure, just give me a moment.

**Kirti Dalvi:** Sure.

**Gopal Mahadevan:** I'll repeat for everyone. This is the order balance. The total order balance for the Group as of 30<sup>th</sup> September, I am pleased to announce, has gone beyond the Rs 5,000 crore mark, it is 5,058 crore. The domestic order

balance is 4,410 and international order balance is 648.

**Kirti Dalvi:** Okay. And the energy and environment breakup?

**Gopal Mahadevan:** Okay. The energy and environment breakup is as follows: 4,339 for energy and 720 for environment.

**Kirti Dalvi:** Okay. And sir, consolidated order inflow, because I think 2050 is a standalone order inflow?

**Gopal Mahadevan:** Yeah. You want the order inflow for consolidated?

**Kirti Dalvi:** Yeah.

**Gopal Mahadevan:** The consolidated order booking for the quarter is 2,345, okay, energy is 2,026 and the environment is 319. And before you ask me domestic and international (Inaudible) that also. Domestic is 2,171 and international is 174.

**Kirti Dalvi:** Okay. Sir, was there any kind of forex loss or gain in this quarter?

**Gopal Mahadevan:** See, forex losses and gains, you know there is a gain/loss, it keeps continuously recouped you know over the top line. So, that is the continuous movement that keeps happening quarter on quarter.

**Kirti Dalvi:** End-to-end, okay.

**Gopal Mahadevan:** Recouped out of top line or you know reduction in the losses from.....

**Kirti Dalvi:** Okay. And sir, what is the average execution cycle for an order book?

**Gopal Mahadevan:** I will hand that over to Unni.

**M. S. Unnikrishnan:** The order of Meenakshi, Rs 1,001 crore order will get 30-month cycle. The project orders which are for captive power will vary between 16 to 20 months. And boilers and heaters, medium and large size would be ranging between may be 12 months to 15 months. But rest of them are less than one-year cycle, that is the way it is.

**Kirti Dalvi:** Okay. And sir, the last question from my side, what would be our capex for FY10 and as well as if you have figure for next year as well?

**M. S. Unnikrishnan:** We have two numbers normally spoken in capex. One is what we declare what is a commitment made and it gets spent across the project cycle which could be anywhere from maybe a 6 months on a project to an 18 month for the large ones. If you were to ask our capitalization, what we have done so far in the current year is, how much is that, do you have the number for capitalization? I will give you the capitalization number. But we have committed forward for the current year and part of that will also spill out next year it's going to be a double-digit number.

**Gopal Mahadevan:** Capitalization for the quarter is Rs 32 crore.

**M. S. Unnikrishnan:** And for the first half, Rs 59 crore is what we have capitalized

**Gopal Mahadevan:** You are right, yeah.

**M. S. Unnikrishnan:** So we would expect the capitalization less than Rs 100 crore in the current year.

**Kirti Dalvi:** Okay.

**M. S. Unnikrishnan:** Okay, Dalvi?

**Kirti Dalvi:** Yeah, thanks a lot, sir.

**Moderator:** Thank you Ms. Dalvi. Before we take the next question, we would like to request participants to limit their questions to two during the initial round of question and answer. Our next question is from the line of Madhuchanda Dey of Kotak Investments. Please go ahead.

**Madhuchanda Dey:** Yeah, congratulations on good order.

**M. S. Unnikrishnan:** Sure.

**Madhuchanda Dey:** My first question is on the order inflow itself. We have seen a very good traction in the first two quarters of the fiscal given the kind of bids that you had, what is your take on the second half?

**M. S. Unnikrishnan:** Madhu, I have been very lucky in comparison to the commitment which I made to all of you. I did tell that Rs 600 crore each is what we have done in Q1 and Q2, so I am very lucky. So I do not know will the luck prevail the same way. But we have fairly large number of medium size projects on order finalization level in the Q3 and Q4. I would consider Rs 1,000 crore Meenakshi order as a wind fall. Other than that, I should be able to be consistently giving, our aspiration is to have at least Rs 1,750 crore at the end of the next two quarters.

**Madhuchanda Dey:** 1,750 in H2 put together?

**M. S. Unnikrishnan:** Yeah, it's our current aspiration if luck prevails I can exceed like the way it has happened in H1.

**Madhuchanda Dey:** Okay. And what types of bids are there in the market, I mean any sense on that?

**M. S. Unnikrishnan:** There are many of them which are for captive power plants which are ranging from 20 to maybe 60 MW both in EPC form as well as in the boiler form alone. That is one. So the captive side is, apart from that, we have a lot of you know inquiries currently on the buying platforms from process industries for only heating, not the power, here I am talking about the standard boilers, in the food industry, in the chemical industry, surprisingly even textile some of them polyester side, there are inquiries. Which is a surprise because people were believing that that industry would be soon written off, but then there are committed expenses where we are already given the order for the main plant needing to be finalizing order for the boilers, the chillers water treatment plants. So that is a kind of spread available at this point of time.

**Madhuchanda Dey:** And sir, in this order backlog that you have of nearly Rs 4,600 crore, you said that Rs 1,000 crore is that large Meenakshi order and what would be the quantum of the captive power orders?

**M. S. Unnikrishnan:** Around Rs 1,000 crore plus will be there in captive power in the form of EPC and there are boiler orders which may be going for captive which can't be disseminated separately right now.

**Madhuchanda Dey:** No, but the boilers and heaters, order that per segment would be how much?

**M. S. Unnikrishnan:** Normally, we do not get into that level of detailing, because some of the orders are captive in nature itself. So in captive power itself, my order booking in boilers and heaters will be some for direct sale and some for captive so I wouldn't have the details for the con call kept ready. Let us put it this way that captive power and power put together will be a fairly good large number of the overall number.

**Madhuchanda Dey:** Okay. And if I may just ask my last question, there is some pick up sequentially in the execution, what is your take on the execution for the second half?

**M. S. Unnikrishnan:** It's certainly going to be better than the first half because see, for me, the main issue was the cash flow on the customer side. We have got capability to execute much more, we can execute even maybe Rs 800-900 crore, even Rs 1,000 crore can be executed currently, unlike a year back when my manufacturing capacity would have been a constraint. Today, I have a fully operative Savli factory in place and the manpower in place and automation completed. It will really depend upon the cash flow position of my customers which is also similarly looking better. Last year or maybe the last quarter, what happened is most of them were wary about paying money so we are not the kind of company who will dump the material and wait for the payment to come. We will normally verify with their bankers and their balance-sheet as to are we going to get paid within a reasonable period of time. So there looks like an improvement on the customer side and willingness also. And since I have seen the customers' balance-sheet also, most of them, I am talking about a lot of positivity, they may want to take depreciation by having plants commissioned before March. So I would expect H2 to be better than H1 in any case.

**Madhuchanda Dey:** And do you expect that at least last year's full year execution would be reached in this year?

**M. S. Unnikrishnan:** Certainly no. I did mention in the beginning of the year that since I have opened the year with a lower carry-forward that point of time and the economic difficulties, I am certainly heading for a lower top line than the previous year, which I had mentioned about.

**Madhuchanda Dey:** If you could quantify the same for the interest of --

**M. S. Unnikrishnan:** I would want to give, take a target on that, because my intention is to maximize it but let us say that within the early double digits or maybe a 10% equivalent because you guys will ask me the question back why didn't you achieve then. Normally we have a tendency of not committing but satisfying you.

**Madhuchanda Dey:** Okay, thanks a lot and all the best.

**M. S. Unnikrishnan:** Thank you.

**Moderator:** Thank you Ms. Dey. Our next question is from the line of Srinivas Rao of HDFC Mutual Fund. Please go ahead.

**Srinivas Rao:** Yeah, hello sir.

**M. S. Unnikrishnan:** Hi, Srini.

**Srinivas Rao:** Hi. Your exports have done well in the second quarter, so I thought in the beginning of the year, we were looking at exports to be somewhat weak, so has it changed, I mean what is the outlook here?

**M. S. Unnikrishnan:** It is purely on account of the fact that we have carry-forward orders available of project nature which could be executed so we have registered income. I need to confess that international markets have not responded very well because in case SouthEast Asia and Middle East our main two captive markets have not recovered fully like the way India has recovered or maybe China has recovered at this point of time. So going forward, I would certainly be very clear in my mind that we will have windfall orders. For example, maybe energy division is lucky that we have got one order of Rs 160 crore from Yemen and maybe one or two more on the anvil. So, I will be a little cautious on the international front for at least some more time to come.

**Srinivas Rao:** Right, sir because FY09 was a very good year for you.

**M. S. Unnikrishnan:** That is not easily repeatable at this point of time. Because in America, consumption is reduced, Europe is still reeling under difficulty, because of which investments in SouthEast Asia and Middle East are getting impacted, that is the reason for it.

**Srinivas Rao:** And sir, the second question is what is the current utilization rate at Savli plant and what kind of revenues are we looking for this here if you can share?

**M. S. Unnikrishnan:** I think I mentioned earlier in the con call that, as we are getting orders, based on the loading, we are having the manpower created. See for engineering factory, utilization will depend upon the manning done. So manning is done only as much as based on the loading. For example, loading for the panel factory is for up to June of next year, my **coil** factory is booked up to maybe I would say August of next year. These are two shifts operations, at these two plants. Whereas my drum plant is running at maybe 55% of the overall rolling capacity at this point of time. That is the way it is getting loaded. So we are running a third shift also. Bbased on the current loading I can do a little more by having higher manning done, then but the people who are available, the workmen, need to be getting trained more and more as these are coded vessels getting manufactured as per the Indian Boiler Regulation or there will be American Society of Mechanical Engineers (ASME) stamp needed for it. So we cannot accelerate production beyond a level like a cement plant or maybe one of the auto lines that is a constraint on that. I am happy that thankfully the other negative turn or maybe order booking were to be in the same condition as maybe Q4 of last year or Q3 of last year, there would have been a high level of



idling in the factory.

**Srinivas Rao:** And what would be manpower on the shop floor now?

**M. S. Unnikrishnan:** 450.

**Srinivas Rao:** Okay. Right sir, thank you and all the best.

**M. S. Unnikrishnan:** Thank you Srini.

**Moderator:** Thank you Mr. Rao. Ladies and gentlemen, before we take the next question, we would like to request participants once again to limit their questions to two as there are several participants waiting for their turn in the question queue. Our next question is from the line of Venugopal Garre of Credit Suisse. Please go ahead.

**Venugopal Garre:** Hi, good afternoon. I actually wanted to check some details on the Rs 1,000 crore order that we have won. I just wanted to understand as to when we would actually start executing that. Is there any time lag between the commencement of execution or have we received advances on the order? And second thing is in terms of the TG set because that is something which we do not manufacture, do we normally go in for a back-to-back arrangement when we bid for these orders? And on the BOP side since it's an EPC order, what is the various BOP equipments we will actually need to outsource?

**M. S. Unnikrishnan:** Frankly, you are from the power industry, it looks like, like the kinds of questions you asked. Normally, I do not get asked that kind of questions so , thank you. Anyway, the advance has already come, full advance has come and there is a stage advance of further also, 5%-5% each further will be coming in. LC is also now opened. So, the financial tying up is already completed. Then the work has already started at the site but the pace of pickup for a power plant execution will not be substantially good for the first six months. So, currently piling work is going on, site office is getting constructed, approach roads are getting constructed but that won't have any accretion of revenue happening in the current year, even minor numbers could happen. The main revenue will kick in sometime maybe between 12<sup>th</sup> month to maybe 20<sup>th</sup> month, it would be the real revenue getting for the company happening. So that is as far as next item is concerned. You asked a question about did we have back-to-back support, yes. We had a back-to-back arrangement for the TG supply. Balance of plant, what we will be constructing within the company is air pollution control equipment, water treatment plant, waste water treatment plant, the water intake system for the seawater are the items which will be constructed by the company whereas we will be designing the fuel handling plant, ash handling plant and it will be subcontracted to two nominated people whom we have already decided to place order on. These are the main items over here. Then the civil work is the next item where we already have Simplex working which is one of the finest of the Indian companies to do construction. We already have our part, have already started the work over there. We will have one more civil company to make the chimney and maybe a couple of buildings over there, on which we are yet take decision. So that is about the entire view of BOP and other items. Another thing to talk about is that on

electrical side also we had, a partnership with one of the companies and we have already placed order with them also. It's one of the multinational companies of India.

**Venugopal Garre:** Okay. Sir, my second question is you know this is Meenakshi phase 1 right, there is another phase 2 which is also expected to come up. So is it also something that we have bid for or --

**M. S. Unnikrishnan:** That bidding is actually starting. There, will it go for an EPC or will it take an EPC, 600 MW, if it's going to be single. Thermax will not take an EPC because I did mention about that de-risking of, the company will demand that I do not take EPC orders of very large nature. 200-300 MW, I may take so that is the decision to be taken by the company and we are in touch with them we will be the preferred party ideally as a boiler supplier minimum, even also as EPC supplier let us take that.

**Venugopal Garre:** Sure, thanks a lot.

**M. S. Unnikrishnan:** Yeah, thank you very much.

**Moderator:** Thank you Mr. Garre. Our next question is from the line of Nainesh Rajani of Tata Mutual Fund. Please go ahead.

**Nainesh Rajani:** My question has been answered. Thanks a lot sir.

**M. S. Unnikrishnan:** Thank you Rajani.

**Moderator:** Thank you Mr. Rajani. Our next question is from the line of Aparna Shankar of SBI Mutual Fund. Please go ahead.

**Aparna Shankar:** Yeah, thank you very much and congratulations once again. Most of my questions have been answered same as people concern. Only one thing is that current order backlog, how much is Brahmani and Essar Steel component is still carried forward?

**M. S. Unnikrishnan:** Thank you Aparna. You are certainly a banker asks the questions like. Brahmani is Rs 290 crore and Essar is Rs 380 crore.

**Aparna Shankar:** Okay, thanks a lot sir.

**Moderator:** Thank you Ms. Shankar. Our next question is from the line of Grishma Shah of Envision Capital. Please go ahead.

**Nikunj Doshi:** Yeah, this is Nikunj Doshi here, good afternoon. I just wanted to understand from you guys the macro picture from what you mentioned it appears that the projects which were on backburner which are going slower or picking up, but are you seeing initiation of new capex cycle happening in the economy overall what's your call on that?

**M. S. Unnikrishnan:** It's a mixed reaction Doshi. There are some sectors which are still investing. For example, cement sector, all of us expected that the cement prices may drop down. but they surprised us with inquiries. Last quarter also, we had orders from JK Lakshmi for one more plant. We have another order from Madras Cement for an expansion program. We are in negotiation with at least two more cement companies at this point of time for captive power plants. We lost an order in South for one cement company to a competitor. But, as an

industry, I am seeing a movement. Then, the secondary level steelmakers, I am not talking about the TATA level, I am talking about the Bhushan equivalent, are still back in the market. So I can see that movement happening. Then there is revival in sponge iron, even the guys who shut their plants have also started negotiating with us. We see a recovery as well as for the captive power plant. I can see a major revival in the food industry because if I were to look at the numbers what we believed the food processing is climbed on to the third segment for me in the last quarter. It is not aberration, there are a lot more investments happening over there. And one more information we can give is anybody who has got fairly good balance sheet has investing capacity even though the market demand may not be there. Everybody is looking forward to an upturn to happen maybe some number of months or quarters ahead of today.

**Nikunj Doshi:** Okay, thank you very much sir. Thanks for --

**Moderator:** Thank you Mr. Shah. Our next question is from the line of Atul Tiwari of Citigroup. Please go ahead.

**Atul Tiwari:** Yes sir. My question is only on large size boiler plant. How much is its current capacity in megawatts for the utility size boilers you have?

**M. S. Unnikrishnan:** Atul, it is a very difficult question to answer for an engineering company. Well, our factory in Baroda has got multiple plants, each plant is making some component for the boiler and the boiler gets constructed in the site only.

**Atul Tiwari:** Okay, but say would it be fair to say that at one point of time, or say on a per annum basis, you can deliver say 1,000 MW or you know --

**M. S. Unnikrishnan:** 1,500 MW can be delivered by the company if everything goes smooth, that is the average capacity for --

**Atul Tiwari:** How much sir, 2500?

**M. S. Unnikrishnan:** 1500 MW if we make boiler for 25 MW, 50 MW, 60 and 135 is also what will be made there only. However it can go upto even 2000 MW if large capacity orders are received say 200 – 300 MW. I am talking about an average order inflow, average product mix also.

**Atul Tiwari:** Okay. And sir, in terms of the individual unit size, what is the maximum unit size that we can do, 300, 500 currently?

**M. S. Unnikrishnan:** 350 MW is the constraint is on the drum. If I am able to augment my lifting capacity with the crane, I can even make 500 MW drum from there.. Whereas if I were to look at my panel factory, then we can even do 600 MW because the panel is panel whether it is for any megawatt capacity.

**Atul Tiwari:** Okay. So currently, you can do 350 MW in the end with some improvement even you can go up to 550 MW. Yeah, and sir, is there any plan to take up you know supercritical and take this unit size to around 800 MW?

**M. S. Unnikrishnan:** I'll repeat my answer. The guy who does the graduation is intending to do post graduation. So I am waiting for my first graduation

certificate that is commission of first plant .

**Dipal:** Sir, this is Dipal here from Citigroup, if I can ask a question.

**M. S. Unnikrishnan:** Yes, Dipal.

**Dipal:** Sir, regarding the supercritical, do we have any subsequent arrangement with backup with Wilcox regarding the same?

**M. S. Unnikrishnan:** See, for supercritical they would be the ideal partner for us because they made the first level supercritical boiler of the world in 1956. So they are the natural partner. So it is at some discussion level at this point of time let us say.

**Dipal:** Okay sir but when would we expect this post graduation happen, within a year or so?

**M. S. Unnikrishnan:** Next.

**Dipal:** Next year or so?

**M. S. Unnikrishnan:** Yeah.

**Dipal:** Very good to hear sir, thank you so much.

**Moderator:** Thank you. Our next question is from the line of Akshen Thakkar of Enam Securities. Please go ahead.

**Akshen Thakkar:** Sir, most of my questions have been answered. I just wanted one perspective for you as to how are you seeing pricing in the new orders that you are winning?

**M. S. Unnikrishnan:** Frankly, the orders which we have been received in the Q4 of last year and maybe part of Q1 of the current year would have been with a very ferocious competition. So margins would have been under stress but then they do not leave it at that, we will ensure that we negotiate with our nominated suppliers also for part of the burden so that we are able to retain the balance. Current orders from larger projects, once you have sufficient booking and you stick to your margins. So going forward, I would look at margins improving. Whereas for smaller projects even now there are a lot of small guys around who are still in difficulty so the smaller competition maybe nibbling. So it's a mixture. Let me also tell you there was an expected price increase in commodities going forward for Q3 and Q4, though today, I have read that Jindals have reduced the price by 5% for the flat, I have just read in a newspaper afternoon. But I do not know if SAIL would do it. The industrial information on commodities is that they are waiting for the market to pick up in India, and if there are no international negatives to be heard, then they will want to increase the price by at least one or two stroke, they may do by March. If that were to happen, then margins for everybody can come under minor pressure let us say. Passing on the price increase in the current market may not be possible and keeping the price reduction in the pocket is a possibility.

**Akshen Thakkar:** Okay. So would it be a fair assessment then to say that this year, probably you would do marginally lower margin compared to last year and in FY11 and FY12, we should see some margin expansion?

**M. S. Unnikrishnan:** The first question of yours I will not answer because for first half, I think I have done better than the previous year in terms of margin in terms of profitability, there might have reduction in top line. So I cannot accept that it will be lower..

**Akshen Thakkar:** And sir, just one more thing, if you could just share your outlook for environment business going forward, because this year, first two quarters, you have seen a sharp Y-o-Y decline, so when do you see those revenues on the environment segment stabilizing?

**M. S. Unnikrishnan:** The environment business of mine is divided into two: one is air pollution and water and waste solutions. Air pollution control is the one which has taken a major dip last year because most of the people from the steel industry, cement industry, some of them had late budget, more on the steel side. I would expect that will be catching slowly only. Whereas the water and waste solutions, I have picked up good number of orders in the current year, most of which have a revenue execution period of 12 months' period, so I can see some improvement in the next year to happen in that area.

**Akshen Thakkar:** Okay sir, that is it from my side. I'll come back if I have further questions. Thank you.

**M. S. Unnikrishnan:** Thank you.

**Moderator:** Thank you Mr. Thakkar. Our next question is from the line of Bhargav Budhdev of Noble Group. Please go ahead.

**Bhargav Budhdev:** Good afternoon sir.

**M. S. Unnikrishnan:** Yes Bhargav.

**Bhargav Budhdev:** I have got a couple of questions. Sir one is on would it be possible to share the EBITDA margin for the IPP orders that Thermax has won? And second, if you could throw some light on the competitive scenario in the utility boiler segment as compared to the industrial boiler?

**M. S. Unnikrishnan:** First one, I am forbidden from answering from my customer and I am sure my competitors would be happy too. But let me say this is the first entry order for the company in the IPP segment and we have taken a fairly aggressive price but Thermax takes orders that are profitable, that much I can tell you. Again on the competitive scenario on the utility where we are currently presenting subcritical the competition is from BHEL, from Ansaldo who are currently operating from Bombay, they are also quite aggressive. Cethar Vessels also has started bidding for it though it does not have a very strong collaboration nor technology support. BGR Energy, not much, one or two cases only we found, that is the competition.. The Chinese are still there incidentally I mean a lot of the new generation developers do have a tendency to patronize Chinese on account of the fact that prices are fairly low. So the government is now putting some screws on that as far as utility is concerned. If we were to look at our experience from industrial boilers versus you know utility, in utility, there will be less number of competition but there will be very solid competition. In the industry we have grown as a leader so a

leader competing against laggard, there is always a positivity. Here we are an entrant, so BHEL is a leader over here. Maybe Chinese do have much bigger capacity. So Thermax will learn going forward. But let me tell you there is a wide acceptability for my company through the market because we do have a high level of respect in terms of our execution capability, timing commitment, honesty, integrity and customer support, in comparison to any of my competition. So that is what is going to be making us stand in shield as we go into the utility segment.

**Bhargav Budhdev:** Fair enough. And lastly sir, in terms of working capital investment, would we be able to assume the similar kind of working capital investments which we were witnessing when industrial boilers used to dominate going forward, with the utility boilers increasing in our portfolio?

**M. S. Unnikrishnan:** One difficulty over there is there are very good analysts or chartered accountants sitting in all IPP companies who calculate something known as an IDC and those guys the moment they know that I am earning interest from their money, they will not let it happen. So negative working capital on that may be far cry; however, as a company we will be on the S curve that we normally prepare for you know cash flow we ensure that we do not become a bank. That much at least I can assure you.

**Bhargav Budhdev:** Okay sir, thanks a lot and all the very best.

**M. S. Unnikrishnan:** Thank you Budhdev.

**Moderator:** Thank you Mr. Budhdev. Our next question is from the line of Sumit Agarwal of HSBC. Please go ahead.

**Sumit Agarwal:** Yeah hi sir. Just a follow-up question on your IPP order, though you have elaborated in details about what all would be bought out, if I have to just look at these 1000 crore, is this the amount is your order size or is it the total order size, and if it is not your order size --

**M. S. Unnikrishnan:** Our order size, Thermax itself.

**Sumit Agarwal:** Okay, this is the order that you, Rs 1000 crore equipment you would be supplying including your service charges and all that stuff.

**M. S. Unnikrishnan:** Yeah all that put together. You are right.

**Sumit Agarwal:** Okay, it's not the TG order that is getting clubbed there.

**M. S. Unnikrishnan:** No, the TG is also there, it's an EPC.

**Sumit Agarwal:** No but the TG would be bought out so your typical profitability on that TG part would not be as high as the boilers supplies.

**M. S. Unnikrishnan:** Sumit, I would refrain from answering that. I will be giving you a little more of the data. It's our portion of the order, Thermax's portion of the order.

**Sumit Agarwal:** Okay fine not at all. Another, I just wanted to check with you, you have said that the food processing has become the third largest segment in your books now in terms of the new order in flows.

**M. S. Unnikrishnan:** First half, maybe you are right.

**Sumit Agarwal:** For the first half, which are the typical companies that have been giving those orders and what is a typical size, what is the typical order size from this sector?

**M. S. Unnikrishnan:** Thankfully, this is a widely spread order breakup. It's not any concentrated single large company or so. We have got orders for water treatment plants, waste water treatment plants, we have got orders for boiler, we have got for Thermax heater orders, and we also have air pollution control orders in all of them. So it is fairly well spread, not like captive power where a chunky order of Rs 100 crore is coming. There is no order which is making more than Rs 10 crore in this area. Most of them are medium sized, maybe ranging between Rs 50 lakhs to maybe a 7-8 crore kind of a size. Starting with Nestle's downwards to the soybean processing companies, all of them are there.

**Sumit Agarwal:** Okay thanks. Thanks a lot sir.

**Moderator:** Thank you Mr. Agarwal. Our next question is from the line of Pritesh Chedda of Emkay Global. Please go ahead.

**Pritesh Chedda:** Hello sir. Just a few data point I missed, Essar and Brahmani, if you could tell me what is the balance order to be executed on both those projects?

**M. S. Unnikrishnan:** Brahmani, we have not started executing on so I have the advance registered with me, LC is yet to be opened by them. The financial closure for the project is still on. But I do suppose, I mean they have already opened the LC for Larsen & Toubro so it's an indication of things to happen. So we will start only in the, I think we will have some revenue coming in the Q4, nothing prior to that.

**Pritesh Chedda:** What is the value now of the order?

**M. S. Unnikrishnan:** Rs 290 crore including construction for the portion which is left out right now.

**Pritesh Chedda:** 290?

**M. S. Unnikrishnan:** Yeah. And Essar, we have done minor billing. We have the full advance available. LC is expected to be opened. They have the financial closure done already for the project, so that one should start kicking the revenue from Q4. Off the 380, very minimal will come in the revenue, it will be in double digits in terms of revenue in the current year on that.

**Pritesh Chedda:** It will start in Q3?

**M. S. Unnikrishnan:** Q3, very little, Rs 4-5 crore.

**Pritesh Chedda:** Okay. Second, you gave some feedback on the different industries within process, sponge, steel, food, cement, when do you think would you reach back to the peak order flows from process industry considering that it contributes to order flows in environment and energy both?

**M. S. Unnikrishnan:** I need to be really waiting for a couple of quarters to reach up to that level. See, there are mixed news coming in the market. Our

domestic consumption oriented growth is already on the chaps who are purely looking at the Indian market. They do not care about what's happening in Europe, America and export to the Middle East and Southeast Asia. They have already started at least placing orders from Q1, the last quarter onwards. But there are companies who already created some capacities but will want global economic recovery to happen and I am talking about larger companies they are all waiting and watching even now. Again we have mixed news coming in between now and then, there is some doubt about some bank failures in Australia and I do not know why all these need to be impacting capacity building in India, but people always take umbrage out of the fact that okay, let us wait and watch. So in my personal take, do not take it quarter-on-quarter anywhere but for the globe to come out of the crises is at least a year ahead.

**Pritesh Chedda:** H2 of 2011 would be probably the time...

**M. S. Unnikrishnan:** If, nothing were to go wrong any further.

**Pritesh Chedda:** Okay. Another question, my last question, I just wanted to understand the service business, how big is the O&M opportunity considering the total installed boilers of Thermax make, how much of service income do we generate at this time and how can it be scaled up?

**M. S. Unnikrishnan:** We have a target somewhere back I mentioned about that we had a target of reaching 15% of total revenues to come from service, we have reached 10% at this point of time, maybe because our top line is lower, maybe because of that percentage improved. 15 is not an easy task because now I am taking EPC orders and larger IPP orders, so there is no income possibility of that kind for that. My regular business I should reach at 15% in the next maybe three calendar years certainly. Every business of ours is culminated with the service group and each one of them do have a separate vertical as a view equivalent of a balance-sheet also. The smallest would only be Rs 25 crore for the water business, to the largest one for my normal C&H, cooling and heating business already fetched almost Rs 100 crore. My operational maintenance business for the power plant, captive power plant is touching maybe Rs 50-plus crore income in the current year. So it's all rising up. Unfortunately, the government regulation, the Indian Boiler Regulation necessitates that you need to have boiler operators employed in the company and hence users may not outsource O&M. However for power plant, we can do that because there it can be total outsourcing done towards it.

**Pritesh Chedda:** So you gave power plant O&M at about Rs 50 crore and you gave the other figures of cooling and heating.

**M. S. Unnikrishnan:** Cooling and heating, it is our standard package boiler product business of the company.

**Pritesh Chedda:** That is about the service component, that is about Rs 100 crore.

**M. S. Unnikrishnan:** Yeah, that is the highest in terms of percentage.

**Pritesh Chedda:** Okay, and an absolute amount of Rs 100 crore. And we at



this stage have about 10% in terms of based on the FY09 number.

**M. S. Unnikrishnan:** It will not be sustainable as though my target is, because the moment I invoice maybe an order like maybe a Rs 1,000-crore order, Rs 150-crore income will come from some other order. So that is why it's talked about. As the top line of the company is increasing, I have got to differentiate between the service revenue, earnable business, and the ones which can't have a service revenue, lifecycle model for that. Lifecycle model better works for medium and smaller size of projects because there customers may not want to employ so many manpower. Whereas the power plant will necessarily what else does he do if there is an EPC from Thermax and the O&M that will be done by third company, you are only putting your money there, you won't be able to control it. So whereas some small amounts say you want to give it to companies like Thermax.

**Pritesh Chedda:** Okay. So what is the total installed capacity in the market of Thermax make at this stage both in boilers, industrial and the IPP boilers together?

**M. S. Unnikrishnan:** I have maybe more than 10,000 boilers running in this country.

**Pritesh Chedda:** In megawatts?

**M. S. Unnikrishnan:** I am talking about maybe 9,000 odd of them will be not generating power, they are purely for heating purpose, you know to hotel, to hospital, to maybe some process industry. Maybe near to 800 and odd numbers are the ones which are for cogeneration, captive and now IPP starting. In that, most of them are already established companies. See O&M is not an easy business to be procured in India because it's an employment strategy also in companies. They can't just outsource, they already have people sitting over there.

**Hiral Desai:** Pritesh, can you come back for additional questions?

**Pritesh Chedda:** Okay, I'll do that. Thank you sir.

**Moderator:** Thank you Mr. Chedda. Our next question is from the line of Anupam Tiwari of Reliance Mutual Fund. Please go ahead.

**Anupam Tiwari:** Sir, good evening, thanks for taking my question.

**M. S. Unnikrishnan:** Yes Anupam.

**Anupam Tiwari:** Sir, congratulations on the improvement that you are showing as per your strategy.

**M. S. Unnikrishnan:** Thank you.

**Anupam Tiwari:** I just wanted to understand on the service business, you have shared a lot of things but in qualitative aspect, we were trying to move up the value chain and move into higher boiler size. Has there been any progress on that?

**M. S. Unnikrishnan:** Are you talking about the service quality, product improvement?

**Anupam Tiwari:** Last time when we discussed, you had little bit explained that you would like to move into large boiler size for O&M business basically.

**M. S. Unnikrishnan:** Yes, let me clarify to that. When we constrained ourselves only to Thermax's supply base, it was going to be limited. . Now only we have started building the larger ones and the larger ones will take me the couple of years to be build. So we had to go out of Thermax's table and we picked up an order for an 80 MW which is a BHEL supplied plant for one of the copper companies in India. It's already on for the past maybe eight-nine months. We have also received another one for 2x80 MW from another refinery that is yet to be commissioned. So the moment commission is over, we will start doing operation maintenance. Currently, we are bidding also for 100 MW equivalent capacities. So we are moving in that direction, it's a positive at this point of time.

**Anupam Tiwari:** Okay. There are some talks that you could slowly move in to for NTPC size of orders, say 500-300 and there need to be done a qualification by NTPC for that. Has there been any progress on that?

**M. S. Unnikrishnan:** NTPC unfortunately has not released any tender. They will take your registration but they will pre-qualify for a project only. So there are no 300 projects at all. Of 500, as I mentioned, last year we finalized two of them. Both of them were around nomination basis to BHEL because they were expansions of the existing two in the 500 making the 300 into 500 so it's nomination to BHEL. Next year, there are projects of BHEL planned for in the 500 range. I think one of them is 250, other one is 500 range available. As and when the tender comes on, we will be pre-qualified for that.

**Anupam Tiwari:** Okay. And would we be bidding for that?

**M. S. Unnikrishnan:** Of course, next year, we will be bidding for 500 also.

**Anupam Tiwari:** Okay, thank you sir. Best of luck.

**M. S. Unnikrishnan:** Thank you.

**Moderator:** Thank you Mr. Tiwari. Our next question is from the line of Nirav Vasa of Gupta Equities. Please go ahead.

**Nirav Vasa:** Hello. Sir, any major achievements that you have in your hybridization program that you had announced earlier, wherein I am talking about the chillers which you run on solar energy, any specific progress on that front sir?

**M. S. Unnikrishnan:** Yeah, we have procured one more order from the northern part of India, multinational company. We have picked the first order. Another one we have an order from an automobile major for a heat pumping application in hybridization in the fired heater along with the heat pumps which is going to be working on solar. That order alone for the solar portion is Rs 1.3 crore.

**Nirav Vasa:** So typically, when you launch a new product like this or something like hybrid product like this, is there any typical reaction of your customers, are they are readily interested in accepting those orders or there is still some kind

of hesitation in accepting those orders as well?

**M. S. Unnikrishnan:** Not hesitation, they would want to see our working plant to see our execution. There is a high level of credibility for my company in all the businesses that they do run. But a new thing which currently caught on is solar but still they want to see something working to ensure that we are going to be fitting around with their existing plant with the hybridization, then it will add on to some complexity. So that is only a resistance I have seen. But we are also going slow on that front because now we have realized that Indians are also demanding fully automatic solar tracking system, so we are currently developing a tracking system for it. Each location will be a different kind of a tracking because sunrises at different place and different locations accordingly. So with that, there is a new software development which our development department is creating. See the traction for this I would expect will be happening towards the second half of next year. By the time, people would have already got a one-on-one installation for various applications and then the reference available.

**Nirav Vasa:** Okay. Thank you very much sir.

**M. S. Unnikrishnan:** Thank you.

**Moderator:** Thank you Mr. Vasa. Our next question is from the line of Pranav Ghokle of Religare AMC. Please go ahead.

**Pranav Ghokle:** Hello sir.

**M. S. Unnikrishnan:** Hi Pranav.

**Pranav Ghokle:** Hello, good set of numbers sir. Just one question on the solar going forward, what will we exactly do when we say solar thermal power plant?

**M. S. Unnikrishnan:** Solar thermal, Pranav, is in two ways. One is process heating and process cooling and next level is power. So this depends upon the temperature at which you can produce steam from solar energy. So you concentrate on the solar ray. And currently we have got concentrators which are able to give up to 150 degree centigrade. So any heating application in the textile industry or a food processing industry where you are needing the steam to be created or a laundry or a cooking in a hotel equivalent, where you need only 120-125 degree centigrade steam for all these applications. So what you will do is that you will be having in any case a conventional oil fired boiler which will be kept in your basement and you will have on the roof of your factory or maybe the hotel solar concentrator which will also be generating the steam at 120 and they can be hybridized with each other with a common header. Based on the amount of solar energy that you are receiving produced that much of steam from solar energy and the balance only is based on the oil firing. That is what is the hybridization system that I am talking about. There are next level of applications, there are some very specialized applications 180, 200, 220 degree centigrade which will be needed, that of course will be obviously the next generation of concentrators which are currently working on R&D. I expect that would be coming out by June next year.

Then, we are talking about power. Power, we just got a project sanctioned by the Government of India Department of Science and Technology for 200 KW, first ever solar thermal power plant of Indian make which will be installed in one of the villages in India. It's a Rs 12 crore size of a project, 100% funded by the government as a development in R&D projects for the country of India. If that succeeds, the government will want it to be utilized for the rural area for electrification where the grid won't reach. So that is the next level. So, let us say starting with heating, higher temperature heating and then going for power, in between comes cooling. See, from steam, we can produce chilled water, that is what Thermax does in absorption cooling division. There are only two companies in India who are making absorption chillers one is Thermax, second is Voltas. We have an 85% market share, Voltas has got a 15% market share. So we have got to proliferate this along with the solar in the times to come. That is the next product we would be creating. So that is the solar agenda for the organization.

**Pranav Ghokle:** Thank you sir. Coming to absorption chillers in China what is the position there actually as it the factory gone on spin talking what is the....

**M. S. Unnikrishnan:** Yeah, we have manufactured so far 33 chillers at the Chinese factory. We commissioned eight chillers which were manufactured in our factory, though the factory has gone on stream only in July last year, July means initial starting. And after the initial hiccups are over we regularized the production from October. So it has picked up so far. But my revenue expectations have not been met but things are picking up now there let us say.

**Pranav Ghokle:** Thank you sir. Thanks a lot and all the best.

**M. S. Unnikrishnan:** Thank you Pranav.

**Moderator:** Thank you Mr. Ghokle. Our next question is from the line of Yogita Shenvi of Wealth Managers. Please go ahead.

**Mayur Parkeria:** Good afternoon sir, this is Mayur Parkeria here.

**M. S. Unnikrishnan:** Yes Mayur.

**Mayur Parkeria:** Sir, first of all, congratulations on good traction of orders and also good performance.

**M. S. Unnikrishnan:** Thank you.

**Mayur Parkeria:** Sir, just two questions, has Thermax moved to a capital order intake of high values now. Having seen the last first half around Rs 3,500 crore of intake, so are we seeing or you have indicated around Rs 1,700 crore orders of intake in the second half. So have we moved towards structural high value for the next few years to come?

**M. S. Unnikrishnan:** I would certainly want to have both to continue because see like only high value orders will make my only larger divisions grow, I want all my divisions to be growing. So we want to have a good mixture because I have got capacity for chillers available, I have got extra capacity for boilers available, package boilers available, we are creating additional capacity for the chemical business also. We have planned for growth of all the businesses. But

the traction is more on high value orders, certainly, I agree with you. But the values are very high over there.

**Mayur Parkeria:** Okay. So looking at the current trend, do you think have you made any long-term plan in terms of revenue targets which you would like for the company now to achieve having seen the visibility and now that we have got also an order from IPP, so you know any long-term targets which we can speak about?

**M. S. Unnikrishnan:** Currently, not in a quarterly call but certainly let me tell you an SBP is there in the company which was approved by the board almost two years back to take our company to a very high level, it's already there. First we reached a billion, to make it to 2 billion there afterwards. So that is the first target, and then doubling it. That is the way we work.

**Mayur Parkeria:** And what time frame are we looking for that?

**M. S. Unnikrishnan:** It should be two years down the line, max, unless the rupee appreciates maybe to 40s and automatically the currency exchange will make us a billion dollar company.

**Mayur Parkeria:** Okay. Sir, sometime in last year, sir we had metallurgy and petrochemical at around 60% of our order book, am I right in understanding this?

**M. S. Unnikrishnan:** Yeah.

**Mayur Parkeria:** So, how that would be currently, like how the order book in this sir?

**M. S. Unnikrishnan:** Currently power generation with IPP orders has changed the cross section so if I were to include that, 1/3<sup>rd</sup> of the orders are from power group. Cement is still continuing to be around 22% and food processing has climbed on to a third position with 10%. Then there is textile, ferrous metals have come down to 5%. Municipal projects too are at 5%. So above say maybe a 4% kind of a share, there are six segments at this point of time.

**Mayur Parkeria:** So power is 1/3<sup>rd</sup>, you said cement 22, food is 10, metal is 5 and which segment.....

**M. S. Unnikrishnan:** Yeah, textile is 7, now you guys will be surprised as to how can textile, they have given us....

**Mayur Parkeria:** Right. Thank you very much sir. I wish you all the very best sir. Thank you.

**M. S. Unnikrishnan:** Thank you Mayur.

**Moderator:** Ladies and gentlemen, due to time constraints, we will take the last two questions now. Our next question is from the line of Gagan Thareja of B&K Securities. Please go ahead.

**Gagan Thareja:** Yeah, good afternoon sir.

**M. S. Unnikrishnan:** Hi Gagan.

**Gagan Thareja:** Sir, I would kind of like to know I mean on the standard

product, what would be the quarterly rates at which we are going right now?

**M. S. Unnikrishnan:** You are talking about the booking?

**Gagan Thareja:** No sir, I am talking about the quarterly revenue, okay even the booking is good indicator.

**M. S. Unnikrishnan:** Revenue is one difficulty for me to give you the exact number for that is there are some divisions where they do both projects and products. For example, air pollution control, there is product and there is project also. Water and waste solutions also, there is product and project. So when I disseminated the numbers, it could be a little, but let me give you an overall percentage of the turnover. We are 1/3<sup>rd</sup> products and 2/3<sup>rd</sup> projects at this point of time. It keeps varying between quarter-to-quarter but 2/3<sup>rd</sup> – 1/3<sup>rd</sup> is the right number to currently consider.

**Gagan Thareja:** Okay. Sir, you have also last time you held the analyst meet you did talk about clean coal technology and nuclear BOP although it's a very long-term plan. Any developments on that side? You had a couple of projects in clean coal I think you are working on.

**M. S. Unnikrishnan:** Clean coal, we have currently signed up with the developmental agency with the government and one of the oil companies, because they are interested in coal to liquid and we are interested in the first portion of it, so we will be participation along with them. That is #1. And for nuclear, the best thing to happen in the company is to have a head to run the business so currently I have got a head for the nuclear group which is what we needed to do, that is already there. We already have completed our Gap analysis for where are we currently and for ASME N approval that is for the nuclear approval, that is completed by an international agency. And an 18-month period is what it's going to be taking us to reach our N registration which will qualify us to make nuclear-rated components, not prime components, I am talking about secondary level components.

**Gagan Thareja:** So would you also be looking towards putting up any facility for manufacturing components related to solar power?

**M. S. Unnikrishnan:** Yeah, certainly, we already have a small unit and as it picks up, we have allocated good quantum of money in our forward thinking for solar investment, because we do believe that renewable energy is going to be playing a major role and we being a thermal company, we have got a role to play. Everybody is worried about solar PV but solar thermal is also going to be, especially in the process side heating-cooling will make a major impact and we will make a investment in that area also.

**Gagan Thareja:** Thank you sir.

**M. S. Unnikrishnan:** Thank you.

**Moderator:** Thank you Mr. Thareja. Our last question is from the line of Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Sir, my question has been answered. Thanks.

**M. S. Unnikrishnan:** Thank you Atul. You in any case keep getting a lot of answers from me.

**Atul Tiwari:** Yeah, thank you sir, thanks a lot.

**Moderator:** Thank you Mr. Tiwari. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**M. S. Unnikrishnan:** Thanks a lot all of you for the positive comment despite reduction in the top line, you have been positive and that is been very supportive and encouraging to us. My biggest challenge is to continuously satisfy you and we work overnight to ensure that we improve and come up to your satisfaction. And H2, it's a big challenge for me to ensure that I am able to have the revenue accretion and we are working towards that. I am sorry I am unable to give a specific number. A good number of the orders which I have currently are recognizable in the next year. Challenges remain so that wherever I plan to execute, my customer should be able to lift it because Thermax will continue to be a conservative company when it comes to balance sheet and to ensure that working capital and the current assets they manage. Thanks a lot once again and see you all again in the next quarter.

**Moderator:** Thank you Mr. Unnikrishnan, Mr. Mahadevan, and members of the management, also Mr. Desai. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.

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