



THE COMPASS

With a couple of big orders under its belt, the company is back in business

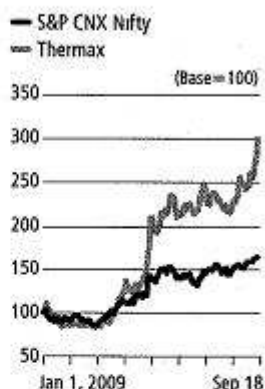
Thermax: Powered by new wins

The Thermax stock rose 6 per cent on Friday, after the capital goods firm bagged a Rs 1,000 crore turnkey contract for a 270 Mw power plant to be set up in Andhra Pradesh. While it may not be the most profitable of orders, given that some part of the equipment and services will be outsourced, it's nonetheless a breakthrough for the company in the power utilities space.

Moreover, it comes on the back of a Rs 400 crore win announced a couple of weeks earlier. In fact, the approximate value of business which the Pune-based company won during the June 2009 quarter was Rs 1,000 crore.

At the end of June, the consolidated order backlog was close to Rs 3,500 crore, which was higher by about 20 per cent than in June 2008. With the latest win, the order book now looks even more robust and the management recently indicated that prospects for business from the cement and environment sectors were looking up, too.

In the June quarter, a fair share of business came in from the captive power segment — both in the domestic and the overseas markets. The March quarter of course, saw poor order flow because throughout the past year, the management has been careful to take on only those projects that would not result in bad debts and receivables. Thermax's numbers for



the June 2009 quarter were disappointing, with revenues down 25 per cent year-on-year.

Despite the flurry of orders and speedier execution, revenues in the current year are likely to be subdued at around Rs 3,000 crore, a fall over the previous year's Rs 3,458 crore.

Even after the trend in revenues reverses, the operating profit margins, which came off by about 200 basis points to just under 13 per cent in the June quarter, could remain at these levels. That's mainly because competitive pressures have resulted in the business becoming somewhat less profitable.

Net profits this year are estimated to be around Rs 285 crore, lower than last year's Rs 350 crore but should bounce back in 2010-11. The Thermax stock has gained 207 per cent since April this year compared with a rise of 65 per cent for the Sensex. At the current price of Rs 555, the stock trades at 17 times 2010-11 estimated earnings.

SHOBHANA SUBRAMANIAN