"Thermax Limited
Q4 FY2019 Earnings Conference Call"

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ANALYST: **MR. NILESH BHAIYA - MOTILAL OSWAL SECURITIES**

MANAGEMENT: **MR. M. S. UNNIKRISHNAN - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – THERMAX LIMITED**
MR. AMITABHA MUKHOPADHYAY - EXECUTIVE VICE PRESIDENT & GROUP CHIEF FINANCIAL OFFICER - THERMAX LIMITED
MR. RAJENDRAN ARUNACHALAM – EXECUTIVE VICE PRESIDENT - FINANCE - THERMAX LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Thermax Limited Q4 FY2019 Earnings Conference Call, hosted by Motilal Oswal Financial Services. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Bhaiya from Motilal Oswal Financial Services. Thank you and over to you Sir!

Nilesh Bhaiya: Thank you Steven. Good morning everyone and welcome to Q4 and the full year FY2019 earnings call for Thermax Limited. Representing the management, we have with us Mr. M.S. Unnikrishnan, Managing Director and CEO and Mr. Amitabha Mukhopadhyay, Executive Vice President and Group CFO of Thermax Limited. I will now handover the call to the management for their opening remarks post, which we can open the floor to question and answer session. Over to you Sir!

M.S. Unnikrishnan: Thank you Nilesh and warm welcome and good morning to all my dear friends. Thanks a lot, for joining for a concall on a very difficult day. Of course, the results are already evident and possibly we can expect better days for the industry to prevail. Let me also introduce Mr Rajendran who will be taking over from Amitabha from June 1, 2019 as the new Group CFO. He had been with our company post his double graduation from BITS Pilani way back. He had been in the corporate finance and finance operations of the chemical business and the power business, then for a short while with Tata Autocomp and later he was the CFO of Gabriel from where he has come back to us about two months ago as the designate CFO.

Rajendran A: Good morning to all of you. I am happy to be joining this call.

M.S. Unnikrishnan: Thank you Rajendran. So, we will go by the same sequence of our normal deliberation, starting with the results for the quarter. In this quarter, I will also talk about the full annual business numbers. So, for the fourth quarter, the order booking had not been upto our expectation. It has come down to Rs. 1173 crore at the group level from Rs. 1604 crore, a drop of approximately 27% from the last year. However, in this number, the international order booking has improved by 24% whereas the domestic order has had a sharp decline by 44%, not that we have lost any major orders in the country, but because in the domestic market, there had not been any finalizations , barring for the standard products.

This has brought the order balance of the company down by almost Rs. 400 Crore between last year opening and current year opening. During last year, we had Rs. 5800 crores order backlog, currently it is Rs. 5400 crore, certainly increasing the challenge to achieve growth for the coming year. However, on the revenue side we are very happy that for the first time in the history of the company, we have been able to cross the mark of Rs. 2000 Crore in a single quarter and the income for the company from operations have gone up to Rs. 2074 crore and overall, the total income for the Thermax group has notched up to a level of Rs. 2126 crore, a 43% jump.

More important for us as the management team is to see that we are able to scale up substantially when orders are available. Thermax today is capable of straightaway going up to Rs. 7000 to Rs. 8000 Crore revenue without any difficulty and without any addition to existing capacity. On the profit side for the quarter, the EBITDA level has gone up from Rs. 160 crore in the last year to Rs. 201 crore, which is a 26% jump. At the PBT level it has improved by 25% to 195 Crores, but for the quarter there is a drop of approximately 1.2% in the EBITDA level and 1.4% on the PBT level as a percentage of sales. I will move into the yearly number and I will give you an explanation as to why the profits have come down and I owe an answer to all of you.

Let us move on to the full year number. For the year FY2019, our order registration has come down from Rs. 6441 crore to Rs. 5694 crore, a 12% drop in the overall order intake. It was better for the first two quarters and slightly lower for the third quarter, but the fourth quarter certainly has pulled us to this kind of a level. As I mentioned earlier, there had not been any major order losses by the company either in the domestic market or in the international market, this is only a postponement and with the sentiments expected to improve from the next quarter onwards, I am expecting the decision making to take place in Q2, Q3 and we should be able to see at least better order intake in the current year in the second half. On Order balance, I have already spoken.

Coming to the consolidated revenues for the company, we have had a good year where the operating revenues have gone up from Rs. 4486 crore to Rs. 5973 crore, a 33% improvement and at the total income level, it has gone up from Rs. 4602 crore to Rs. 6123 crore and again it is an all time high in the history of the company. Though we had a good year almost similar to this one, way back in 2011-2012, this is the highest number that we know so far in a year, a 33% improvement in comparison to last year. Regarding profits, our EBITDA has gone up from Rs. 441 crore to Rs. 518 crore, an improvement of 17% and the PBT level has gone up from Rs. 422 crore to Rs. 501 crore. Now the reason for the drop in margins is predominantly on account of our negatives in the Danstoker group in Denmark, Europe where there is a loss of around Rs. 28 crore to Rs. 29 crore. Secondly, in the power business, we have had a substantial improvement in the income by almost 40%

plus, but the profits were almost the same on account of two of the orders, where we expected margin improvement, on the contrary the margin shrunk and this will extend for may be another quarter, but that may not impact the full year profitability for the next year.

I will also give you the segmental performance, which is already declared. Our energy business has grown up by 37%, environment has grown by 20%, and chemical has grown by 16% during the year. In terms of profitability, energy segment has come down from 8.1% to 6.7% impacting almost 1.5% and the entire thing can be attributed to the two items mentioned above, about Danstoker negative and the power divisions profitability coming down with the profits remaining at the same level. Environment has seen a very good year; apart from the topline going up by 19%, the profitability has improved from 4.2% to 6.8% and major amount being contributed by the air pollution control business along with the stability and the improved performance of the water business.

For Chemicals, the profitability is almost constant as last year we were at 15% and current year is 14.9%, a marginal drop, but I am expecting it to improve in the next year. That is about overall numbers. Very happy to inform you that we have been able to revive the operations of TBWES. We have started manufacturing in the plant of TBWES. We have completed the recruitment of the erstwhile workmen where many of them have come back. We have the entire engineering staff and technology staff plus manufacturing and supply chain management team moved over to the factory and they have taken charge. The factory is running at a fairly good capacity at this point of time, but a lot more can be done over there. We have got spare capacity available over there.

Similarly, we have informed the stock exchange about Thermax's purchase of the 49% equity of SPX Corporation from a private equity firm in Germany, so TSPX, a subsidiary started way back in 2009-2010 has now become a 100% subsidiary. That subsidiary has done a Rs. 60 crore plus topline but incurred marginal loss in the current year. We also have carry forward orders of Rs.49 plus Crore. They will continue to supply the air cool condensers and work in parallel with the process cooling business of Thermax to introduce new technologies to the market.

On our operations in China, the update is that we have virtually discontinued manufacturing over there barring the last portion of some of the remaining orders, substantial manpower reduction has happened, and we are currently looking at ensuring that we progressively close it up. All necessary impairments related to that were already taken in the previous year, so it is only the premises, comprising a very good factory and land, which will possibly be disposed of before we take the next level decision. A promise on Danstoker -

we have had a fairly good order intake in the services business for the standard product. Just to inform you, the losses occurred on account of the fact that we have taken some challenging project orders, which we have discontinued now.

All those project orders are 100% complete. I do not expect anything negative to happen any further; however, the orders that we received from standard products and services should ensure that in the ongoing year, we should be able to record a profitable year for the Danstoker group also. Overall these are the information for you and now I will leave it to you to ask me specific questions, so that I can answer. Thanks a lot.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: My first question is pertaining to the margins on energy segment, although you highlighted the key reasons why they were down, I just want to understand since we are consolidating TBWES 100% now on, so this full year 140 basis point drop in margin, how much would you assign to the consolidation effect of TBWES and how much would you assign to the low margin orders that we have because that can probably get reversed?

M.S. Unnikrishnan: Sandeep, thankfully the consolidation has not added any negative impact of substantial nature, it is very marginal. The drop is purely on account of the Danstoker consolidation as well as the two orders of the power division, which I mentioned earlier.

Sandeep Tulsiyan: Understood, secondly on Danstoker, what was the reason for having the margins at such low rate and why do you expect it to revive, is it because the competition has come down for Danstoker or you have started taking orders in a different category like more standardized order versus the project orders, if you could throw more light on that?

M.S. Unnikrishnan: Danstoker Group has two companies, one is Danstoker, second is Boiler Works, which is under the umbrella of Danstoker Group. Danstoker per se is a company, which manufactures standard package boilers and supplies it to the packagers who supply it as full project to our customers over there. It is fairly well under control, though once in a while, the margins can go up and down, but not to the extent that has happened. Boilerworks also is ideally a services company, but had an ability to execute projects, which are the retrofitting and revamping projects for older captive power plant and for the first time, we allowed them to take such orders, thinking that they will be able to manage it. They have taken three specific orders, where we had sufficiently decent margins available, but as they were executing we understood that they were incapable of retaining the margins, on the contrary, we have had back charges coming from the site because of the delay or other equivalent reasons that is where things have gone wrong. We supported them to ensure that all the three projects are concluded, but we closed the entire project activity there afterwards, including the people who moved out of the company, so it is a closed chapter as far as projects are concerned. However, Boilerworks continues to deliver services to customers, which are pure services, where you do an inspection of a plant to ascertain the life of the plant. But if there is any equipment to be supplied, they have to purchase directly. Now, coming to Danstoker, Danstoker also had margin pressures, not loss, and that is why we have purchased the new manufacturing facility in Poland where the manufacturing cost is almost one third of what you pay in Denmark. We have accelerated the manufacturing there, and most of the Danstoker Denmark manufacturing is now shifted to Poland, so the margins are going to improve. That is why I am confident about the fact that we should be able to look forward to better margins, maybe not in the next quarter but over the year, we will have fairly decent reportable profit. Also, the new orders that are coming in are at the decent margins for European standards.

Sandeep Tulsiyan: Thank you for taking my question.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: My first question is fairly macro question, just wanted to understand how different sectors shaping up, are you seeing enquiry levels over there and how do you see the industrial capex cycle panning out over the next three to five years?

M.S. Unnikrishnan: Aditya, for the past four to five months there had been an absolute slow down in the larger industrial capex in the county; however, the small ones continue, which I shall come to later. Whatever we were expecting in many of the sectors did not happen, for example, last year, 14% of our order intake was from the cement industry, thankfully more of waste heat recovery orientation rather than fresh capacity or new projects. We were lucky enough to bag the steel project last year, so another 14% came from the steel industry. In the current year also, I am expecting cement to continue investing; they are not unduly worried about the change that could happen, so they continue placing orders. Even today we have an enquiry from the cement industry for waste heat recovery-based power plants. A changing trend that we see is that every cement plant in the earlier past went for a captive power plant with a minimum of 100% captive requirement, many of them went for even 200% so that they could wield and sell the power. This trend seems to be changing, not everybody is keen to have extra capacity available. They will go for barely 100% of the requirement of the peak load and many of them are also having renewable purchase agreements (RPO) in place, so the purchase of conventional boilers of captive power plants are coming down. However, another standard move is that no cement plant is getting finalized without a waste heat recovery anymore where everybody is ceased upon the fact that RPO is there and they can almost generate 30% to 40% of the captive requirement by capturing the waste heat, which otherwise is thrown out. With the continuation of the present government, we are expecting the road works and construction in general to pick up again and cement demand can improve. So, I expect that cement should continue ordering in the current year, but I cannot commit at what level. For Steel, I am sorry to say that many of processes that were related to integration after the NCLT progression are still pending. Even after that happening, I do not expect any of them to put up the plants in the current year though the government has already made a master plan. If you remember one of the meetings, I had mentioned that a plan is already in place to increase the manufacturing from may be 130 million to 300 million. So post the consolidation, we should see an improvement in order intake in the steel industry, which will not be in the current year certainly, you could probably have an isolated order for the sponge iron equivalent like the last year, but in the current year, nothing is going to happen.

Coming to the oil and gas, it was a total nil in the last year even for us. I continued mentioning that EIL has got the contract for engineering, they have also floated the first level enquiry, but there are no discussions happening by which I can confirm that the order will be concluded in the next quarter or so. I am expecting at least two of the refineries to conclude their orders in the second half of the current year. Now, globally there was a Latin investment related to refineries; however, I am seeing that there are three or four at the budgetary level across the globe for refinery capacity expansion. Despite the fear of EVs coming, the oil companies are clear that IC engines will continue for at least a decade more and they need capacity enhancement to be done. So there be active enquiries in India as well as abroad in the oil and gas sector.

Thankfully we have withdrawn from the main power industry, barring the fact that for the FGDs (flue gas desulfurization system) in the first batch, Thermax did not participate because the terms of payment were not conducive. If you remember, I had mentioned earlier that for a 30% retention clause, we will not bid. After they brought it down to 17.5% retention, we started bidding. I should not declare it as an order, but I am happy to say that in one of the tenders, we are at L1, but we are yet to conclude the contract and collect the order. But we are active in that sector, so I am expecting this bulk tender to be concluded in the current year. Though most of them are above the budgets made by NTPC, they have to spare more money as they are under terrific pressure from NGT to go ahead with the tender. So we should have some numbers reported progressively in the current year; at least I am expecting a minimum of two orders to come to Thermax. That should take us to maybe Rs. 1000 crore of order booking from this particular sector in the current year. I am quite confident because all the small companies have been evaded thankfully and it is only the serious players who do understand what needs to be put for FGD will participate. I am talking about GE, Thermax, Larsen & Toubro, Mitsubishi and maybe SGX.

In fertilizer, I am not expecting anything in the current year. There is nothing pending anywhere for expansion. However, the new sectors, which are evolving as I mentioned, that did not have anything to do with the governmental scenario is food processing. Irrespective of the FMCGs complaining about their topline having not increased, it has not come down for sure. They are not getting the rate of growth that they expected, but we are seeing the investment continue over there. Even today, my largest sector of enquiries both in terms of numbers as well as value is food processing. There are enquiries from the chemical sector, textile sector, light engineering, drugs and pharma, agro-based industries, hospitality and automobile, put together. I would expect all of them to conclude contracts and I would expect that, my standard product order book intake should improve in the current year. That is about my take on how the order booking is going to pan out in the current year.

Aditya Bhartia: Sir, this is really helpful. If you could also guide us as to how Dangote order is progressing, how has the profitability been in that order and what proportion of that order would still be pending?

M.S. Unnikrishnan: Dangote, as far as we are concerned, for the 12 packages, we have completed the hydraulic test and assembly in our assembly unit at Mundra, so we have recognized almost 50% plus of the revenue against that particular contract. The first shipment has already reached over there and 50% of them are on the ship. The transport is not an obstacle, we have to only put it on th jetty . In fact whenever we meet up with analysts, we will show a video on the great work our team has done. For the balance 50% or 48%, which is remaining right now, some more sailings are happening, but now with the onset of monsoons we will be very careful about cross sea sailing which may not be recommended for special cargo. Just to let you know, the height of each of the boilers could be as high as may be a 4-storeyed building and with that going in the middle of the sea in the monsoon with winds reaching to may be 180 kilometers per hour, it may not be very safe.

Only if you go along coastal shipping route, which means you will be within 20 nautical miles of the shores of all the countries, it be safer to reach over there, which will be two times lengthier and expensive. So in my opinion, 20% to 25% of them will still remain in India, completed from our side, but will move only in the month of September. The work has gone on very well. They have also given a standby letter of credit for the balance payment before we making the shipments from there. That is about Dangote update.

And with regards to margins on Dangote, it is better that I do not talk about that in public. It is more to do in terms of the name for the country because the kind of work we have done, no other company in the country has been able to manage it and I do not think anybody will ever do it. It will gear us for taking up similar kind of orders for any other refinery anywhere in the world. Just to let all of you know about it, as a single stream refining, this is the largest capacity of a plant in the world, you may believe that only in America or North Sea you will have such refineries, but Nigeria has got one. So far the largest was Reliance having a single line, this is now even bigger than Reliance as a single line refinery. So when we supply such complicated 14 energy equipment for a plant like that, it will qualify us to do this kind of job anywhere in the world.

Aditya Bhartia: Perfect Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: A couple of questions from my side, first as you did share your outlook in terms of order flows and investment momentum, but if we look the opening backlog, it has been lower and weaker. How should one look at the growth outlook in the energy segment in specific, FY2019 you have done far better than anticipated, so would FY2020 be a year of consolidation for you or you think a growth is still possible?

M.S. Unnikrishnan: Well everything is possible Renu. Our domestic order intake was marginally higher at 1% than the previous year. Whereas international is the one, which has hit us by almost 28% in the project order intake because we had Rs. 2700 crore plus order intake in FY2018, and it has come down by almost Rs. 800 Crores. This is because in the previous year, we had the order intake from Dangote. I agree with you Renu that we have projects and products where the project order profile of the country in the next 10 months is available with me. We will struggle to reach the same number as last year. On the products side, I am not expecting it to come down. So if at all there is a challenge in projects I should be able to take care of that and offset it by the product order booking. If I look at the past 45 days, some order intake or order conclusion and discussions have happened. It is an indication of the fact that things can become better for the product business of the company even in the domestic market in the current year and with the election results, which are almost formed in our minds, I am sure the positive sentiments prevail with more than 40000 index. So, I hope that these positive sentiments would prevail in the purchasing community and put together, we should be able to do possibly better. Coming to international, I should certainly be able to do better than the previous year, I am very confident about it because last year, in any case, the numbers had the Dangote projects. Even without any specific projects we are already moving into South East Asian market with our offices in Indonesia, Bangkok and Thailand for taking the captive power project as well as the boiler projects over there and air pollution control, so that should give us a fillip in terms of order intake. When I look at the overall enquiry pipeline that we have created by opening a lot more offices, which I mentioned last year about Egypt, Kenya and Turkey, we have a fairly decent pipeline of enquiries available for the standard products of the company, and that should help me to be better in the product order booking on the international front. We have done all the moves, but for capital goods company, not everything is in your hand, so now we are waiting for things to be shaping in terms of order conclusion. I am hoping that I should be able to better the order booking in the current year. When coming to consolidation, certainly, I agree with you. When you open a year with a 400 Crores lower order carry forward, even to do the same number as last year we should do at least may be 8% to 9% better than what we have done in the current year in terms of our activity, which Thermax is capable of and for which I gave you the first answer of Rs.1000 Crores in a quarter. The market should favor me and I will certainly improve. Let me say we are capable of improving and we will continue dialoging with you, letting you know about what is happening in the market.

Renu Baid: Given the current market environment we can expect lower single digit growth in turnover for us in FY2020?

M.S. Unnikrishnan: Is what one should be expecting.

Renu Baid: Sure, second question as you did mention that on the energy segment there have been problems with two projects, but when we look at optically the number quarterly run rate of 1700 Crores in terms of revenue and still margins of 8%, so is it that these two orders, which you mentioned we are not making any money, we have done some provisions also during last financial year for some of the projects, so how should we look at the margin profile of the segment going forward should we expect that margins of at least 8% should revert back or FY2020-FY2021 will remain challenging and also aligned with this FGD orders would be the part of the enviro segment right and not the energy segment when we look at FY2021 in terms of execution?

M.S. Unnikrishnan: No, there will be challenges in those two orders for the remaining portion in the coming year also, but that is not big enough to impact substantially on the bottom line; number one. I am expecting further improvement in my margins in the current year for my heating business as well as cooling business and even the boiler and heater business, which is the largest business of the company. So their ability to improve in the current year should be able to offset the negative of the current year at least to a certain extent and going back to an 8% is a possibility and I am working towards it, that is the minimum I committ to myself also.

Renu Baid: Can Amitabha help us with the split of the order inflows and backlog for the group or in terms of energy, environment and also the mix between domestic and internationally?

A. Mukhopadhyay: Current quarter order intake for energy segment is Rs. 903 Crores.

M.S. Unnikrishnan: Renu you want for the quarter or for the full year?

Renu Baid: Both.

Renu Baid: You can give the annual numbers we can compute the other ways or you give the quarter we have the previous quarter numbers, either will work.

A. Mukhopadhyay: Annual number - energy Rs. 4476 Crores order intake, out of which domestic is Rs. 2806 crore, international is Rs. 1670 crore, environment segment for the full year is Rs.741 of which domestic is 660, international 81, Chemicals full year is 415 out of which domestic is 183, international is 232 and total 5633 split is 3649 for the domestic, 1984 for the international. Coming to the order backlog, in energy segment we have a backlog of 4793 of which domestic is 2972, international 1821, environment segment is 525 of which 471 is domestic, 54 is international and chemical, which is not a backlog based business, backlog is 52 Crores of which domestic is 15, international is 37 at a total level 5370, domestic 3458, international 1912. Thank you.

Renu Baid: Thank you so much Sir that is broad. I have couple of more questions I will come back in the queue.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Sir, my questions have been answered, just few more on the emission control opportunity, if you can just provide some color in terms of Lot 2 and Lot 3 where we are with respect to NTPC ordering and also with the state Gencos and the private sector and you talked about the overall consolidation in the number of players participating in this, how is the pricing trends now versus the Lot 1 and what is the kind of margins one can see in this business?

M.S. Unnikrishnan: Second Lot is almost getting over, there were 6+1=7 different sites; one is the Damodar Valley Corporation and others were NTPC. The prices are frozen and opened now for all of them and some of them have also been awarded. The first three of them got awarded and for the balance, they are waiting for decision to be taken at NTPC or DVC level because none of the orders are not at the budget that NTPC or these people have kept. They normally keep 40 to 45 lakhs, in fact there is CERC document, which says that 30 to 33 lakhs per mega watt for standard type and when there is a small scope added, up to 40 is what is available whereas average quoted price of each of them in the current tender has gone up to Rs. 70 lakhs per megawatt. There has been one case where it is going to Rs. 111, of course that is because of the additional scope of work involved, so at that level NTPC has got to provide for extra projects funding and that is why there is a slight delay in that. They tried retendering one of them like last time when they felt the prices are little more. Instead of the prices coming down, the tender price has gone up, so I do not think they will opt for a retendering, they will have to find funds, so that is delaying the decision, otherwise it will be awarded at the moment they have an internal discussion and a decision taking place. Though it may be 25% to 30% more than the budgets, I am sure they will have to recycle the money and they have to buy an FGD, so in that Thermax is L1. Now coming to your question is the parties, who were L1 in the first batch has become H1 in the current batch so that is an indication of whether there will be profits or may be the margins. Because those who have underquoted and without understanding what is the way to provide an FGD have learnt and have started quoting proper prices currently, so the prices have to prevail in the same way, and there will be profits available in the business. But in the tender like this where there are 5 or 6 very serious good companies available, nobody can do a profiteering. The next part of your question is related to the non-NTPC state electricity boards. Well nobody is even currently thinking about coming out with the tender because unfortunately barring one of them, all electricity boards in the country are with leaking balance sheets, which are highly leveraged. Their ability to mop up the funding at this current level and go for new FGDs currently is in suspect unless otherwise there is an agreement between the central government and may be the NGT for all of them to put FGD to ensure that the country is protected from the pollution. But we will have to find out the wherewithal from where the money is going to come from because they would not have an ability to be mopping up this kind of fund nor will anybody or any lending agency, especially the public sector banks fund them. So that is where I am not expecting anything to happen in the same sector though their overall cumulative working capacity that is initial capacity is much more than that of NTPC, which means the market size could be very high, it will not be funded at this point of time that is the answer from my side.

Viraj Kacharia: Just two more things, on the NTPC for Lot 2 any idea by when do we expect approval from there any timeline we have from the interaction from them and for the LOT 3 is there any activity in terms of tenders anything, which already been rolled out if you can provide colour on that and second is you mentioned about some of the L1 players in the Lot 1 are now H1 and the Lot 2, so is there now from your interactions with NTPC are there some of the projects, which are on the possibility being retendered because of the kind of margins or the kind of aggressive pricing which was not in Lot 2, one would think that probably some of the projects may probably get retendered?

M.S. Unnikrishnan: First part is that Lot 2 decision will have to be taken by them, but the budgets for overall Lot 2 will go up by 30% plus, between 30% to 40% that they will have to provide for. Of course, there will be a process of negotiation because the government will insist that if you are exceeding the budget you might as well call the parties for negotiation and get a little lower price. But that cannot happen because I do know the costing and pricing for a company of our stature, so I know that there is no margin available for negotiation with anyone of us. At the ministry level, they are taking it up and then going ahead with the investment plan. With the government repeating, I hope the minister also will be a repeat. If a new minster comes, then of course it can take a little longer period of time, so in the current year I would say that between end of Q1 and ideally Q2 one should have most of the decisions declared and gone ahead with. That is the point number one. Now, for Lot 3, my opinion is no, immediately they will not go ahead because if the Lot 2 were to have a saving for NTPC from the original budget, then they would have been very easy going in terms of investing. But since they have to mop up additional funds to set this up and under compulsion from NGT, the ministry of environment, they would say that we will complete the first Lot and second Lot and then go with the third Lot. This is my current anticipation because NTPCs next plan is to go for more thermal power plants or may be solar power plants. But they will be compelled to do that; there will be intervention from some NGOs, I am sure down the line which we will have to wait and see.

Viraj Kacharia: On retendering for a Lot 1 project?

M.S. Unnikrishnan: I do not think retendering is there, there is one of them, which got retendered, but they got a price higher than what the earlier original one itself, so NTPC will be wary over retendering anything.

Viraj Kacharia: Private sector?

M.S. Unnikrishnan: In the Private sector, there is hardly anybody who has got balance sheet where they will want to even look at it as a possibility, but we are discussing with the private players. .Most of them are defaulting on the launch as they have got the shares already pledged, one company has already been taken over by banks in the northern part of India. Be assured of fact that Viraj, all of them will be compelled to do that because the climate action requirements by the countries as per United Nations and UNFCC Charter will compel India and China to go for it and China is doing at a faster pace, so I think they have exceeded almost 50% of the plants with the FGD right now.

Viraj Kacharia: On captive power is there any trend now in terms of them bring the capex for the FGD and NOx?

M.S. Unnikrishnan: Discussions are on for the existing ones also, but we are always taking the umbrage that Indian coal business does not have too much of sulphur, so then next question is that will we be banning the import of coal. So nothing has reached to a level where they are compelled to do that. We are having smaller orders coming for smaller FGDs from cement industry, which we were executing also.

Viraj Kacharia: That is all from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Rajnith Shivram from ICICI Securities. Please go ahead.

Rajnith Shivram: Sir, congrats on good set of numbers. Sir, is there any medium size orders, which you are expecting in the next six months, which we should be aware of and also recently SGS India has got this Mongolia order Exim Bank funding so like Dangote will be also looking at that end also Sonatrach order L&T got, so will it be looking at those opportunities where we can get some orders?

M.S. Unnikrishnan: We are looking at all opportunities of the kind. We will certainly participate in the Exim funded ones, but there are no major ones currently at discussion level or maybe even at technical specification formulation level of the size that you are currently talking, anywhere in the world. There are orders, which are in the upper double digits and early triple digit numbers i.e 100 Crores or 200 Crores projects. But anything in the sort of 500 or 1000 Crores other than the air pollution control, which I spoke about earlier, there is nothing either in India or anywhere in the markets where we are operating at this point of time.

Rajnith Shivram: So, what should be the order intake range that we will be flattish or you are seeing some kind of a growth from these levels for FY2020?

M.S. Unnikrishnan: Our expectation is that we should better than the previous year; will it be marginal or major will depend upon windfall orders. The normal orders that we take will ensure that we reach up to the last year's number. I have never seen that nothing has happened in a year and especially with the government continuation almost assured at this point in time; there will be surge in some of the areas where the bolder investors will go ahead and set up plants, there will be order finalization, but they may not get into recognition in the current year. In the international market, Indonesia also has continuum. I hope you are aware of the fact that where we have setup a factory, and now we are opening an office and acquiring a license for doing EPC, which I think is under granting right now. We will have order conclusions happening in that part of the world in South East Asia for some of the captive power. There, the captive power will not go to very large size from the beginning, we may not participate in the 100 or 150 megawatts projects, but the 20, 30, 40 megawatts are the kind that we have done earlier and we will be repeating over there. So these are the kind of moves taken. See what happens in project ordering is that you may feel it will get concluded during the quarter but can be delayed by one year also, whereas some windfalls will happen without you anticipating it. You may think it is only a budgetary offer and all of a sudden the investor takes a decision that I want to go ahead with that. This is a very positive thing when in two of the growing markets of world there is a continuity of government. Imagine, if in Indonesia there had to be government change, it would have taken maybe one to two years for them to come to a normalcy, but now all the projects are going to continue. The plan is going to continue. India is also the same way. Imagine that one of the parties say that if they were to come back to power in India they will abolish NITI Aayog so the process of planning for the national projects will be affected. So thank god all the national projects including roads will continue that indirectly helps me because even companies in the country will feel nice about continued ordering in road projects, so cement consumption is going to improve and certainly those who are on the borderline to finalize order in cement industry will continue. So these are the two indirect political actions that are going to help our company to have larger projects concluded, and let us wait for at least three months to see what is going to happen

Rajnith Shivram: Any other industry apart from the cement and other thing like anything which we have to be aware of because last year tyre was an industry where we saw a spurt in ordering, so is there something like that which can happen this year also?

M.S. Unnikrishnan: I would say that dairy was an industry, which did very well with the government support for two financial years. There were 12 projects where we had at least half of them coming to us. The current government will have to support dairy and dairy products a lot more, and the enquiry levels of food processing are very healthy at this point of time, but there I do not know whether there is a blockage related to order finalization. Sometimes we hear the news that FMCG topline is tapering or may be consumption pattern has reduced and people get scared, investors talk about it. Otherwise, consumption has not really come down in the country, it can only go up, so I hope that sector should also do well. Textile per se was only doing selective investment in the last few years, but some of them are under terrific pressure for water scarcity, though it may not lead to an expansion in the textile industry. Textile industry consumes a lot of water and one by one they have been told to recycle the entire textile effluent and they may not be given fresh water so they have to go for a water recycling plant. Water recycling plant for textile industry is very expensive, in fact that is more than the effluent treatment recycling, so that is an area where we have created expertise. There is a new product created by the company for multiple stages of operations, so I am expecting opportunities there in the current year. Now how much will that size be? The smaller investment, like water recycling plant in the textile industry can be between may be 2 Crores or may be 8 Crores. So those are the newer evolutions happening like the way I mentioned about the tyre industry last year. So these are the segments, diary is one segment, food processing is another and textile is the other segment where I am hoping that things could pick up in the current year.

Rajnith Shivram: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Lavina Quadros: Lavina here from Jefferies. Sir, I just wanted to understand, do you think from a broader perspective as Thermax is looking at increasing its export share in revenue, do you think in general margin profile will be flat with some downward bias because overseas projects do tend to have lower margins than Indian projects more from a general perspective not specific to this quarter, I am talking about 2 years, 3 years, 4 years?

M.S. Unnikrishnan: Lavina from my past experience, I'd say that we do make on an average little better contribution and margin from international products and projects sales, though there are isolated instances of things going wrong. Two reasons - first and foremost, all Indian companies, including Thermax, ensure that they do a better job for international projects. We have seen that when we do local project execution sometimes, you can get a higher efficiency. Like we have completed a project for Sharjah Cement, where we commissioned 14 megawatt power plant and found that it is cheaper and faster to get fabrication structure done in Dubai that doing it in India. Though it is the same Indians who go there and do the building, only thing is that when they leave the shores of India they will adhere to the international quality standards. Similarly, I have experience of having done similar kind of work for Thailand earlier and Malaysia and they are far superior that way, and you can execute contracts on time. The commitments are really met and ecosystem for such kind of project management is far superior outside than in India; even project delays are less. If you really ask me where do you lose money, it is only if you become very aggressive at the time of quoting and take an order, especially when you go for larger projects in competition to either a Korean company or a Chinese company. They do not have a concept of costing the way the Indians would do that so when they undercut, if you come under pressure and take order in competition to them just because you want your topline then you will lose margins. But if you do normal sales, most of the Indian companies are making money in the international projects, but of course once in a while losses can happen also. I am not trying to deny that.

Lavina Quadros: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Good morning team. I had a few question. The first one was on the FGD opportunity, so I just want to kind of check with you that if we just focus on the opportunity from the central sector in terms of ordering if this opportunity equivalent to may be close to 8000, 9000, 10000 Crores of ordering over the next two years every year?

M.S. Unnikrishnan: No, because NTPC would not have the money to only put all of them; then they will have to focus fully on the investment, they will do in lots only. The lot 2 which is already ongoing is around overall Rs. 8000 Crores that will be ordered out in the current year and will anything spilt to next year, I do not know, but I think it should be over. Then Lot 3 could be a little bigger because there are supercritical work involved, so there the sizes could be little bigger, so could be 10000 crore. Will they go for it immediately? As I answered to somebody earlier, I think Viraj or somebody asked me, where I did give an answer that they have to have an asset allocation between pollution control and capacity enhancement. If all the money available to NTPC in the next five years will be focused only on FGD then all of them can go through and numbers that is forecasted is right, but I presume they also need to repay the loans that they take and they are going to enhance power generation capacity both in solar as well as in the conventional area. So they may not have a steady 8000 ordered every year. They will wait for the current batch to be over and then execution reaching almost a concluding stage and then they will go for more plans. So in my opinion there will be a lull for two years after the current year then again it will pickup. If the state governments get funding then that area will open up.

Aditya Mongia: These orders have they turned into revenues for you should not be grossly margin derivative right, they should broadly not be affecting the margins of the overall company as much?

M.S. Unnikrishnan: Well, to make those margins, one has to struggle, that is what we have experienced so far. Most of the larger energy products also taken were not having huge margins when they concluded. While executing with diligence you try to improve with couple of percentages, so same thing is what we have done over here.

Aditya Mongia: Got that Sir, so second question was more on the South Asian market, so you are talking about what started as a boiler market for you now becoming market for captive as well as air pollution control, it would be great if you could give us some kind of market size across these segments and what kind of business are you doing at this point of time and what it can become over time?

M.S. Unnikrishnan: We have succeeded in getting good orders for the heating products, started picking up in air pollution control and water business where isolated orders have been taken. Now we are gearing up for doing all the standard products over there. That means heating, cooling, air pollution control and even water standard plants to be made and the size of the market, if I have to agglomerate across the entire Southeast Asia, could be marginally even bigger than the Indian market size as it prevails today. So, in our understanding, the size of that market is nearly Rs.2000 to Rs.3000 Crores varying between a good year to bad year. Where currently we may have a very marginal market share as compared to India where we have an average 30% market share; for heating and for cooling we have got an 80%, 85% market share. So, if I were to look at it that way, we are targeting $100 mn for the products of the company in the next five years and for the projects, another $100 million. There is a market size available over there. Now for products, we have already created the first factory. Now we need to have assembly capabilities created there for water, which we are looking at progressively. For the projects, we needed separate registration because those countries have different kinds of rules. Though ASEAN is okay for products to be manufactured and sold, for doing EPC or a contracting over there, you have to be locally registered and in many countries you need to have up to maybe 50% local participation in equity holding dividend. So we had to overcome that also. So we may not be very comfortable having an

EPC company as a partner of ours because at least in manufacturing, there is a technology of the company, but in EPC it is competency. So there we are trying not to dilute our equity, barring maybe a minimal to be given to somebody who will help us for conducting business over there. So we are intending to set up the project entities, one in Thailand and second one in Indonesia. We are at a fairly advanced stage of registration of the company, manning has just started for that one. So there will be an effective organization there in the second half of the current year, though we have started bidding with Indian support. So that is the one, which will take me to the $100 million projects mark. So that is what we are currently envisaging for the particular market. Does that answer your question Aditya?

Aditya Mongia: Yes Sir, I have one more. The other business that you talked about that you would want to have a presence in the process chillers market, which, obviously what you have said is a much larger market size versus the conventional absorption chillers that you otherwise talked today. In terms of where you would want to be as a company in that segment and the kind of market size that is showing today?

M.S. Unnikrishnan: I did not get you. You are talking about process cooling?

Aditya Mongia: Yes, processing cooling, right Sir.

M.S. Unnikrishnan: We are going to do only in India to start with. We are not going to go outside India. Though we had an intention to look at an inorganic route, we have not been able to get the right one because the technology is just at an evolution stage in India, but that is in a fairly advanced stage in Europe. So we have that in mind, but currently we are pursuing only in India. The dry cooling, adiabatic cooling and the air cool condensing, are three product lines that we have currently started. We have designed on our own and started, but technology input or some kind of support coming from a good advanced company will help us to accelerate it. I cannot give a size of the market because a lot of them are conversion of the existing plant. In the steel industry, for example for you to save water consumption by 30%, you can go for adiabatic cooling. So it is a hybridizer. It becomes a project to be done. Whereas for air conditioning plant, it could be the dry cooler. Instead of having the cooling tower sitting on top of the building and throwing the water into the atmosphere, it could be dry cooling that saves the entire water, so it is cooling in a different manner, it is more of a concept to be brought in the country, and we have just started doing it.

Aditya Mongia: Thanks a lot for those answers. I will get back into the queue.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Only a couple of questions. If you can highlight the reasons of why the CFO, Amitabha, is resigning?

M.S. Unnikrishnan: Oh, 100% you should ask me. Amitabha has now become a counsel and a legal consultant also. He was interested in branching out to start something on his own for quite some time as an advisory for various things which he is planning for. This has been in the offing for quite some time. He continued with us and that somewhere he told me, allow me to move in at a time when there is sufficient runway available for me to lift off. So I did not want to have landing at the time when there is no more runway left for him, so this is the right age for him to start independently and he will certainly have an association with Thermax also. So he is not moving out of Thermax to another CFO job. Does that answer your questions, Bhavin or you want it to be heard from Amitabha himself?

Bhavin Vithlani: No, the second thing is while we will seek current year may be as you highlighted low single-digit growth and some improvement in the margin, but it will help the order flow, which actually dropped from Rs.1500 Crores, Rs.1600 Crores levels to Rs.1200. Are you seeing actually pickup going back to Rs.1500, Rs.1600 levels in maybe second quarter onwards and then we can see an acceleration in the growth in FY2021 or may be a mid-double-digit kind of a growth?

M.S. Unnikrishnan: You are right that you will see Q4-equivalent number prevailing in Q1 also because I do not expect that, in the next maybe 30 days, we will catch up on the sluggishness of the market. So reversal will take place in H2 where I would see Q1 similar numbers, Q2 could be better, but that again depends upon how quickly the reversal is going to happen. I mentioned about Indian market on how it retarded. All of you are aware of it, we had been talking in private also that it had been retarding for the past four, five months and for it to catch up to the same level for the domestic market, I would give them a quarter to two quarters. For the international markets, we need to look at factors beyond what you are talking about. Indonesia was a market that we targeted to setup a factory also. Imagine if the government changed over there. Then it would have again gone into a bit of a difficulty. Thankfully, to help us, continuum is happening there. So there I am expecting stability in India, Southeast Asia, and even in Malaysia. All of them in South East Asia are growing at maybe between 4% to 5% and that should help me with the local presence having improved. So that is as far as the Southeast Asia is concerned. Though oil prices have now turned positive, due to war cloud on Middle East, I am not expecting anything to happen substantially. Though I am seeing some positive, which I did mention in a couple of quarters back that both in Kuwait and Oman, there is a revision in terms of investment happening. We have presence over there, but will that compensate for the kind of heydays that we had with the Saudi Arabian economy really going up is something I really cannot say. So because of these reasons, in the Middle East, I am not expecting a great improvement, though last year was a bad year, so it may remain as a marginally better year. Then coming to the African continent, I am expecting things to be better off right now. Because South Africa, with all the negative that they had, Amitabha tells me that its now back to a good base and a good leader and there is real capacity creation over there. And after setting up a Kenyan office with an 18-member staff over there, and local people on board, I am seeing that they are not only operating for Kenya, they are doing business for multiple countries across nearby areas also. Inquiry generations have improved and local persons should help me to improve the order intakes there, but I am not seeing any very large projects in that part of the world similar to Dangote. A couple of more cement plants are anticipated to happen, so those are the areas that I am looking forward to, in the international market. For Danstoker, the negatives are off, and we will not take up any project in that part of the world. Those people do not have a concept of controlling the cost like Indians would do. I mean, Thermax or any Indian company are used to taking an order at breakeven and then improving the profitability while executing. So we have to be very careful and that is where we have been curtailing. So that should also improve. So on my order intake, frankly speaking, the last two quarters had been very good in the European continent. Those are decent orders. So overall, that gives me confidence that I can marginally improve my overall order intake and if short cycle orders were to happen, for me, to give a single-digit growth, is not out of bounds, but it was challenging in the current year. Is that okay, Bhavin?

Bhavin Vithlani: Yes, Sir. Thank you so much. Just last one clarification. For the year, when we had Rs.94 Crores one-off expenses, there is a large Rs.110 Crores of deferred tax. Is there some one-off element in that as well?

M.S. Unnikrishnan: You are further correct. Both of them are one-off only. Both the sides are one-offs.

Bhavin Vithlani: So the reported PAT is continued because we expect extraordinary expenses and the extraordinary deferred tax cancels itself?

M.S. Unnikrishnan: So it is a regular business number, they are regular numbers.

Bhavin Vithlani: Okay, so that Rs.29 EPS that we saw is a continuing EPS number?

M.S. Unnikrishnan: I cannot comment on how much shareholder should earn. The market should be giving the numbers, but in any case, I am expecting improved earnings.

Bhavin Vithlani: My question was on FY2019, the reported number?

M.S. Unnikrishnan: That remains the same only.. There is no correction for that. There is no adjustment to the EPS. Am I correct, Amitabha, it is only an adjusted EPS? Correct.

Bhavin Vithlani: Thank you so much.

Moderator: Thank you. The next question is from the line of Kashyap Kartik from Table Tree Capital. Please go ahead.

Kashyap Kartik: Thank you so much for taking my question Sir. Couple of questions, one from absorption cooling I know Thermax does not declare individual energy segment numbers, but on absorption cooling or heat exchanger numbers, we have typically seen with global companies even Alfa Laval or Danfoss there is very little cyclicality the gross margins are very high 45% to 50% margins, so if you could just give a very industry overview on the absorption cooling and heat exchanger business because we hardly talk about it and if you could just explain about the industry and how why are the gross margins so high in this business usually and if you could speak a little about Thermax as well?

M. S. Unnikrishnan: One clarification that I am going to give you is on what you mentioned about Alfa Laval equivalent. They make plate heat exchangers, which go into any industry, any process industry and we also buy from them for some of our products, including for cooling. Absorption cooling is nothing but producing chilled water from heat energy , which is not made by any of the names that you have taken. Now, this chilled water can be used for air conditioning a building or can be used for process cooling, so this is an equipment of a different nature. So this competes against the conventional chillers. Just to give you an overview, the global cooling market is approximately $105 billion. In that, approximately $4.5 billion is for centralized chilling plants, which goes into factories or into buildings like the one you are sitting in currently. Of that, around $780 to $800 mn is absorption based cooling and the balance of around $3.3 bn is for conventional electrical chillers. We are not into electrical chillers; those are managed by companies like Carrier, Trane, Mitsubishi and other coolant companies. In absorption cooling, there are 2 to 3 Indian companies active , one is Thermax for so many years with 80%, 85% market share, Voltas and very recently Kirloskar group have started doing these products, so that is the market in India. Globally the leaders are two Chinese companies, one is Chun-Liang, the largest manufacturer in the world right now based in China and second is Broad and there were Japanese who have almost come down to very low volumes.. Thermax is the technology leadership-oriented company on that front. In that, virtually $720 million, i.e half the market is in China. That is why we entered China, but did not find it very easy to operate over there and therefore we are curtailing our operations. So the market where we are going to operate for absorption chillers in the world is at $300 to $400 million. In that we already have a double digit market share, one of the very few Indian companies having an engineering product and global market share of the kind, and we are selling everywhere in 70 odd countries. This market is growing because there is a consciousness related to capturing the low potency heat in any manufacturing process and converting it into usable energy. One of the applications of absorption cooling is where they can use the chilled water for the processes, but if there is no air conditioning requirement or chilling requirement in the process, absorption chillers would not serve the purpose. In such cases, people look at what is the payback versus electrical chilling. So the pricing of the energy is how you price electricity versus waste energy. The waste energy comes from thermal energy that is oil, gas; that makes it run. For example, in a country like Iran, for air conditioning, you can go for gas, it will be much cheaper because gas is easily available there. In Saudi Arabia, it cannot be done, because they do not sell gas at cheap prices. In India there is no gas available. If gas were to be available in India, all the buildings in Mumbai and cities where you guys are sitting right now should have had an air conditioner using absorption chillers. Currently you are all paying electricity charges, anywhere from Rs.10 to Rs.14 per unit of electricity. If only gas were to be made available in Mumbai, all the basements of buildings should have had only absorption chillers. Their importing gas price is at something like Rs.30 which is not viable. If gas were to be available in India at lower prices, we would have installed maybe 100 chillers in Mumbai city in a year.

Kashyap Kartik: One more question Sir. From a refinery capex perspective, one of our competitors won a lot of orders in the Middle East and they have kind of doubled their order book and most of the other companies are saying a lot of refinery capex is going in because of BS-VI and MARPOL regulations, so oil and gas even HPCL, BPCL, Reliance are investing a lot in refinery capex for this BS-VI regulations, so just if you could give me your view a) what is really happening in that BSVI MARPOL and a lot of refinery capex both in India and Middle East and why Thermax has not been able to kind of garner share because almost every other capital good company saying we are seeing a lot of traction in the refinery capex and therefore we are seeing a lot of orders?

M. S. Unnikrishnan: I will not be able to comment on what others say but let me clarify to you. India decided about BS-VI, that is Bharat VI sometime back, and all the refineries were asked to enhance their refining capacity accordingly and the tenders started being floated from 2016 onwards. Thermax has received almost 60% of all those orders and many of them are executed, so all of them are ready to produce BS-VI compliant diesel by 2019 October is what I think; it may be postponed for a few months. Thermax got benefitted also in the previous years from these orders. India, for your information, was operating in Euro 4; instead of going to Europe 5 we have decided to jump to Euro 6 that is what Bharat VI is all about. Now the gulf countries and refineries are already operating at four, four to five or four to six is what they were to decide and as they go for it, there will be EPC companies from India who will do the entire EPC. There are very specialized equipment needed which are the heat exchangers that Thermax will go for. So certainly we are already prequalified with all the names that you may have in your mind right now. Ask them when they have awarded EPC contract to x ,y, z companies and when they go for this product they will buy from us only including the Indian EPC major, so that is my answer for that. But across the globe, there is not so much of refinery happening. In fact we expected eight refinery expansions in the world, but not even three of them got ordered in the last year.

Kashyap Kartik: Got it Sir. This refinery capex is primarily focused in the Middle East for now for the next two years basically?

M. S. Unnikrishnan: Will they put money, will you as an investor put money of maybe $8 - $9 billion in the Middle East with the current war clouds going on is the question that needs to be asked. A lot of projects were announced, but Saudi Arabia is going ahead with one expansion, and currently the attention is not on expansion of refineries is my understanding, though there is a lot of information floating in the market related to refinery expansions. Forget about the local issues in the Middle East, the biggest issue for the refinery investors in the world today is the rate of movement of electric vehicles in the world. If EVs were to move at a faster pace and nobody can predict that, considering the way in which the climate change is happening everywhere in the world. There is so much pressure to curtail oil refining itself. It is like in India where we know that we need a lot more power plants, but Indian Banks are hesitant to lend money to fund power plants. International funding, they say, is a consortium of 100 financing institutions across the globe who have taken a decision that they shall not fund any coal-fired power plant anywhere in the world. Similarly, there is a worry related to refining in the future because of which, there is resistance to invest in refineries. This is a definitive item that you can make always money, but people are not signing cheques at this point of time though there is a need for it, so that is the number one issue to be solved before refinery investments can happen in many countries.

Kashyap Kartik: Perfect Sir. Thank you so much.

Moderator: Thank you. We take the next question which is from the line of Abhishek Puri from Axis Capital. Please go ahead.

Abhishek Puri: Thank you for the opportunity and Congrats for a good set of results. Two, three small questions, actually. First on FGD, I think you have spoken a lot about it already, but just wanted to check because a couple of competitors from your industry have been talking about 60000 megawatt-plus of ordering this year and the tenders, which is already out from states, PSU companies, NTPC, etc., would you take that number closer to this or will it be much lesser than that?

M. S. Unnikrishnan: I would go for a one-third. I will divide that figure by three times to say that the realistic number is closer to that and I will give my reason also. Even now, other than NTPC and very few companies, there is hardly anybody having positive numbers on the profit side of the balance sheet, and many of them are overleveraged. FGD is one item where you do not increase your power generation by unit of electricity, instead there is an operating expense. So that means there is a burden of x paisa per unit of electricity generated. Why I am not quoting this 'x' paisa is on account of the fact that it varies from plant to plant. So at that level, it is a burden on the existing companies; I mean their balance sheets. So adding on that base, for the state electricity board, is a dream I think at this point of time. Yes, of course, a new state government electorate may have motives of different nature to have capex added on to the plant, but that will be very limited, and in which case somebody has to fund it. So where from is the funding going to happen? NTPC has got funds available and they want to be an example for their country. So they will continue doing this. But that is going to be more calibrated rather than putting all of them in one shot. So they have gone for Lot 1. Lot 2 is under finalization. Lot 3 also will happen afterwards. That is my answer for it.

Abhishek Puri: That is very clear. On the water business, you I think highlighted in the annual report also last year that you were very optimistic about the order inflow in this environment segment does not show the growth, which we were expecting for, so what has gone wrong and are there any orders in the pipeline that we are looking at?

M. S. Unnikrishnan: Yes, there are orders in the pipeline. In fact, in the last quarter, we had a setback in the order intake because we expected a lot to happen. All of them got postponed to the current quarter. As I mentioned there are no order losses. Order finalization suffered a little towards the end of last year in the water area. Water projects are happening a lot - the municipal sector a lot more, but we do not participate in that. I hope you are aware of the fact that we exited the municipal business four, five years back.

Abhishek Puri: Right and lastly, Sir, on the tax numbers, I mean, is there any further deferred tax, which can be availed from TBW consolidation?

M. S. Unnikrishnan: Whatever could be possible is already availed.

Abhishek Puri: Okay. So we should get back to the normalized rate of 35% to 36%?

M. S. Unnikrishnan: You are right. Absolutely right.

Abhishek Puri: And last question on the balance sheet as well. The investment in subsidiaries and joint ventures has gone up by another Rs.120 odd Crores. Despite taking the impairments in some of the subsidiaries what would this amount pertain to and which subsidiaries where we would have funded?

M. S. Unnikrishnan: We bought over the joint venture portion. So that is some fairly closer to the number that you indicated, buying the equity of our American partner. Then for Southeast Asia, we have invested in the companies we started. For the Danstoker Group, to come out of the current problems, we have to put in some more investment; approximately Euro 5 million is something which we have invested.

Abhishek Puri: That is quite helpful. Thank you so much and all the best Sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Nilesh Bhaiya for closing comments.

Nilesh Bhaiya: Thank you, Stephen. Thank you everyone for your valuable participation. Thank you, Sir, for providing us with the opportunity to host the call. It got a bit elongated. I request you to make the closing remarks.

M. S. Unnikrishnan: Nilesh, thanks a lot for hosting it so well, Stephen for steering it also and the kind of question that you asked. I know all of you are well wishers of ours and want us to do well. So let us hope that the market condition in our domestic market improves in the current year and a lot more projects happen. I am optimistic, post hearing the election results that things are going to happen in India and in the markets that we operate. So let us hope for improvement at least towards the second half of the current year in the negative sentiments and let us look forward to a great year in 2021 and a decent year in the current year. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.