Thermax India

Q1FY11 Conference Call: 22 July 2010

Management: **Mr. M.S. Unnikrishnan (Managing Director)**

Mr. Gopal Mahadevan (CFO & Executive Vice President)

Moderator: **Mr. Misal Singh (Religare Capital Markets Ltd)**

Operator:

Thank you for standing by and welcome to Thermax India Limited Q1 FY 2011 results conference call hosted by Religare Capital Markets. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask any question, please press *1 on your telephone. Please be advised this conference is being recorded today. I would like to hand the conference over to Mr. Misal Singh. Over to you, sir.

Mr. Misal Singh:

Thank you Varsha. I welcome you all on behalf of Religare Capital Markets to the Q1FY11 conference call of Thermax. I have with me Mr. M.S. Unnikrishnan and Mr. Gopal Mahadevan and his team to discuss on the Q1 FY11 results. So, over to you sir.

Mr. M.S. Unnikrishnan:

Thank you Misal. A very warm welcome to everybody who is participating and a good morning to all of you. Thanks once again for your keen interest in Thermax and the desire to know more about the results of our company. I am very happy to share with you that for the first quarter of FY11 we have posted a total income of Rs. 790 crore as compared to Rs. 544 for the Q1 of the last year, it is a 45% growth approximately. The full credit cannot be taken by the company alone because in the last year quarter, the base itself was substantially lower, but looking at the way the market is spanning out and reacting, with a better off take happening from the customers, the credit availability and the order intake at the same time happening, it is a positive number.

To give a breakup of this revenue, domestic market has shown a growth of 69%, exports revenue has declined by 6%. This is an indication that the recovery process; the global market is yet to be taking place and we are still putting in all efforts to ensure that international business also picks up the way we are seeing the growth in the domestic market. Energy business contributed to 77% of the total numbers and it is a 47% growth and the environment has grown by 56% for the current quarter. PBT for the quarter is up by 43% at Rs. 98.8 crore in comparison to Rs. 69.2 crore of the last year.

Our order intake for the quarter had been 73% higher than the previous year, it stands at Rs. 1731 crore as against just above 1000 for the previous year the same quarter. Of this Rs. 1544 crore has come from the domestic market and the balance is from the international market. 83% of this has come from energy and the balance has come from the environment segment for the first quarter. Even if I were to keep out the very large order that we received, which we declared to the market sometime back, about the power EPC order, every business individually has shown a growth in the order booking, that is a very positive sign indicating that the market is picking up. Our order book aggregated at this point of time stands at Rs. 6330 crore for Thermax as against 3230 of the previous year, showing an increase of 96%. At consolidated level this number is almost touching Rs. 7000 crore, little over Rs. 6984 crore, it is higher by 104% at the group level. At the group level, income of the company is at Rs. 835 crore of rupees.

I have already indicated that we have received a fairly large order of Rs. 580 crore which is a 72 megawatt combined cycle power plant for a petrochemical major in the southern part of India. The importance of this order is that Thermax is going to do a combined cycle based on gas turbine with gas as a fuel, after a gap of almost 18 years. With the gas economy going to open up in India, you would certainly have very large companies who would do the 2000 megawatt and 1000 megawatt equivalent. However, there will be a lot of customers in the country who will be needing smaller capacity gas based power plant too, which will also be having a combination of power, heating and cooling and we should be able to be the solution provider for this part of the industry.

I would also like to talk about a couple of more orders, which we received, may not be very large in size, but as people who are interested in the growth path taken by the company, will be very interesting. Your company has captured a 100% market share in the 400 km length of Delhi Metro for the entire water treatment and water supply scheme for that point of consumption based supply. We have picked the order for the tallest building currently existing in India. This is a Delhi Municipal Corporation Civic Center, may not be very large in size but is very-very precious and important for a company, since every city is wanting to beat each other in terms of the heights of building with Lodha's declaring about the tallest building of Asia to come in Bombay possibly.

We have picked up 80% market share by supplying water treatment, waste water treatment plants for the common wealth game which is going to start in Delhi. We also have every water treatment order for Asia's fifth largest airport which got recently opened up in Delhi. So, these are the major achievements in the water area. We have been talking about, you know, we are giving a lot of focus to standard products for the water business and how urbanization can help Thermax. This is just to give you a glimpse and indication of how your company can get benefited from whatever urbanization has happened in the country.

Some more information related to quality of types of orders that your company picked up. Thermax obtained an order for fume extraction system worth round 15 crore. This is a breakthrough order for the company based on the technology that we have picked up from Balcke Durr. We used to talk about SEZs and what can be the order prospects for our company. We have got the first order for a sewage treatment-cum-recycle plant for Sterling's SEZ. So with couple of 100 of them waiting in the wings, this has provided an avenue for the company to grow in the water business also.

I am very happy to also inform you that we got the consent for establishment and construction of the chemical factory unit one at Jhagadia. for which we had procured the land almost one year back. We got the clearance from the ministry of environment and forest and being a chemical factory it is a major achievement and a milestone. 18 months down the line we should have the factory up and going.

Another information for you is we had declared year and a half back about our testing facility being commissioned for very large capacity chillers. We are very happy to inform that we have produced 3000 tons capacity chiller, arguably the largest in the country in any case and one of the very few such capacity chillers being made in the world and this is commissioned in a textile mill in India. This will change the game because with a lot more of large capacity or taller buildings, commercial space going to take shape in the urbanization plan of the country and with gas also going to be being made available, this will open up avenues for absorption chillers using gas as a fuel or a combination of power and air conditioning done using gas. This is another avenue that is getting opened up for the company.

We also built up the single largest coke oven waste heat recovery power plant for one of the ferrous majors of the country in the State of Goa in the last quarter. So, these are some of the major highlights of our first quarter performance. I will not consume any of your time, so I hand it over to all of you to keep asking me questions. Thank you.

Operator:

Certainly sir. At this time, participants who wish to ask any question, please press *1 on your telephone keypad and wait for your name to be announced. Participants are requested to restrict to two questions at a time and they can ask the followup question by pressing *1 again. First in line, we have Ms. Deepal Devila from Citi.

Ms. Deepal Devila:

Good morning sir. Congratulations on a great set of numbers.

Mr. M.S. Unnikrishnan:

Thank you, Deepal.

Ms. Deepal Devila:

Sir, just one question. We had a very good order intake in the first quarter. What is expected run rate of order inflows for the full year?

Mr. M.S. Unnikrishnan:

We are predicting at least the same level of order booking as last year, we were very lucky in the first quarter and there are enquiries on the platform. Some of them, especially, see how the numbers go up Deepal is when you have got a chunky order of Rs. 400 to 500 crore size coming in, it really lifts your number. Otherwise, the average is around Rs. 700 to 800 crore. That Rs. 700 to 800 crore is projected based on the enquiry levels we have. However, for the larger ones we have enquiries, but depending on the financial closure of these projects, which quarter will it get finalized, I will not be able to predict at this point of time. For the standard order booking of the company, we will be predicting a growth rate in at least double digit in the current year.

Ms. Deepal Devila:

Double digit for the current year, this is in the order inflow numbers.

Mr. M.S. Unnikrishnan:

Correct.

Ms. Deepal Devila:

Sir, second question I had was in the upcoming tenders for the boilers, the retendering that has happened, I understand that you know you were discussing about land being available to be able to bid for these. Have we got any progress on our land for the JV?

Mr. M.S. Unnikrishnan:

Certainly, it has progressed substantially at the level where there is a meeting point between the government and Thermax. We should be able to close it before the end of August, which is the time for the closure of the tender. Now are we bidding for the tender?, that is only one of the precondition. There are various other factors to be considered by the company to make the tender which we are evaluating at this point of time. But to inform all of you, it is an opportunity from the blue, it is not something which we had been planning for. As a company we are gearing up to bid for 800 megawatts tender which is going to come in the month of September, which means the tender closure by end of December. So, that part is already owned, should we be participating for the 11 x 660, we will take a call shortly.

Ms. Deepal Devila:

Okay, but I mean indications are it could be a high chance, right?

Mr. M.S. Unnikrishnan:

Well, time will tell you.

Ms. Deepal Devila:

Okay. Sir, second question I had was as I understand that the JV will now manufacture the units upwards of 300 megawatts, right?

Mr. M.S. Unnikrishnan:

That is correct.

Ms. Deepal Devila:

So, the order inflow number that you are giving us you know would that include the JV orders also, this is excluding the JV order.

Mr. M.S. Unnikrishnan:

JV has not even started bidding for the order. So that everybody is aware of it, we will have the first board meeting of the JV happening in the middle of August and we expect that the company will be in a position to start bidding towards the end of the current year in the normal circumstances and our factory will be ready up and going by February-March 2012. So, our order intake should ideally happen in FY11-12.

Ms. Deepal Devila:

Okay, as of right now, the order inflow is all going to be attributable to Thermax.

Mr. M.S. Unnikrishnan:

Current year, of course if all of you pray and if luck prevails, we can have an order in advance and I will have to struggle to execute the order, the factory has to be ready also. But anyway, I mean fundamentally you look at L&T, it has taken virtually from the time they signed the JV to pickup the first order two calendar years. So, I am sure it will possibly be better than that, that is the way I could tell at this point of time.

Ms. Deepal Devila:

Okay sir, I will come back to you with more questions. Thanks.

Mr. M.S. Unnikrishnan:

Thank you.

Operator:

Thank you Ms. Deepal. Participants are requested to restrict to two questions at a time and they can ask followup question by pressing *1 again. I will take up the next question from Ms. Madhuchanda Dev from Kotak.

Ms. Madhuchanda Dev:

Sir, I have two questions. One is in the FY11 revenue, which are the key orders that you are going to execute or which is going to contribute to the bulk of the revenue, which are the key orders that we should be looking at?

Mr. M.S. Unnikrishnan:

There are two large orders that will contribute to, though they will not go more than 20%,. One is the Meenakshi Power which is an IPP order that we have got last year as confirmed to all of you. Second one is 200 megawatt into two numbers for Essar Power, Vadinar Power which we started executing, already recognized revenues approximately 30 to 40 crore in the previous year itself. So, a good part of the balance also will get revenue recognized. These are the only two large size publicly known orders. Otherwise, fairly well spread across.

Ms. Madhuchanda Dev:

If you could just give us a breakup of your current order book into this utility, normal boilers, water treatment, etc., that should be helpful.

Mr. M.S. Unnikrishnan:

Yes, Gopal, will you please help her out with the numbers.

Mr. Gopal:
Yes, I will give you the breakdown first for Thermax. The total order book that is the order balance that we have today is Rs. 6330 crore and the energy segment is Rs. 5396 croreand the environment is Rs. 934 crore.

UnnikrishnanMs. Madhuchanda Dev:

And what is the utility component in this?

Mr. Gopal:

The utility component would be somewhere to the extent of roughly about 250 to 260 crore.

Ms. Madhuchanda Dev:

Rs. 250 crore and Rs. 930 crore is environment. And if you could give us the same breakup for the order inflow for Q1 that would be helpful.

Mr. Gopal:

Order inflow for Q1, yes. See the order booking, the order inflow for Q1 is Rs. 1731 crore, Rs. 1437 crore is energy, and Rs. 294 crore is environment.

Ms. Madhuchanda Dev:

Okay. I have a general macro question sir. From your assessment of the environment, the general macro environment, which are the segments which you think other than the power segment obviously, which looks very interesting to you in the coming nine months?

Mr. M.S. Unnikrishnan:

Steel industry. I am not talking about the composite, the sponge iron, the small steel companies, and also the expansion programs for the existing companies are the second largest vertical going to be, not only for me alone but for the industry, after the power at this point of time.

Ms. Madhuchanda Dev:

And, I mean, although we talk a lot about environment, but do you sense any change in terms of actual order inflow, I mean is it really picking up in any substantial way?

Mr. M.S. Unnikrishnan:

It depends upon the way it is classified. In our company, environment business is water and waste solutions, air pollution control, and the chemical. In that one I would find the water business to be picking up certainly, because there is a dire need and people are willing to put in money and there is a government funding coming in also. Air pollution control will be project to project and your question about is there a civic sense which is getting improved in the country, it is only in a limited sense at this point of time.

Ms. Madhuchanda Dev:

Okay, sir. Thanks and I will step back and come back.

Mr. M.S. Unnikrishnan:

Thank you, Madhu.

Operator:

Thank you madam. I request the participants to restrict to two questions at a time. Next in line, we have Mr. Manish Choglay from Bajaj.

Mr. Manish Choglay:

Hello.

Mr. M.S. Unnikrishnan:

Yes, Manish.

Mr. Manish Choglay:

Yes, hi. I was just looking for some clarity on your order intake. Now Rs. 1731 crore 83% of that is from the energy side, and of that 580 crore is roughly from that single large project that is the EPC that we are doing there, right. So, the remaining 940 crore is all products order intake, is that right today?

Mr. M.S. Unnikrishnan:

Not that way. There are also project orders of larger boilers which could be a 100 ton capacity, 200 ton capacity, there could be orders for heat recovery steel generators which go at the back end of the gas turbines. There could be water project orders. And power also I think in the talk I gave you there was a 30 megawatt order from one of the Goan Steel Companies for coke oven waste fired power plant also, all that is there as a part of that.

Mr. Manish Choglay:

And can you give me some sense on what kind of competition was there in this Rs. 580 crore order that we won, what was the difference between the L1 and L2, what kind of a competition was there?

Mr. M.S. Unnikrishnan:

For gas turbine based combined cycle power plant which will go for you know APIs specification for a oil company, there are very limited people who are qualified to be quoting. Number one being BHEL, Larsen Toubro is the second company in the country who is qualified to be bidding and third now entrant is Thermax. So, these are the three entrants and finally the bid was between BHEL and Thermax. Since it is not a publicly known number, for the tender opening, we were not substantially lower than BHEL, we were, yes lower than BHEL certainly, but not in any double digit percentages in the last one.

And these days why I talk about that is, government also has got a new procurement way. They will make you L1 and then they will call you for a negotiation. Earlier days they will give you the order, the same day the price is opened, when you are L1 and you get the order. You shake hands across the table. Now you shake hands normally in Delhi, because you are called to the ministry and then there are people who are IAS officers, who will negotiate with you, who may not understand what the technology is all about. That is why the difference may not be publicly known, so it is lower than BHEL at this point of time, yes.

Mr. Manish Choglay:

And just to get some sense on you know what kind of top line can be expected in FY11, as of last quarter end you had some 5300 crore of order back log of which 2500 came from Essar, SAIL, Brahmani and Meenakshi. The remaining is largely the small EPC contracts that you have done wherein execution time will be 12 to 15 months, I guess.

Mr. M.S. Unnikrishnan:

Yes.

Mr. Manish Choglay:

Now, of these 2500 crore of large orders, you are saying that you are executing Essar and Meenakshi largely that will come in FY11.

Mr. M.S. Unnikrishnan:

A good portion of that will come in the current year.

Mr. Manish Choglay:

Okay, but you had some order from SAIL also, sir, I find note of that.

Mr. M.S. Unnikrishnan:

That is part executed last year, that is RSP, you are right, Rourkela Steel Plant, that is part executed last year, little of that will carry forward in the current year. See, the current year billing for orders like that will be more in terms of the construction portion, the equipment supplies are over. So, you are wanting to know, I mean from all of this you are trying to arrive at a number. I am sure arithmetic can get you to a number which will be off by plus or minus centers between you and my calculation. Normally, we will not give an exact guidance. You have seen how we are able to execute orders at this point of time, we are gearing up for that. See, what are the other factors. First precondition for doing a good turnover is that you should have carry forward orders, which we have in the beginning of the year, so that is ticked, and this is positive. Secondly, our internal ability to be executing, which Thermax has got, there again I would agree.

Yes, there will be challenges, not, Thermax is only one company, but we have got a chain which is our suppliers, some of which are very large companies for the components, and the fabricators and unit suppliers, outsource suppliers. They are all, the linkage has got to be working which we will ensure that in our capability we are, I think we are quite confident about our capability. Well, the third factor is the customer, his readiness, his availability of funds. There are some imponderables on that count as we progress, so that is why one does not normally give a guidance for a company like us. It is not a billing which is totally in our control, we have orders we have ability to manufacture, we have ability to execute. So, we should be able to do a better number than last year certainly.

Mr. Manish Choglay:

Okay. And this 580 crore order that you bagged in this quarter, I mean when will the execution start, I mean . . .

Mr. M.S. Unnikrishnan:

24 to 26 months is the delivery and commissioning period for that order.

Mr. Manish Choglay:

Okay, right sir. Thank you very much sir.

Mr. M.S. Unnikrishnan:

Thank you Manish.

Operator:

Thank you sir. Participants are requested to ask two questions at a time. Next in line, we have Mr. Venugopal Garre from Credit Suisse.

Mr. Venugopal Garre:

Hello, yes. Good morning sir. Thanks for taking my question. I just you know wanted to understand on the per equipment space, especially the subcritical orders, just wanted to understand what will be the broad market that you are trying to target in terms of megawattage or in terms of number of sets equivalent. If you can give any color on that.

Mr. M.S. Unnikrishnan:

Yes, Venu. Until may be 18 months back, subcritical and supercritical were supposed to be a 50:50 kind of a configuration, but with the government pitching in for supporting supercritical, our expectation is that anything and above more than 300 is virtually shifting on to supercritical only. Very rarely will you come across the subcritical of 500 which could possibly be the expansion programs of the existing NPTC equivalent plants where we already have two numbers 500, they will not go for a supercritical, they will go for one more 500 equivalent. So, the subcritical is going to be limited to 2 x 135, 2 x 150, 2 x 250, and 2 x 300, which as a megawattage will come down to less than one third of the going forward market, this particular size which I am talking about.

The number of order-wise this could be as big as supercritical because I mean you will need many more of them to be executed to get the same capacity. And the market is also going to take a new shape that economy as a scale of operation is going to increase the captive consumption of power for steel industry, non-ferrous industry and even cement tomorrow, and second factor being many of the captive consumers are normally going for a 50% extra capacity to wheel out merchant power during the peak time to make little more money than what they make from the cement and steel and the equivalent.

So, a new segment is getting opened up in the country with the captive consumer buying semi captive, that is an IPP cum captive, which will be this 2 x 150, and 2. 250 and 2 x 300. So, that is the kind of movement that you should be expecting. I will not want to make a guess about the megawattage but I would believe that every year you should see at least a couple of large orders of this kind getting finalized, some of them will go for the EPC way, some of them will go for the boiler way. In both ways your company will be a part in that competition and we will try our level best to get those orders.

Mr. Venugopal Garre:

Okay. Sir, my second question is on the absorption chiller business. I just wanted to get a broad idea, what kind of a market size would that be in India and secondly an update on your China business.

Mr. M.S. Unnikrishnan:

Yes. India business size is expected to be touching a 100 crore in the current year, of which we do hold almost 75 to 80% of the market share. China an update is, I mentioned to you in the last conference call that we had to be refocusing the segment as well as the market that we were targeting earlier on account of the Guongdong failure, the economic failure over there. We have been able to recoup and currently we are focusing on Shanghai and in and around the place where our factory is, and two more provinces added. Our enquiry in flow rates has substantially improved, we have had better order booking than the previous year. Are we okay with the numbers ? No, we want it to be treated much better, at a faster pace. But things are looking positive in comparison to what we were one year back at this point of time in China.

Mr. Venugopal Garre:

Thank you sir. I will come back with more questions.

Mr. M.S. Unnikrishnan:

Thank you, Venu.

Operator:

Thank you sir. Next in line, we have Mr. Bhargav Udahdev from Execution Noble.

Mr. Bhargav Udahdev:

Good morning sir. Congratulations for the good set of numbers.

Mr. M.S. Unnikrishnan:

Thank you Bhargav.

Mr. Bhargav Udahdev:

Sir, just wondering I remember last conference call you sharing that you were actually looking to enter into consortium with turbine generators here to bid as a BTG. So, is there any update on that sir?

Mr. M.S. Unnikrishnan:

I cannot give it to you outside, it is not a public domain information, but yes it is a positive movement with one of the, in fact, both the independent turbine manufacturers were in dialogue with us. With one of them, we have agreed to bid for one of the two numbers of 660 megawatt coming forward, where there is a BTG requirement. So, there is a movement already. Consortium bidding is already on for one project going to be coming, but that is an agreement.

I mentioned earlier that are we going to bid for the 660 or the NPTC's equivalent. Our readiness for bidding is going to be prima-facie in FY12, that is 2011-12 is the time when we will start bidding for. Yes, currently we would have been gearing to bid for the 800 megawatt power plant of NTPC coming in. So, all the questions related to that will have an answer of substance coming in the second half of the current year onwards.

Mr. Bhargav Udahdev:

So, sir, in other words, when we bid as a JV, we would be ideally we would love to bid as a BTG player, is that you are trying to indicate?

Mr. M.S. Unnikrishnan:

Certainly, there is no compulsion. See on such kind of larger orders, it is the customer who takes the call. Most of the customers would have preferred somebody to take the entire risk away from them by having an EPC run. There are very limited people who can do an EPC for a 5000 crore or 10000 crore. Globally also there are not many who are wanting to do. Doosan seems to be the only company who is currently doing it, otherwise customer preference will come down to next level BTG or the moment they go away from EPC, it is a optional choice, why should they go for, because one way is to go for BTG and pay higher money to the consortium, or else go for a disseminated or a package buying where he can control the cost absolutely.

So, I have seen a major preference in the private industry also, currently moving away from BTG, especially for the supercritical, because they do know, if they have to pay even 5% as a risk premium to the BTG partners for the joint and several risks, that we will be taking and bank guarantees being given for it, they get their 5% on a BTG value of this kind couple of thousand crore, that is huge money. So, we will have to wait and watch how the market is going to be evolving, yes.

Mr. Bhargav Udahdev:

And last question sir, in terms of the IPP orders which we have taken on a turnkey basis, I remember for Meenakshi we have tied up with Simplex. Would that be the partner with whom we will be working going forward as well or . . .

Mr. M.S. Unnikrishnan:

To clarify to you, Simplex has done one part of the job and we also have Gannon & Dunkerly participating with us for the building construction over there and going forward we will have to have three or four larger companies participating with us, it is not one alone.

Mr. Bhargav Udahdev:

Okay. Fair enough sir and all the very best.

Mr. M.S. Unnikrishnan:

Thank you, bye-bye.

Operator:

Thank you sir. Next in line, we have question Mr. Daman Shah from HSBC.

Mr. Dhimant Shah:

Good morning sir. Just that breakup between I missed that between the utility, the environment, and the energy segment, that is one. Number two since it is limited, if you can just you know give us some update on the various progress that you have made on both the JVs as well as both the subsidiaries.

Mr. M.S. Unnikrishnan:

Yes, first I would request Gopal to give you the breakup of numbers.

Mr. Dhimant Shah:

And while you give breakup both for the utility, energy, and environment sir, if you can just kind of you know if you can just tell us what kind of underlying growth are you forcing for the ensuing quarters or the year to come by?

Mr. M.S. Unnikrishnan:

Gopal should attempt to do that also, I am sure. Please, Gopal.

Mr. Gopal:

Okay. See the order balance as I had mentioned earlier was Rs. 6330 crore and out of that the energy segment is 5396 crore and the environment is 934 crore. The utility order that we have, which Unny had also mentioned earlier, that the order balance is approximately about 250 crore as on date. So, going forward, like Unny had mentioned, I think on the utility segment we are in negotiations with certain customers. You are aware that from the Thermax perspective on the utility side, we are below 300 megawatts and we expect to get at least another order during the course of the year, and we are very positive both on the large boilers business as well on the power business and that has been reflected by the 1731 crore order that we have received in Q1.

As far as the rest of the businesses are concerned, the normal products and also the water and the air pollution control business, let me here say that the air pollution control and the water business would show, if I may use the term reasonably significant growth in the current year and we would see the Heating and the Cooling business also showing some amount of growth in the current year.

Mr. Dhimant Shah:

No, I mean is it a double digit growth, I mean what would you?

Mr. Gopal:

Yes, I would say that yes it is a double digit growth, certainly yes.

Mr. Dhimant Shah:

In all these segments?

Mr. Gopal:

Most probably yes.

Mr. Dhimant Shah:

Okay. And what kind of the overall new products is something that has been always helping us out erstwhile about 10 to 15% comes by way ofnew products. So, in this case would you maintain the same trajectory?

Mr. Gopal:

Yes, I believe so, we would be. For us, to be honest with you, even the utility is a new product we have had one major order and this is certainly going to take our growth going forward and also on CFBC, the large CFBC orders are something that we are looking to very positively. You know we have already had one of the largest CFBC orders in the country today and as we go forward there seems to be a lot of interest because of the quality of coal that is available in India.

Mr. Dhimant Shah:

Correct. And lastly if you can just dwell a little bit on the water space, that seems to have finally blossomed, I mean Mr. Unni use to say that okay I mean it is still not profitable and . . .

Mr. Gopal:

Okay. I hope that you will notice that the underline word of your own statement was Mr. Unni use to say. He will no longer say that because you see what we have done in the water business is that we have actually carved the business into three performance units, one to look at the municipal business, the second is the industrial side and the third one is the products business, and we have been able to actually leverage on the structuring that we adopted internally and we have seen a significant growth happening in the water business, both in terms of order booking and as well as you know the execution that we expect in the current year. So, we are reasonably positive, I would say. Quite positive, especially on the municipal side, especially on the JNNRUM funded projects because our team is in high level of discussions with many of the parties.

Similarly, on the industrial side as well, we have actually found that we have been able to improve margins on the water business through synergies, both on the supply chain and also kind of configuring solutions for customers, and I believe that we are going to see some amount of growth as we move forward in this business. We are very-very positive about our water business at this point of time.

Mr. Dhimant Shah:

Correct. And margins are comparable to the current business?

Mr. M.S. Unnikrishnan:

Margins in any case, what did I say earlier was, that it is not a very profitable business the way it is conducted by others. We are arguably the better margin earners in the water business at this point of time. Our intention going forward is that we want to do that part of the water business which is as profitable as Thermax's profit. I am sure I should be able to deliver that to you, maximum one or two years ahead certainly. We should touch a double digit next year in the profitability, current year it is a challenge, but next year certainly we will reach up to that, which if you compare with, at least the public registered companies, whose balance sheets are already available, you do know what kind of money are made by VaTech or may be the Ion Exchanges of the world. So, that way, it has now reached, it is almost touching the double digit in the current year and we are ensuring that, that is what I spoke about.

Water is a very large spectrum available. You have got to carve a niche, where you want to be operating and Thermax has been able to locate the niche that we want to be operating and now we are increasing our efficiencies and order intake. As we are growing, I am sure the margin and size also will pitch in and we should be able to make double digit profit. We will bring it to the Thermax regular profitability two years down the line.

Mr. Dhimant Shah:

Correct and this is primarily being lead by the RO technology.

Mr. M.S. Unnikrishnan:

No, RO is one of the technologies only. We have got . . .

Mr. Dhimant Shah:

You have got evaporation, you have RO and you have the chemical base though.

Mr. M.S. Unnikrishnan:

No, additionally we have biotech - bio-reactors, membrane bio-reactors. We have technologies for difficult to treat effluents using combination of chemical technology and mechanical technology and this is a kind of thing that we are deploying currently. Incidentally, we are one of the very few who also utilize patented electronic technology known as electronic destructor. This is a high-tech area. See the normal water area is you put a pump, take the water from a river and distribute to people, is also water business. From there we are talking about where it is a bit more complicated, so waste and waste recycle all put together.

Mr. Dhimant Shah:

Okay. Thanks a lot sir.

Operator:

Thank you Mr. Dhimant. Participants are requested to ask two questions at a time and they can ask followup question by pressing *1 again. Next in line, we have Mr. Lokesh Garg from Kotak Securities. You can go ahead sir.

Mr. Lokesh Garg:

Hi, sir.

Mr. M.S. Unnikrishnan:

Yes, Lokesh.

Mr. Lokesh Garg:

Sir, just wanted to ask you out of this Rs. 5396 crore of order book that you have in the energy segment, leaving apart some very large orders, could you give a rough mix of which industry segments do they belong to?

Mr. M.S. Unnikrishnan:

Oh yes. I will give you overall and then you will have to take a deduction from that, because we have not separated the larger size of the orders, but for the quarter, sorry you will want for the full one, okay. First one is the power, second will be refineries and petrochemicals, third is ferrous metals, then paper and pulp, cement, and mining and minerals. These are the top five to six segments at this point of time. And unlike earlier days, we had cement as a number one, consistently performing that way for almost may be two or three years time, now the top 80% is contributed by at least 5 to 6 segments. So, there is a fairly good spread available for the company at this point of time.

Mr. Lokesh Garg:

Sure, and does this rough mix stands through for the current quarter order booking as well?

Mr. M.S. Unnikrishnan:

Yes, excepting for the fact that refineries and petrochemicals, with that one order, has got a temporary skew which will be evened out by the year-end I am sure.

Mr. Lokesh Garg:

Sure. Sir, my other question relates to margins actually while the company's revenue line grow substantially, but somehow that full benefit for operating leverage does not flow through to the margin level. So, what is your outlook on margins considering that raw material to sales ratio has gone up significantly, is there something structural or how should we see it going forward?

Mr. M.S. Unnikrishnan:

Yes, a capital equipment industry cannot be compared with the conventional process based industry or consumer industry where margins can kick in when you have leverage available. It does not happen here, because every project is costed and negotiated with the customer and in each order you are going to earn your profit. Unlike you set up a cement plant and then you got only one set of people operating it and you exceed the capacity, then every gross margin is equal to PBT is the theory that works. It does not work that way in capital equipment. So, that is point number one. So, you earn your profit at the time when you book the order and which the price is descided by the market and competition at that point of time. On that count I would say that there is competition but the market is very positive in the domestic arena, so we should be able to maintain the. . .

Lokesh are you in. My apologies, there seems to be some technical snag, I do not know, I am sorry to all of you, my apologies for the mistake in that. So, Lokesh, we were on the margins. I was telling that for the domestic we should be able to maintain the margin. Second factor which can inflict damage to the margin is commodity price and the foreign exchange. As for the foreign exchange, our company is 100% covered for forward, we do not take any risk on that count, so there is no risk on that account. On the commodity prices, we do book most of our specialty items within 30 days of we receiving the order, so have conformity of prices and then the common steel, which is procured only at the time of consumption, which is comprising 10 to 15% of our overall consumption, that is the only one subject to the variation. With all this put together, we should be able to maintain our margins subject to only one caveat.

More EPC revenue recognition means lower margin for the company because EPC, I wish my customers pay me the same margin as Thermax balance sheet, but they also have an ability to calculate the total EPC cost, normally the margins are in single digit. So, we try to ensure that we execute it better and get a bonus and make it into double digit. So, that is the way the margins are expected. So, coming back to that, what is the margin forecast for the current year ? No number is going to be given. I always do say that Thermax will never go up or down beyond 100 basis points is what we normally maintain. We will maintain that with the current year also.

Mr. Lokesh Garg:

Sure. Sir, my last question is related to your JV with SPX corporation. Now what is the size of segment that you are likely to address over there and by when could be we see some you know kind of fruition of that?

Mr. M.S. Unnikrishnan:

In fact, Dhimant also had asked me the feedback on that. SPX JV is now operational at this point of time. It has got a CEO in place, it has got a chief operating officer in place, it has got 20 and odd employees in place, they have got their own office, I mean, they are operational at this point of time. They are on a prospecting level at this point of time. They have generated enquiries worth around 500 crore at this point of time - both for regenerative air pre heater and also for electro-static precipitator. These orders do normally have a gestation period anywhere from 6 to 9 months. So, from Q3 of current year onwards, we should be talking about order booking numbers of SPX and main operation in terms of revenues will start from next year, though there will be a minor revenue in the current year.

Mr. Lokesh Garg:

But what is the market size and what Thermax can get out of that roughly?

Mr. M.S. Unnikrishnan:

For these two products alone, a full grown Indian market should be a thousand crore, and what Thermax should get, I mean Thermax has got on an average 25 to 35 percent market share for most of the products, barring the water side, which has also now become may be 10 to 15%. So, I mean Thermax will never settle for single digit market share, and to reach up to our ambition of 25 to 30% market share, it should be three years down the line.

Mr. Lokesh Garg:

Sure sir. Thanks a lot.

Mr. M.S. Unnikrishnan:

Thank you.

Operator:

Thank you Mr. Lokesh. Next in line, we have Ms. Keerthi Delvi from Enam ANC.

Ms. Keerthi Delvi:

Good morning sir and congratulations for a good set of numbers. Sir, the first question is on consolidated order book and order in flow breakup if you could give us?

Mr. M.S. Unnikrishnan:

Oh yes, Gopal is going to give it to you.

Mr. Gopal:

Yes, you wanted the order balance, right?

Ms. Keerthi Delvi:

Yes, order book as well as the order in flow for consolidated entity.

Mr. Gopal:

See, on a consolidated for the Thermax group, the total order inflow for the quarter was Rs. 1841 crore out of which 1542 crore was energy, 299 crore was environment, and the order balance as at 30th June on a consolidated basis was 6984 crore. Energy was 6048 crore and environment was 936 crore

Ms. Keerthi Delvi:

Okay, hello.

Mr. M.S. Unnikrishnan:

Yes, continue Keerthi.

Ms. Keerthi Delvi:

Yes, so the next question is did we contribute to our JV the equity part of our share, Thermax share to the 51% share we have in our JV Babcock Wilcox.

Mr. M.S. Unnikrishnan:

Babcock Wilcox company registration just came through now. The first board meeting where partners will be asked to contribute, will happen in the month of August. Both the partners have agreed to be putting in money as and when needed which will be for land procurement, then placement of order for machinery all put together. It will be an 18-month period where the entire 180 odd crore, 51% of Thermax share will get contributed. To my understanding it will be 50% currently and 50% next year.

Ms. Keerthi Delvi:

Okay. So sir, what is our capex for the current year excluding this contribution?

Mr. M.S. Unnikrishnan:

Excluding this contribution, we have plan for the following commitment of expenses. First one is our factory for which we got the consent to start construction in Jhagadia for the chemical factory. It is currently estimated to be around Rs. 80

crore which may go up or down as we get into it and Thermax decides to expand the capacity or sophistication equivalent. Second is our project coming up for the air pollution control in Sholapur. It is going to be costing in the, commitment will be around Rs. 40 crore overall put together.

Ms. Keerthi Delvi:

So, around 120 odd crore would be your capex this year, actually.

Ms. Keerthi Delvi:

Sorry, you know IT companies take a lot of money from companies like us these days.

Ms. Keerthi Delvi:

Yes, sir, the next question is on margins. Though you gave a fair bit of idea about it, but on a sustainable basis, would it be possible to maintain whatever we have done until date?

Mr. M.S. Unnikrishnan:

The way we are creating our strategic business plan is that we want to be growing profitably. Without that my Board will not happy. So, all that we make as a plan has to be profitable growth. So, we will balance the growth between the varied SBUs available, various business portfolios available. Some of them will have profit in the upper teens, but they will be small in size and some will have low version profit like the EPC. , between that if we are able to balance our growth, we should be able to maintain. There is a clear cut path available to retain the profitability and grow also, that is the way Thermax would like to grow.

Ms. Keerthi Delvi:

Okay, sir. Thanks a lot and wish you good luck sir.

Mr. M.S. Unnikrishnan:

Thank you, Keerthi.

Operator:

Thank you madam. Next in line, we have Mr. Sumit Agarwal from MetLife.

Mr. Sumit Agarwal:

Hi, sir. Congrats for this good set of numbers.

Mr. M.S. Unnikrishnan:

Thank you Sumit.

Mr. Sumit Agarwal:

Sir, I just wanted to check with you. Sir, with your JVs and you entering into the combined cycle, do you foresee that your outsourcing component as a percentage of overall revenue to increase substantially?

Mr. M.S. Unnikrishnan:

Yes, you are absolutely right, our outsource component will be increasing.

Mr. Sumit Agarwal:

So, in terms of, if I have to look at this Rs. 527 crore of order, how much would be outsourced of this 527 crore?

Mr. M.S. Unnikrishnan:

In this job, it is at least 50%.

Mr. Sumit Agarwal:

Sir, in that scenario where 50% would be outsourced and 50% would be in-house, do you foresee a pressure on your margins or say because of your productivity improvement, the gain that you might make on the margins might be offsetted by this outsource component and you end up with the same margins?

Mr. M.S. Unnikrishnan:

There the answer is slightly different. We will not go for high level of outsourcing in you know, we will not target for orders where margins will be much lower. For example, you take this particular order itself. Not many people are qualified and capable of executing this kind of an order. So, whether I outsource or whether I manufacture within, overall as a project, it is the project design capability for a combined cycle with a steam supply. This is going to a refinery which is going to be supplying power, plus multiple levels of steam for the refining process. So, when you are addressing this kind of projects, it is more of a solution mode, you will be able to get your margin as a project and certainly we will outsource part of that. Incidentally, even in EPC business, our total inside manufacturing would be limited to 35 to 40% only.

Mr. Sumit Agarwal:

Okay, sir. Sir, also just wanted to know what is the status of the subcritical plant that you were setting up at Baroda. I think that is done. So, how are we going to resolve the conflict where you have both subcritical and supercritical.

Mr. M.S. Unnikrishnan:

Thankfully , supercritical is under joint venture and we will have dedicated facilities,for that. So, there will not be a conflict over that.

Mr. Sumit Agarwal:

So, where is the supercritical facility that you are looking at?

Mr. M.S. Unnikrishnan:

Well, two states I mentioned about . . . give me may be a 45-day to declare it.

Mr. Sumit Agarwal:

Okay. And sir, if I can ask the third question, if I look at your base order in flows, probably it is more or less the same or say it has slightly improved. Do you foresee the base orders where I am excluding the bulk order, the big tickets order, how do you foresee that base order segment moving?

Mr. M.S. Unnikrishnan:

I mentioned on a consistent basis, one should expect a double digit growth in that business, the base orders. Because if the GDP were to grow at a rate of may be between, I would put a 7.5 to 9% for India, going forward. Do not look at quarter over quarter. I am talking about, may be, we will take a period of 3 to 5 years period. If we are to grow as a country by say 7.5 - 9%, capital equipment industry in the energy segment should grow by around 12 to 15%, sometimes it could be 8, sometimes could be 20, but average 12 to 15% is what we are expecting.

Mr. Sumit Agarwal:

Okay. Thanks a lot sir.

Mr. M.S. Unnikrishnan:

Thanks.

Operator:

Thank you Mr. Sumit. Participants are requested to ask two questions at a time and they can ask followup question by pressing *1. Next in line, we have Mr. Charandeep Singh from BNP.

Mr. Lakshminarayan:

Good morning Unni and Gopal. This is Lakshminarayana from BNP.

Mr. M.S. Unnikrishnan:

Yes, Lakshmi, how are you.

Mr. Lakshminarayan:

Hi, all well. My first question is on your supercritical JV. What is your strategy? Is it that you go after NTPC-type customers in the first phase and then go off to the IPPs or since you are already doing some EPC work with Meenakshi and others, you are open to anyone, and what sort of order inflows are you looking at because some of your competitors with a 3000 megawatt capacity that they are setting up, they are actually looking at filling it up 4x of that. So, any thoughts on that, first question. Second is at some point manpower will become a constraint. So, I wanted to know what sort of planning you are doing and how your staff costs will go, and if I may be allowed to ask the third question, some very book keeping questions that I have, that I will take up later.

Mr. M.S. Unnikrishnan:

I will answer both this and book keeping of course, Gopal will be a better person to answer. Starting with the B&W JV as to what is the strategy for going to market ? EPC is no solution for Thermax. So, Meenakshi equivalent or any of the EPC is not the solution. Second is BTG or third is boiler. We would prefer going with the boiler unless otherwise there is a compulsion that you have got to have a BTG, then we go in a consortium. Consortium, I mentioned early that there are two-three partners available currently in the country. One of with whom we already have an agreement, I mean agreement / MOU equivalent for one bid, it will be very selective, bid to bid it will be varying.

Then coming to, do we have a preference for entering with NTPC and then spreading to IPPs? No, there is nothing like that as a strategy. We will look at which are the orders where the technical and commercial risk for the company is lower? Because these are very large orders. No body is going to buy one number, everything is going to be two numbers. For 2 x 660 megawatt only for boiler alone, the price can vary between 1500 to 2200 crore. In that the risk involved is related to the terms of payment, the guarantees, the delivery period, the readiness of us and our suppliers, all this put together we will have to evaluate on every enquiry, a bid no bid process. These are the kind of systems that will be brought in by B & W as a partner.

So, many are only worried about the technology, but the process is to run an organization. It is the competency that your partner will bring in. So, every enquiry will go for a bid, no bid, and to a customer it may be a bid in a particular deal, but the next deal we may not bid, that is how we are going to progress. So, there is no specific preference in a strategic movement to have either government ordered NTPC equivalent or private. We are OK with both because NTPC to us is a very-very efficient power building company where payments are, they are known to be paying on time provided you do your job, and it is our intention to do a good job. So, that is as far as number one is concerned.

Then coming to the manpower, Lakshmi, you are absolutely right on that. Unfortunately, we were as a country not prepared to set up so many power plants. So, there will be a lot of difficulties related to availability of manpower. To give you a right number, a 3000 megawatt capacity to be run, will be needing an 800 numbers of white collar and depending upon how much you do manufacture within, and how much you outsource, you will be needing anywhere up to 1500 of the blue collar working for the projects. You can have half of them as your own, half of them from outside. White collar in any case will be a difficulty, but blue collar is equally difficult at this point of time. You need very-very high quality welders who do have the ability to do a high pressure of 300 atta pressure welding to be done, it is not an easy task. So, training them, getting them on board, it is going to be a challenge. But once you know the challenge, you also will have a solution .Thankfully we have been doing this particular job for lower and medium pressures for 40+ years, so if somebody knows other than BHEL how to do this in the country, it is Thermax and we should be able to answer this, but as a challenge.

Second comes the white collar, white collar one portion is that being subcritical boiler manufacturer of some repute in the country, we have a repository of people available over here. Some of them would have grown sufficiently who can transit directly into the joint venture and the rest that will create the critical mass for starting the business and we will have a four to five years line up available to reach up to 3000 megawatt to be executed, not booked, I repeat not booking of that. Then we will have a time availability of three to four years, lead time available, to train the new entrants into the business. We are not looking around to poach people from the existing players and make them weak or may be unnecessarily make it complicated. Our critical mass is coming from our parent company as well as from our partners from abroad, that is the explanation that we have. Does it answer your questions Lakshmi?

Mr. Lakshminarayan:

Broadly yes, that was very good, but looking specifically at numbers, our current numbers and then incrementally how many more people over the next one to two to three years in the JV and even in Thermax.

Mr. M.S. Unnikrishnan:

Thermax is not a difficulty at all, because thankfully we had been consistently inducting talent, earlier we had been having it only from the engineering college campuses. Despite the economic downturn, we are one company which stood by the word and recruited those people who were from the campus in the difficult year also. So, we have fairly good retention of those people, so that supply is available and we had lateral induction also happening into our company at operating and executive level. Unlike may be five years back, Lakshmi where we could get ready made people, you recruit somebody, and they will be effective within 30 days time. Today, you are going to keep a six months period for them to be effective and a lot more training to be done within the company both of which are already managed by the organization. So, I would not find any major difficulty for growing our parent company business.

For JV, while we have got a very clear cut path to be inducting, training, and filling the vacancies for that, I mentioned you 800 as a number that we are targeting, when we reach 3000 megawatt execution level. We should take three to four years time, may be even up to five years. It is a challenge, but I mean setting up a company in India, easiest thing is to get money and the most difficult thing is to get people.

Mr. Lakshminarayan:

So, you are looking at something like the current 3600 in Thermax going to incrementally in front.

Mr. M.S. Unnikrishnan:

Going to 5000 people by the time when you talk about three to four years time, because there we have substantially well developed partner for engineering, partners for project execution, all that is the model that we have created.

Mr. Lakshminarayan:

Perfect. And very minor book keeping questions, how are your account receivables, payables, and inventory doing, and what is the cash?

Mr. M.S. Unnikrishnan:

Gopal, will you please help him with that

Mr. Gopal:

Yes, the total cash and cash equivalent is Rs. 952 crore as on 30th of June. Our accounts receivables and I would say inventory has been better than what it has been in the same quarter last year and I think we are still very comfortably placed on negative working capital. So, we do not have any major concerns on the working capital side.

Mr. Lakshminarayan:

Perfect. Thanks a lot Gopal and Unni. Thank you.

Operator:

Thank you Mr. Charandeep. Next in line, we have Mr. Gagan Tarega from BNK Securities.

Mr. Gagan Tarega:

Good morning sir.

Mr. M.S. Unnikrishnan:

Yes, Gagan.

Mr. Gagan Tarega:

Sir, could you possibly give a little more detail of the DMRC order that you did as in the order size and what was the technical scope of the work there?

Mr. M.S. Unnikrishnan:

For Delhi Metro there are 45 RO plants, so each of the station will have a RO . Then there are 35 STPs, - sewage treatment plants, and 20 number of softeners, totaling to 100 numbers, all of them put together. These are value-wise not substantial to talk about. It is more in terms of the prestige and it is first of a kind being done. I believe India will have Metros in each and every Metro city, that is why they are known as Metro. There are many mini Metros under creation. So, a reference creation is very-very important for the company.

Mr. Gagan Tarega:

And sir, you addressed the question related to SPX sir, you gave the addressable market at around Rs. 1000 crore. Could you possibly give a you know a similar understanding of the addressable market in your you know CCGT and other gas based opportunities?

Mr. M.S. Unnikrishnan:

Gas has got three types of opportunities for Thermax. One is combined cycle power plant of the type that Thermax will execute. Which are the ones that Thermax will execute ?. These will be normally less than 100 megawatts, which will be more in terms of captive power than an IPP. It will have to be following the gas route that India is going to have and the gas availability and the pricing going to be done for power generation. So, pure power generation, our understanding between say may be a 10 megawatt to may be a 100 megawatt range, 10 to 15 plants to come in the country when gas is going to be sufficiently available.

Now, sufficiently will depend upon how much is the government going to allocate for the house/residential consumption, as well as for the huge power plant. These are not two areas where we will be participating. Our estimate is that we should be looking at a business size, segment size of a 2000 crore going forward for gas which will be available for captive and combined cycle. When I say combined cycle, it is not only GT, we can also have heating also done and cooling also done for it.

Typical of the kind of buildings where most of you are sitting currently, if you were to have gas tomorrow, building will consume, with the central air conditioning, may be anywhere from say may be 5 to 15 megawatt of power depending upon the number of floors and typically Indian building which will need a gas turbine or a gas engine which can come in at something like may be I would say two or three machines of 5 megawatt, and the waste gases coming from the gas turbine is sufficient to do more of the air conditioning of your building. So, when you combine the cost saving for the you know air conditioning, the power will become cheaper than the grid power for you, that is another market that is going to open up also.

And third, an important one is along the gas pipeline, any and every coal consumer who may want to have his plant little more easy going and clean, and footprint lower, can convert from coal firing into gas firing, so that is the third market. So, specifically, CCGT, then CHPC, and the third is conversion from coal to gas. So, these are the three markets that we are looking forward to in the gas story which I mentioned is 2000 crore kind of a size market when fully grown. All to this subjective to the support of the policy makers sitting in Delhi because they are going to price the gas in India in such a way that they are able to compete against. The current understanding is they are pricing it fairly well and fairness is being prevailing and it should continue.

Mr. Gagan Tarega:

Sir, the other question is can you give any updates related to your nuclear and solar ventures. I believe Babcock and Wilcox is pretty strong in both these areas as well. Any scope for further tie ups with them for solar thermal concentration and nuclear?

Mr. M.S. Unnikrishnan:

Solar, thermal, they have a specific technology taken for the CSP that is the concentrated centralized plant for a tower design. They are in fact they have created a patented design for a tower boiler, which is currently tied up with e-solar. So, when e-solar comes to India, Thermax will be the manufacturer in India, all orders will come to Thermax only. Second portion is, yes they have been given a 11.5 million dollars grant by the Department of Energy of America, between e-solar and them to develop CSP designs. Whatever the development, they are our partners and intention is to keep it lifetime, so I am sure we should benefit. Whichever way it will benefit, we will have to wait and watch.

Now, coming specifically to Thermax's thermal program, we have started marketing after the design changes incorporated by the company and I am very happy to say that there again in solar, it is a new incubating business, so do not look forward to the numbers, because Thermax's top line as a very large number and it can dwarf all of this. But this will change the context may be five-year down the line. We picked up in the State of Gujarat for the mid-day meal scheme, 22 schools where cooking will be done using the solar for which concentrator is going to be supplied by Thermax, with 88 panels going to go to these schools. This is first of a kind being done.

Enquiry inflow after we started marketing in the past two months time, has been phenomenal. I would say, we have got 30+ enquiries currently available. We need to be in fact gearing up how we are going to be executing, if all of them were to get converted in order. So, I can say that whatever as a dish is available with the company based on the M&A we have done in India, it is now proliferating in the country. Our update on the 250 KW power plant, we have completed the first level design for the parabolic trough. It is certified by international agencies, now we will be completing the design of the plant. Because of the governmental permission to be taken, though it is a government project, execution will need various local authority approvals, which has taken little longer time than what we should have taken, but still we are striving to ensure that it is completed in 18 months period of time. That is the update on this.

Nuclear-wise, yes, B&W is one of the remaining, only remaining manufacturer of nuclear components like boilers in North America. We will have to wait and watch for when will 1-2-3 agreement become operative and only then an American company will be able to transfer technology or even have a partnership in India. Otherwise, everything is on emails and communications. Otherwise, Thermax's entry into the other one is, we have started bidding for NPCIL's packages of non-core items at this point of time.

Mr. Gagan Tarega:

Okay, sir. Thank you, sir.

Mr. M.S. Unnikrishnan:

Thank you, Gagan.

Operator:

Thank you Mr. Gagan. At this time, I would like to hand the floor back to Mr. Misal Singh for the final remarks. Over to you, sir.

Mr. Misal Singh:

Yes, thanks Varsha. I think due to time constraints, we have not been able to take some questions. So, I guess you can get in touch with Gopal or Unni Krishnan later for your questions. I would like to thank the management of Thermax for hosting this call for the investors and all the best to you sir for the next subsequent quarters.

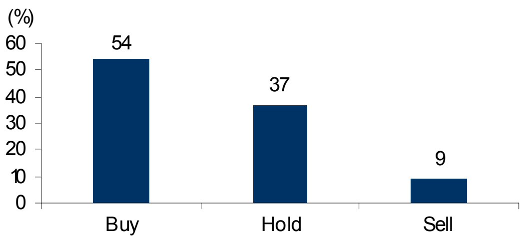
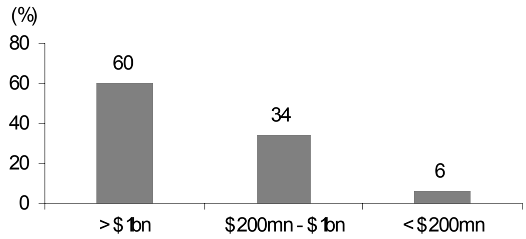
Mr. M.S. Unnikrishnan:

Thank you, Misal and all those who participated. Thank you, looking forward to again being back to see in the next quarter. Thanks.

Operator:

Thank you sir. That does conclude our conference for today. Thank you for participating on Reliance Conferencing Bridge. You may all disconnect now.

Coverage Profile

By recommendation	By market cap (US$)
	

Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and –5%
Sell	Less than –5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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