Thermax Limited
Third Quarter Earnings Conference Call – Financial Year 2008-2009
January 29, 2009

Moderator: Good afternoon ladies and gentlemen. I am Priyanka, the moderator for this conference. Welcome to Thermax Q3 FY 09 Results conference call hosted by Edelweiss Securities. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to handover to Mr. Misal Singh. Thank you and over to you sir.

Mr. Misal Singh: Good afternoon ladies and gentlemen. I welcome you all to the quarter 3 FY 09 conference call of Thermax. We have with us Mr. M. S. Unnikrishnan and Mr. Gopal Mahadevan and their team representing Thermax. I will now request Mr. Unnikrishnan to give us initial remarks on the quarterly results, after which we will take the question and answer session. Over to you sir.

Mr. M. S. Unnikrishnan: Thank you Misal. Good afternoon to all of you. Thanks a lot once again for showing interest in Thermax. Just about our performance for the current quarter. We have clocked INR 804 crore revenue including other income, a 6% drop compared to the last year's figure for the same quarter. The breakup of the revenue is—77% has come from the energy segment and 23% from environment. Between domestic and international business, exports portion, 69% coming from domestic market and 31% coming from the international market. Even though we are lower by 6% for the quarter, the positive indicator is that our physical exports have gone up 40% in comparison with the previous year same quarter. It is 172 last year versus 240 for the current year. PBT for the quarter is lower by 10.5%, but this is after accounting for INR 10.60 crore of forex losses booked in the current quarter. Net profit for the company is at INR 72.3 crore as against INR 75 crore for the previous year. This is for the third quarter. Coming to the YTD for the first three quarters ending at December. We are marginally better than the previous year by 1.4% at INR 2,343 crore versus INR 2,311 crore. Break up again over here is—energy segment has contributed to 74.2%, environment has contributed to 25.8%. Between domestic and exports, it is 74.5% for domestic and 25.5% for international or exports side. Four percent improvement in comparison with the previous year, but that is the overall figure, but the positive news is that there is a substantial improvement in the physical export going up from INR 329 crore to INR 481 crore. PBT for the company at December 31st is INR 284 crore down from INR 295 crore of the previous year same time. Net profit is INR 193 crore versus INR 200 crore for the same period for the previous year.

Now coming to Thermax Group performance for YTD that is for the first three quarters. Our revenues are at INR 2,447 crore marginally lower from the INR 2,464 crore of the previous year, and profit before tax is substantially lower, 9.4% lower at INR 275 crore versus previous year's INR 303.5 crore. So, the PAT is at INR 183.5 crore, that is 11.7% lower than of 2007, but this is after mark-to-market losses, which is there in the balance sheet of approximately INR 64 crore at this point of time. Overall, the operational performance of the company has improved barring for the revenue. The prime reason for that being up to the second quarter we had a positive, I mean we had been better than the previous year, may not be substantially higher but in upper single digits. In the current quarter, we had actually planned for a revenue improvement by at least a 10%, but because of the liquidity crisis prevailing in the market, we have taken a cautionary step of not producing or converting the raw material in finished goods to prevent the current asset difficulty either in terms of inventory pile-up or AR going beyond limits. That is a prudent decision that we have taken, so it is not in terms of our inability to produce. We had capability and we still have capability to produce whereas the deceleration or pace of reduction in the execution of projects at customer's end, and it has to conform with the cash flow position of the customer's balance sheet, which are not, I mean, not all of them are in the best of shape at the current time. So we had taken a cautionary and prudent step to ensure that we go along with customers rather than pushing them to take deliveries.

Now coming back to the order carry-forward. Order book at this point of time, Thermax Group has got INR 4,100 crore order carry-forward, and Thermax standalone is INR 3,854 crore, approximately 40 % plus in comparison to the same period for the previous year. I would also like to tell you that our order book position was racing up, accelerating at a very fast pace for the first half, but October onwards there has been substantial resistance to finalise orders, especially the larger sizes, and November and December had been not at all satisfactory in terms of the fresh order intake. It is not that there are no customer enquiries, it is not that discussions are not happening. It is very positive as far as discussions with customers on fresh enquiries are concerned, but finalizations and opening of LCs or registration of orders with advances is a current concern. Since the time is limited, Misal, I would like to hand it over to people to ask me questions specifically rather than me continuing.

Mr. Misal Singh: Yeah. Priyanka?

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. Kindly note, participants are requested to ask only two questions at the initial round and then come back for the followup questions. To ask a question, please press *1 now.

First in line, we have Mr. Nikunj Doshi from Envision Capital. Over to you sir.

Mr. Nikunj Doshi: Yeah, good afternoon. Can you just explain in greater depth about this mark-to-market losses in consolidation?

Mr. M. S. Unnikrishnan: Yeah, can I hand it over to my CFO?

Mr. Nikunj Doshi: Yeah.

Mr. Gopal Mahadevan: Hi Nikunj.

Mr. Nikunj Doshi: Yeah, hi.

Mr. Gopal Mahadevan: To explain this, this is not only in consolidation, this is there in accounts of Thermax also.

Mr. Nikunj Doshi: Okay.

Mr. Gopal Mahadevan: The mark-to-market losses are tallying differences which are taken into account because we take 100%, almost 100% forward cover on our transactions.

Mr. Nikunj Doshi: Okay.

Mr. Gopal Mahadevan: Just to clarify to everyone, we do not take any open positions on forex. So we cover our transactions and when we cover the transactions, at the reporting date, as per accounting standards, both 11 and 30, we are supposed to report what is the mark-to-market against the original booking.

Mr. Nikunj Doshi: Okay.

Mr. Gopal Mahadevan: This is only a timing difference, that has to be recorded in the books, and which is the reason why you see these numbers.

Mr. Nikunj Doshi: Okay, and second question is regarding the current order scenario, means whatever orders we have on hand, are we seeing any cancellations or what is the ground reality on order execution in this thing.

Mr. M.S. Unnikrishnan: Yeah, of the carry forward orders which we have spoken of, INR 3800-odd crore for the company and INR 4103 crore for the group, it is after accounting for the cancellations. There had been cancellations, we had INR 120-crore worth of orders cancelled in the past.

Mr. Nikunj Doshi: Okay.

Mr. M.S. Unnikrishnan: There are discussions with customers, some of them who are going slow in execution of projects. There is nothing definitive about to say that all the orders will go 100% through at the pace……

Mr. Nikunj Doshi: Hello…

Mr. M.S. Unnikrishnan: Yeah.

Mr. Nikunj Doshi: Okay, thank you, I will come back to ask further questions.

Moderator: Thank you very much sir. Next in line, we have Mr. Lakshminarayan from BNP Paribas. Over to you sir.

Mr. Lakshminarayan: Good afternoon Gopal and Unni. My first question is if you could take the top three large orders in your current order book, and tell us what is happening with those projects. And the second question, there has been a substantial increase in the capital employed in the business? Is it all related to accounts receivable or can you give us some color on receivables position.

Mr. M.S. Unnikrishnan: Certainly Lakshmi. I believe you are already aware of big orders we have been talking regularly. See, there are three large orders with the company—one is from Essar which is INR 800 crore plus size, second is from Steel Authority of India, which is INR 414 crore, and the third is in Thermax's balance sheet INR 350 crore order and INR 100 crore for the subsidiaries. There is INR 450 crore from Brahmani Steel in Karnataka.

Mr. Lakshminarayan: Right.

Mr. M.S. Unnikrishnan: These are the three orders on the balance sheet, which are large in size. Second question that you asked was related to capital employed. Capital employed is also after the capitalization of our new factory, it is INR 136 crore. Apart from that, there would have been capitalization of IT assets and various other line-balancing items we would have purchased in the current year. Otherwise, on the current asset, I don't think there is any substantial difference. There is a difference, but is nothing noticeable for actually reporting at this point of time.

Mr. Lakshminarayan: Right, right, my question was more like what are you seeing with respect to the large contracts that you won in terms of revenue implications for fiscal 10, beyond that kind of a thing.

Mr. M.S. Unnikrishnan: We will have to wait and watch as to how things are going to pan out in the next 3 months' time. There is an economic shock across the world. India is not decoupled from that, so we are expecting it should improve. That is well in expectations at this point of time. So I would rather say that for the current discussion, we will restrict it to the quarter, but our understanding is that FY 09, I mean, FY 10, execution should be slower than the previous year for most of the projects across the world because utility is going to be a problem, that is our understanding.

Mr. Lakshminarayan: Thank you Unni. Thanks very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Srinivas Rao from HDFC Mutual Fund. Over to you sir.

Mr. Srinivas Rao: Hello sir. Just continuing the earlier question, I missed part of it, you know, I wanted to know this Brahmani Steel and Essar in terms of how much have you built in receivable status?

Mr. M.S. Unnikrishnan: Both of them have not even started in terms of the procurement or execution. It is at the engineering stage, both of these orders. See, Essar Steel is a 36-month execution period order. Majority of the supply to happen the first 3 months, and the other one is we have registered the order in the month of October, normally it would take for engineering completion at this point of time. So, there is no revenue recognition you will be seeing in the current quarter result, which is just announced by the company.

Mr. Srinivas Rao: Also sir, how are we preparing ourselves to handle this slowdown. Could you elaborate in terms of what company is doing on various fronts?

Mr. M.S. Unnikrishnan: Certainly, incidentally we started a belt-tightening exercise in the beginning of the year itself because if you remember our order carry-forward into the current year was lower than the previous year's carry forward.

Mr. Srinivas Rao: Right sir.

Mr. M.S. Unnikrishnan: We were in any case expecting that we may end up with lower turnover in comparison to previous year, but despite our better order bookings for the current year so far, so we have already had belt tightening started in the beginning. Apart from that, we have initiated a project Everlean, that is an internal exercise managed by the company with the experience we gained during our turnaround in 2000. We have got 12 ongoing projects at this point of time with almost 250 of our employees engaged in waste-elimination. It is not cost reduction at all, it is sustainable waste elimination. It encompasses all costs incurred by employees by the capital expense of the company like starting with say electricity, water, travel, these are of course faster achievable plus throughput improvement in the company, productivity improvement programmes, lot of activities are going on at this point of time.

Mr. Srinivas Rao: Sir, what I was trying to understand is if your turnover in '09 or '10 whatever you are comfortable is flat, what will happen to your profitability.

Mr. M.S. Unnikrishnan: We should try to maintain, it is our expectation that is what one would try to do normally. We also have flexibility on variability of various costs of the company including manpower.

Mr. Srinivas Rao: Last question from my side, can you tell us some more on your export orders, how is it looking, and which geographies and customer profile?

Mr. M.S. Unnikrishnan: Just a moment…Gopal, would you like to give him what is the…..

Mr. Gopal Mahadevan: Srini, I will give you the order balance for Thermax, okay?

Mr. Srinivas Rao: I would be interested in Thermax as a group here, I mean standalone does not make any sense.

Mr. Gopal Mahadevan: I will give you the order balance for Thermax Group. The export order balance is about 17% and domestic order balance is INR 3,400 crore, which adds up to a total order balance of INR 4103 crore.

Mr. Srinivas Rao: Okay.

Moderator: Thank you very much sir. Next in line, we have Mr. Sunil Kumar from Birla SunLife Insurance. Over to you sir.

Mr. Sunil Kumar: Sir, just wanted to check what was the order inflow during the quarter?

Mr. M.S. Unnikrishnan: For the quarter, it was INR 731 crore.

Mr. Sunil Kumar: INR 731 crore. This is for the Group?

Mr. M.S. Unnikrishnan: No, Thermax alone. Thermax Group….

Mr. Gopal Mahadevan: INR 863 crore.

Mr. M.S. Unnikrishnan: 863.

Mr. Sunil Kumar: INR 863 crore, okay, and now you have mentioned in your earlier remarks that execution was lower because of liquidity issues at customer's end. Now, in your view, you further mentioned that execution should be lower in FY10 because of liquidity tightening across the world as well, so in your view this is going to be a long-term phenomena, it is not a short-term, 3 months, 6 months kind of phenomena because if you see September-October-November, again those kind of months, the liquidity has been eased, interest rates have come down a little, so what is your sense when you speak to customers.

Mr. M.S. Unnikrishnan: There are two sets of customers. One who have projects off balance sheet where financial closure happens, and there won't be any reduction in pace. The ones where they depend upon their own cash flows and month over month profitability of the company, so there may be a case of slower than the previous year, and I said it is a pace of the execution, not execution in itself.

Mr. Sunil Kumar: Right.

Mr. M.S. Unnikrishnan: See, our company, we have grown from say INR 2000 crore to INR 3000 crore plus, a 50% growth in one year, which means our ability to execute has increased by 50% in the last one year.

Mr. Sunil Kumar: Right.

Mr. M.S. Unnikrishnan: We have created capacities inside, both manufacturing and engineering and various execution capabilities to take on accelerated growth further, 20% to 25% Y-o-Y growth we are geared for currently. To match up with our internal pace, will our customer be ready next year, I should be fair to them. They will be ready to accept material, but will they be able to make the payments for it is what I think is difficult, that is what I meant by that.

Mr. Sunil Kumar: Okay, so right now, you feel that execution will be lower in the entire year next year.

Mr. M.S. Unnikrishnan: In comparison to our capability. If orders are going to be available and liquidity position was to improve, and liquidity is available even today, what has really happened is RBI released all the money, gone back to them as deposits only. Banks have to start lending and trust in the industry. They are already trusting us, and they are all waiting for and having discussions with them for Q3 and Q4 results of various companies to be completed. They will have the ratings revised. With interest rates having come down, trading rates have gone up in the country. So what are we going to do with the money? We are going to spend. Money will be made available; when is the question. Is it in Q1 of next year or will it get postponed further? There are takers, it is nothing to do with India, more to do with what is going to happen to the world, and the crisis of confidence has got to be improved.

Mr. Sunil Kumar: Okay, okay, and sir, just to understand little more. Month on month, you have not seen improvement till now. I mean as we speak right now in January, you have not seen any improvement from the customer side from the liquidity point of view?

Mr. M.S. Unnikrishnan: No, no, there are some customers who have just put a tap closing for October, and then started slowly releasing and some of them are catching up. Even orders which were at a slower pace, people have come back and told I want to take the depreciation in the month of March.

Mr. Sunil Kumar: Right.

Mr. M.S. Unnikrishnan: You cannot generalize it. Several customers are accelerating, but those are all limited number of people.

Mr. Sunil Kumar: Okay, sure, thank you.

Mr. M.S. Unnikrishnan: Thank you Sunil.

Moderator: Thank you very much sir. Next in line, we have Mr. Nainesh from Tata Mutual Fund. Over to you sir.

Mr. Nainesh: Good afternoon sir. Just a couple of things. You mentioned cancellations of INR 150 crore. Was not sure about that amount. Can you just tell us what industry were these from and when did this actually happen sir?

Mr. M.S. Unnikrishnan: First of all, let me correct, the number is 120.

Mr. Nainesh: 120, I am sorry sir.

Mr. M.S. Unnikrishnan: One order out of this was from…an export order from Canada, petrochemical industry. The rest of them are fairly well spread and predominantly the sponge iron industry was one. But some of them have now started discussing also because you know sponge iron prices have gone up in the country. We have all-time nadir of something like INR 8,000 a tonne, and they just told, I mean, we don't want the project equivalent, that is a sponge iron. There were couple of cases which were more related to a fuel shift, which means somebody who is to be running boiler on oil, furnace oil, converting into coal, and the price has come down to say, furnace oil price has come down from 24,000 to 12,000 at this point of time. So, they don't find an economic viability or payback to shift from oil to coal firings. Those were the kind of segments where you have seen cancellations so far.

Mr. Nainesh: Okay, so from a domestic order inflow, can you just give us a breakdown of the segments, which at this point of time you see a more vulnerable to canceling orders or maybe not giving you the orders that you have historically seen over the past few years, what those segments be sir?

Mr. M.S. Unnikrishnan: Frankly, our dependency on some of the segments have come down in the current year. The quarter to be considered for that will not be the right indicator. We should take it on a YTD basis. The first 9 months, our top 4 industrial segments which have contributed to our order booking is starting with power, then metallurgy and partially ferrous metallurgy, refinery and petrochemicals.

Mr. Nainesh: Okay.

Mr. M.S. Unnikrishnan: And cement orders also have come.

Mr. Nainesh: Okay, sir but, this 9-month, you are talking about power happens to be the major contributor, you also have received a major utility order, so on an absolute number wise, the other 3 segments would have fallen down drastically, is that correct to assume sir?

Mr. M.S. Unnikrishnan: No, since the order position, order booking on a YTD basis, if you were to compare it with the last year, it is 77% higher to be precise, the number has gone up from INR 2100 crore to INR 3700 crore, INR 1,600 crore is the improvement in the order booking. The one order is IRN 800 crore, still there is INR 800 crore improvement in the order booking for the year.

Mr. Nainesh: Okay.

Mr. M.S. Unnikrishnan: Frankly, Nainesh, these are all past numbers.

Mr. Nainesh: Okay.

Mr. M.S. Unnikrishnan: We need to be looking for the orders on hand as to how the industries are going to be performing in the next year to generate cash and take delivery from us, so that we are able to execute the projects on time.

Mr. Nainesh: Alright, and what is the sense that you are getting from these clients at this point of time sir?

Mr. M.S. Unnikrishnan: From the?

Mr. Nainesh: From these sectors that you just spoke about, what kind of sense you are getting in terms of how soon they would be able to place orders to you actually to Thermax Group.

Mr. M.S. Unnikrishnan: For the new orders?

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Mr. Nainesh:	That is right sir, new orders.
Mr. M.S. Unnikrishnan:	For the new orders, my take is that the cement sector will not be, I don't think there are major investments are going to be coming in, in the next 12 months' time.
Mr. Nainesh:	Okay.
Mr. M.S. Unnikrishnan:	So, there may be one or two of them who may, but substantially nothing new is going to be happening, so they have money available.
Mr. Nainesh:	Okay.
Mr. M.S. Unnikrishnan:	Quantum of money made by all these companies is substantially higher, so some of them are currently talking about why don't we set up new capacity for the future, the lowest of the capital cost possible right now because already prices have come down. But I would take it as a slow order booking for cement.
Mr. Nainesh:	Okay.
Mr. M.S. Unnikrishnan:	Metallurgy is suddenly, I mean, you have been seeing the results of I think today's flash with Tata's having in their profit plunging to red and all.
Mr. Nainesh:	Okay.
Mr. M.S. Unnikrishnan:	So, if I were to take cognizance of this information, I don't think there is any major investment that is going to happen in the steel industry.
Mr. Nainesh:	Alright sir. My last question would be pertaining to the utility segment. Have you bidded for utility orders apart from the huge order that you have received some time back. Are we expecting something? Is there something in the pipeline sir?
Mr. M.S. Unnikrishnan:	We have two more enquiries for which we are prequalified and started bidding for this. Bidding does take time as far as the prequalifications and normal tender period is around say 5 to 6 months. We are already working. There is a team already and they are working on that.
Mr. Nainesh:	Alright, so that is all from my end, thanks a lot.
Mr. M.S. Unnikrishnan:	Thank you.
Moderator:	Thank you very much sir. Next in line we have Mr. Kunal from Religare Capital Markets. Over to you sir.
Mr. Kunal:	Good afternoon sir.

Mr. M.S. Unnikrishnan: Good afternoon Kunal.

Mr. Kunal: Most of my questions have been answered. I just only wanted to know if you take out the forex loss from other expenditure, overall the margin has improved.

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

Mr. Kunal: So, any particular reason for that sir?

Mr. M.S. Unnikrishnan: For doing good also, we have to give an answer for it. Ha…ha. Okay, let me tell you, I had mentioned earlier that we have done some amount of process improvement within the company.

Mr. Kunal: Okay.

Mr. M.S. Unnikrishnan: And I need to give credit also for the product mix within the company. When we have got very large EPC contract executed, then the margins will come down. Your standard products and normal projects do go up in proportion, your margins do improve. That is the reason.

Mr. Kunal: Okay, okay, and sir, our tax rate has also come down this quarter. Any particular reason for that sir? Hello?

Mr. M.S. Unnikrishnan: After having capitalized the Baroda plant, the effective tax rate will come down now.

Mr. Gopal Mahadevan: This will get offset by the deferred tax anyway.

Mr. M.S. Unnikrishnan: Yeah.

Mr. Kunal: Okay sir, thank you so much sir. That is from my side.

Moderator: Thank you very much sir. Next in line, we have Ms. Deepali from Citigroup. Over to you ma'am.

Ms. Deepali: Good afternoon sir. Good afternoon Gopal. Hello?

Mr. M.S. Unnikrishnan: Yeah.

Ms. Deepali: Sir, my question is No.1, for 9 months till date, what is the amount of forex losses that we have had, INR 63 crore is at the standalone level right, so what is it at the consolidated level, would it be significantly different.

Mr. Gopal Mahadevan: The difference is not significant .

Ms. Deepali: Okay, that is No.1. No.2, we had some preoperative expenses for the China plant that we expensed in the first quarter. We had any incremental months so far, any incremental expenses that we charged?

Mr. M.S. Unnikrishnan: See, what we mentioned that time is unlike in India, in China, we had to charge off to the balance sheet the preoperative expenses.

Ms. Deepali: Correct, correct.

Mr. M.S. Unnikrishnan: Plant got commissioned in July, there are expenses but that is nothing to do with preoperative because it is in operation.

Ms. Deepali: So, you charge to the normal P&L the way it should be. Okay, so, what has been the capex so far for the year?

Mr. M.S. Unnikrishnan: Capitalization, I think is INR 137 crore so far, and we also capitalize something more on the coming quarter.

Ms. Deepali: Sir, how much would that be.

Mr. M.S. Unnikrishnan: Approximately INR 30 to 35 crore.

Ms. Deepali: Okay, and sir, how much of it, next year, I am assuming that we probably will tone down some of our capex.

Mr. M.S. Unnikrishnan: We have toned down already.

Ms. Deepali: Okay, and how much will we do next year?

Mr. M.S. Unnikrishnan: I have not got the board approval for my plan also for next year.

Ms. Deepali: Okay, so but it could be roughly in what range, I mean, any sense.

Mr. M.S. Unnikrishnan: Wait for some more time because projects are already in mind but not converted into excel sheet and then got approval needed for it.

Ms. Deepali: Sir, I also understand that we have had these arrangements with Trane where I think they are going to solely distribute our products in the US, right, for absorption chillers?

Mr. M.S. Unnikrishnan: Yeah, you are right.

Ms. Deepali: Sir, what is the kind of market that we are looking at in that particular segment?

Mr. M.S. Unnikrishnan: American market itself is around USD 30 mn odd . Of it, this company should be doing anywhere from USD 7 to 10 mn on an average per annum.

Ms. Deepali: USD 30 bn?

Mr. M.S. Unnikrishnan: Million, million….billion is too large. Ha….ha.

Ms. Deepali: Sorry, so USD 7 to 10 mn is what Trane would be targeting at.

Mr. M.S. Unnikrishnan: Yeah because see please recognize this cooling business itself is for Thermax will be in the region of USD 30 to 35 mn.

Ms. Deepali: Right, so this would be…okay, and this absorption chillers would be manufactured predominantly in a China plant.

Mr. M.S. Unnikrishnan: There is no compulsion, we can make in either of the factories, though initial days we would prefer making in India and sending, and progressively we will move into China also.

Ms. Deepali: Okay, sir, I mean, given that we have had these discussions where a large part of clients in industries in general are slowing down capex. What is the kind of growth that we have for the next year, I am not asking about the revenue but I am talking more in terms of strategy, where are we looking for the incremental growth to come in for next year?

Mr. M.S. Unnikrishnan: Thankfully, one sector that we have set foot into, that is the power industry, we are not expecting it to slow down at the same pace. Though there will be a slowdown it won't be equivalent to what is happening with the rest of the segment. There will be growth in that area. We already have many products for our existing portfolio also going into that market. Apart from that, our entry into the utility space should be able to help us target that. Second, there are refinery projects ongoing in the world, will be qualified for heaters as well as for the boilers, so certainly we will target that. Plus the food sector will invest, FMCG will invest, pharma will invest, so there are segments, not that all segments are going to be absolutely slowing down, but only thing is the investments in the names that I have taken other than the power are not massive in scale.

Ms. Deepali: Exactly, this will be more the product side of the business.

Mr. M.S. Unnikrishnan: Absolutely right.

Ms. Deepali: Okay, sir in terms of our balance sheet numbers, could I have some kind of sense on what is the total fixed assets, net current assets, and that kind of stuff for the consolidated balance sheet please.

Mr. M.S. Unnikrishnan: We normally do not provide, only the capital employed is provided.

Ms. Deepali: Only the capital employed is provided?

Mr. Gopal Mahadevan: Yeah.

Ms. Deepali: Can we have the standalone number?

Mr. Gopal Mahadevan: I am sorry, but I think we will have to restrict with the information that is provided.

Mr. M.S. Unnikrishnan: Capital employed is already over there.

Mr. Gopal Mahadevan: Yeah, that is there but what she is asking is….

Ms. Deepali: Capital numbers actually.

Mr. Gopal Mahadevan: Yeah, for the consolidated number.

Mr. M.S. Unnikrishnan: Capital employed for the time is INR 914 crore, for the current quarter ending.

Ms. Deepali: Okay.

Mr. Gopal Mahadevan: That is there in the results for Thermax. Like Unni mentioned INR 913.7 crore, and as opposed to INR 772.4 crore last year.

Mr. M.S. Unnikrishnan: And the predominant increase is on account of capitalization of the assets.

Ms. Deepali: Because there is no significant increase in the working capital.

Mr. M.S. Unnikrishnan: No significant, you are right, you are right on that.

Ms. Deepali: Okay sir, I will get back with more questions if any. Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Abhijeet from ABN-Amro. Over to you sir.

Mr. Abhijeet: Good afternoon sir. Sir, just on the capital employed figure, coming back to our environment segment capital employed has also gone up significantly year on year, although quarter on quarter it is almost the same. So why is that happening sir? Is there any inventory of chemical or something?

Mr. M.S. Unnikrishnan: No, no, certainly no, no inventory. Let me just look at the number which you had asked and I will comment on that, you are talking about…

Mr. Abhijeet: It is a standalone number.

Mr. M.S. Unnikrishnan: There it is current assets because the turnover increase if you look at it had been also substantial.

Mr. Gopal Mahadevan: See, essentially, there has been an increase in the environment segment on the working capital, but overall as Unni had mentioned earlier, on a company level, there are no significant changes on the working capital to report.

Mr. M.S. Unnikrishnan: Abhijeet, if you look at the environment segment revenues for the first 9 months, it has gone up from INR 433 crore to INR 609 crore.

Mr. Abhijeet: Correct, correct.

Mr. M.S. Unnikrishnan: So, there is also an improvement in the sale, which will need more capital to be employed for even current asset management.

Mr. Abhijeet: Okay, fine, and secondly sir, on the utility side project, you mentioned two projects on which we are pre-qualified, so are these like, are we going for EPC or we will concentrate only on the boiler?

Mr. M.S. Unnikrishnan: Only on the boiler.

Mr. Abhijeet: Only on the boiler and should be like sizable, 500 MW kind?

Mr. M.S. Unnikrishnan: I am sorry….my competitor is just waiting for that information. Why would I give you that.

Mr. Abhijeet: Alright sir, and sir, in terms of…sorry, one last thing, in terms of like last time you were mentioning that the technology absorption for the up to 800 MW is still on, are we like done with it?

Mr. M.S. Unnikrishnan: When you talk about technology absorption, it is in multiple stages. It is in terms of proposals and process management, I mean process engineering, that is completed for certain range.

Mr. Abhijeet: Okay.

Mr. M.S. Unnikrishnan: Unless we have an enquiry for may be of 600 MW, we will not get the technology transferred or the experience won't come to the company also, then comes the detailed engineering capability and manufacturing capability and completion in construction capability. That will progressively happen, so the first portion of technology absorption related to process engineering, proposal engineering, detail engineering has already happened up to a particular range.

Mr. Abhijeet: Alright. Okay sir. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Dhimant Shah from HSBC Mutual Fund. Over to you sir.

Mr. Dhimant Shah: Yeah, hi sir. You have the Baroda facility which will contribute, and also drawing from the previous question, you mentioned that you have reached a certain stage of technology absorption for the higher capacity boiler. Incrementally, next year, what is your sense, how much can these incrementally contribute, leaving apart the existing portfolio to the turnover.

Mr. M.S. Unnikrishnan: Baroda is capable of, whatever numbers we spoke about earlier in terms of its ability to be producing, it will continue that at this point of time. More will be in terms of order availability and for the available orders, customers are waiting to pay for it. So, next year, I don't think there will be a constraint related to execution either from Baroda or from Pune, so this is the answer Dhimant.

Mr. Dhimant Shah: Correct, no, but based on your understanding as things stand today, I mean, what would be realistic incremental contribution from these two areas?

Mr. M.S. Unnikrishnan: Currently, the realism is not possible because only speculation is happening because in a steady state, our ability to predict is good because it depends upon customer's ability to finalize orders, which I don't know like everybody is taking about capital expenses reduction, but still some people are finalizing, so I am unable to make a prediction at this point of time, Dhimant, in fact all of us are grappling for some time. If I were to look at the sentiments of the market is not positive, whereas still there are enquiries, so will they finalize, we will have to wait and watch.

Mr. Dhimant Shah: Okay, but is there a base-case number that you can possibly look at, I mean, worst-case scenario or at least 200-crore kind of figure coming from both these areas at base minimum.

Mr. M.S. Unnikrishnan: I will not confirm or reject either over that. At this point of time, let us wait.

Mr. Dhimant Shah: Correct. Anything on the water opportunity that you possibly were eyeing some time back.

Mr. M.S. Unnikrishnan: We have got a couple of orders from the municipal segment, which as I mentioned that we are concentrating on, started moving in that direction, already concluded couple of orders, and also larger project size, we have started bidding for in the water area. There again we concluded one order in the current quarter approximately INR 27-28 crore worth of an order also. So, water, there is a traction going to start now.

Mr. Dhimant Shah: I just missed the point on you mentioned that you have pre-qualified for the two power plants. Can you just enumerate what could be the potential size of these orders?

Mr. M.S. Unnikrishnan: Not now. I don't want to give any information out on that at this point of time. We just about started, we have qualified means we will start bidding for it.

Mr. Dhimant Shah: For another 3 months before you finalize.

Mr. M.S. Unnikrishnan: Sometimes three months can be a little longer also because these days larger quantum of money is not easy to come by to organize their debt portion.

Mr. Dhimant Shah: Okay, lastly, sir, just based on interaction with you some time back, you had mentioned that possibly with raw material pressure easing, things could improve and which adjusted for the forex loss as one of the participants mentioned, your margins have slightly looked up. Any future guidance to that? Would you be able to maintain margins assuming that you kind of maintain a flattish turnover even for the next year.

Mr. M.S. Unnikrishnan: Our intention will be to improve the margins; however, in the market, there are limited number of orders to be finalized. If the finalizations were to be reducing, the competition will be little more than what we faced earlier. Our ability to retain the improved margins or the cost reduction that we have been able to manage, we will have to wait and watch for it also.

Mr. Dhimant Shah: Right, and incrementally, do you see working capital pressure increasing, as we have seen in many other capital goods manufacturing cases, possibly the plant is either asking for renegotiation of orders, or pass-on on the benefit of raw material or an increased payment cycle, so which of these areas do you think you know could be incremental pain areas if at all.

Mr. M.S. Unnikrishnan: The first two are in the hands of customers. So, there are customers who have spoken about renegotiation. There are customers who have spoken about passing on the benefits back to him, especially orders which are finalized in the recent past. Not all of them are conceded, we do discuss with customers. Some cases will get considered also. Point No.2 is in terms of renegotiation of commercial terms something which we normally will not go along.

Mr. Dhimant Shah: So, if you have…let us say theoretically if somebody is giving you a 5-rupee advance on a 100-rupee order, what happens with that if that person comes for renegotiation.

Do you have the right of forfeiting that or that will be adjusted based on the renegotiation?

Mr. M.S. Unnikrishnan: Normally, in contracts, they have terms of cancellation in-built in that for large amounts. Small amounts are not there. They can demand the advance back if they cancel. At the time of renegotiation, nobody will hold us to ransom by telling you have to give 5% advance. More in terms of customer relationship.

Mr. Dhimant Shah: Right.

Mr. M.S. Unnikrishnan: We have 60 and odd percentage of our orders coming from repeat customers. So, it plays both ways, so we are in a better position to negotiate with them than being in case of one-off deals. Equally, we are going to be in the right side of the customer, so we have got to concede some of these savings that we are able to manage also.

Mr. Dhimant Shah: And largely, sorry, I am exceeding the two questions limit, just last two questions.

Moderator: Sir, can you come up with a followup question?

Mr. Dhimant Shah: Just a moment ma'am, I mean, possibly I will conclude in a minute. Can you just tell us the cash and cash equivalent on the balance sheet as of December?

Mr. M.S. Unnikrishnan: Gopal, would you like to answer this?

Mr. Gopal Mahadevan: Yeah, that is INR 370 crore.

Mr. Dhimant Shah: That is almost no change over the last balance sheet. Okay, okay. Lastly sir, is there any effort from your side to increase orders from an SEB or those variety of government orders, so that, hello?

Mr. M.S. Unnikrishnan: Yeah, yeah, I am on the line.

Mr. Dhimant Shah: You are currently exposed only to the private sector capex, so any chances of you enhancing your exposure on the other side where possibly things have not been as bad as…or at least things have been moving fairly.

Mr. M.S. Unnikrishnan: We have already shifted to that, if you remember, one large order that we are currently executing, started the execution in the current year is from Steel Authority of India. We have had approximately INR 150-crore orders taken in the past 12 months at least from PFC oil companies for heaters, plus in the water segment also we have started bidding for public sector for treatment plants also.

Mr. Dhimant Shah: Okay.

Mr. M.S. Unnikrishnan: We are concentrating on that also.

Mr. Dhimant Shah: Great sir, thank you so much.

Moderator: Thank you very much sir. Next in line, we have Ms. Prerna from Emkay Global. Over to you ma'am.

Mr. Pritesh: Sir, this is Pritesh, hello?

Mr. M.S. Unnikrishnan: Yes, Pritesh.

Mr. Pritesh: My question pertains to your previous answers which you had given. You said the exposure on year to-date is to power, metallurgy, refinery, and cement. It would be nice if you could give us some percentage exposure there. Second, which of these segments could actually look in terms of promising potential to replace may be metallurgy or cement where you see no major investments in the forthcoming year, that is my second question. Last, on the environment side of the business, we have seen good growth, at least in the first half, and if you could just share the outlook on the environment business tie-up in terms of the outlook and also in terms of what could be the possible triggers for growth if it exists in environment?

Mr. M.S. Unnikrishnan: First question was related to the…..

Mr. Pritesh: Composition.

Mr. M.S. Unnikrishnan: The composition, the shift had been, cement has come down from No.1 position to No.2, ferrous and non-ferrous put together remains No.1 at this point of time, and chemical…..

Mr. Pritesh: So, power is last, in the fourth category. Metallurgy is first. Cement is also equivalent to metallurgy, and refineries second or third?

Mr. M.S. Unnikrishnan: Cement is the lowest.

Mr. Pritesh: Currently in the sense, year to date cement is the lowest. So, it is on the fourth place.

Mr. M.S. Unnikrishnan: Absolutely right.

Mr. Pritesh: And so power is at the third place then, okay. Now, when you give these numbers, does metallurgy and refinery almost contribute 50% of the year to date figures?

Mr. M.S. Unnikrishnan: No.

Mr. Pritesh: Or all of them have…?

Mr. M.S. Unnikrishnan: Almost in equal, let me tell you. It is not so predominant. Last year, not last year, let us say that keep the current year away and the past 24 months, even that has been all-time high because the captive power plant plus our pollution control equipment.

Mr. Pritesh: So, was it something like 30% of kind of…..

Mr. M.S. Unnikrishnan: All tied to around 27% to 28%.

Mr. Pritesh: Okay, and when we say power, power for us it means typically merchant power and…

Mr. M.S. Unnikrishnan: We take captive power also.

Mr. Pritesh: And captive power, okay. Now, my second question pertained to which of these segments, say if metallurgy, and cement, we foresee no major investment there and obviously growth getting hurt there, which of the segment can equally compensate if any, or power can make up for the loss in metallurgy or cement or in terms of alternative, would you like to now sell some of your boilers to probably SEB…some of these alternative plans if you could discuss.

Mr. M.S. Unnikrishnan: You have given the answer after the question itself because we have just set our foot into the power industry. This is our first order, which again is for a captive application, so our foraying into the utility and the subcritical can be a positive move because power industry we are not seeing any reduction in investment but the pace of execution may be slightly slowed down because of the liquidity availability for some more time to come, but the financial closures and the solid projects which are there and the government also has a priority lending preference given to power also. Going forward, that should be one positive thing.

Mr. Pritesh: So, you said, you entered this subcritical space in one of the captive power?

Mr. M.S. Unnikrishnan: Right.

Mr. Pritesh: And what is the size there of the boiler?

Mr. M.S. Unnikrishnan: 750 tonnes, which is equivalent to 200 MW.

Mr. Pritesh: Okay, so that is in excess of 130 which was typically higher sealing, and what is the commercial development in excess of 130. This will be first order we have got or you have been able to….

Mr. M.S. Unnikrishnan: This is the first order.

Mr. Pritesh: Okay and the pipeline, in terms of pipeline there?

Mr. M.S. Unnikrishnan: I mentioned earlier that, that segment we have got pre-qualification for two more projects, we are waiting for that.

Mr. Pritesh: Okay, and second question was with respect to the environment side of the business.

Mr. M.S. Unnikrishnan: Environment side has seen a major improvement in the pollution control side in the current year, and others…for the next year, also we are going to talk about predominantly in the industry, so depends upon the industrial investment.

Mr. Pritesh: Okay.

Mr. M.S. Unnikrishnan: We are not into that sector, we are in water sector.

Mr. Pritesh: Okay so….

Mr. M.S. Unnikrishnan: We are going to watch for how the industry is going to be moving ahead.

Mr. Pritesh: Okay, so this year, it was particularly do with pollution.

Mr. M.S. Unnikrishnan: Yeah.

Mr. Pritesh: Okay, control equipment, and there also exposure to industry.

Mr. M.S. Unnikrishnan: Yeah.

Mr. Pritesh: Okay, many thanks to you and all the best to you sir.

Mr. M.S. Unnikrishnan: Thank you Pritesh.

Moderator: Thank you very much sir. Next in line, we have Mr. Abhinav Sharma from JM Financial. Over to you sir.

Mr. Abhinav Sharma: Hello sir.

Mr. M.S. Unnikrishnan: Hi Sharma.

Mr. Abhinav Sharma: Sir, can you breakup the order inflow in terms of energy and environment business.

Mr. M.S. Unnikrishnan: Certainly, Gopal will you?

Mr. Gopal Mahadevan: Sure, shall I give it for the Thermax Group.

Mr. Abhinav Sharma: Group will be better sir.

Mr. Gopal Mahadevan: For the quarter?

Mr. Abhinav Sharma: Yes sir, for quarter and nine months both.

Mr. Gopal Mahadevan: Yeah, for the quarter, the energy segment was INR 530 crore.

Mr. Abhinav Sharma: Okay.

Mr. Gopal Mahadevan: I am sorry, INR 717 crore and INR 146 crore.

Mr. Abhinav Sharma: Okay.

Mr. Gopal Mahadevan: Aggregating to INR 863 crore, and YTD, the number is INR 3,428 crore and INR 515 crore, aggregating to INR 3,943 crore.

Mr. Abhinav Sharma: Okay, and sir, what would be the execution cycle for the order book which you have because since you have some large cycle order, so would we see the execution cycle increasing.

Mr. M.S. Unnikrishnan: Some orders certainly will, see we have got three types of orders in this. One is which normally takes a cycle of less than 6 months which are the product, standard products anywhere from 3 to 6 months kind of a delivery. Second would be an average of 12 to 14 months for larger boiler for small captive power plants, and then we come to the real utility size or larger one which is going into 2 years plus kind of a thing.

Mr. Abhinav Sharma: Okay, and sir, going by your order book sir, now it seems that not only FY '09 but FY '10 also will be a kind of flattish kind of year in terms of revenue growth. So what is our outlook on say the margins of the company. I know you have already answered this question, but if you can please explain it further, are you seeing your fixed cost increasing going forward or how do you aim to mitigate the impact on margins?

Mr. M.S. Unnikrishnan: A lot of action has already put in the company to contain the expenses, waste elimination, and we are not telling that, I am not giving any kind of a forecast related to next year.

Mr. Abhinav Sharma: Okay sir.

Mr. M.S. Unnikrishnan: Yeah.

Mr. Abhinav Sharma: Sir, can you give us the debt figures if any on your books.

Mr. M.S. Unnikrishnan: We don't have any debt.

Mr. Abhinav Sharma: No debt still.

Mr. M.S. Unnikrishnan: Zero debt even now.

Mr. Abhinav Sharma: And sir the working capital cycle for you is, has it increased or has it remained same because most of the companies in your sector, it has increased.

Mr. M.S. Unnikrishnan: Thankfully, at this point of time we have not been…we have been able to contain it. Going forward, will it deteriorate, our intention is to contain and control it, wait and watch.

Mr. Abhinav Sharma: Okay, thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Nikunj Doshi from Envision Capital. Over to you sir.

Mr. Nikunj Doshi: I just wanted to get some perspective, earlier we had said that this year we will not see degrowth, I mean that was the guidance given earlier, now at present what do you think will be the situation for FY '09, and will there be any degrowth, I don't want forward looking guidance for FY '10 but will there be any degrowth looking at the current scenario?

Mr. M.S. Unnikrishnan: At this point of time, we have a growth of 1.5% for the first 9 months, which we have 2-1/2 months ahead, and we have got orders on that, but the environment is going to improve. The next year too we have capacity available for manufacturing, for entire activities we have created capacity. If the market were to be improving, we will also go along with them. It all depends upon will Indian market grow or not.

Mr. Nikunj Doshi: But looking at the current scenario, you feel it is tough to grow next year.

Mr. M.S. Unnikrishnan: When was life easy? To say that it is going to be tough for next year, so depending upon how you see, even a minor improvement in the market may be sufficient. We will have to wait and watch at this point of time. Because, frankly speaking, no company in the country barring may be two large ones who may have a 2-3 years visibility. Anybody is able to predict what is going to happen for next year.

Mr. Nikunj Doshi: Okay. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Hari Shankar from Credit Suisse. Over to you sir.

Mr. Hari Shankar: Yeah. Good afternoon. Most of my questions have been answered, but just wanted to confirm if my understanding is right. When you book your revenues, let us say, taking an example, let us say the average dollar rate is at around 45, and let us say you have a forward contract booked at

40. Then is my understanding right when I say that you book your revenues at 45 and then whatever forex loss is there on the differential of the side, we book it through the other expenditure. Is that right?

Mr. M.S. Unnikrishnan: You are predominantly right. The only point was, see when we take an order, we take a forward cover.

Mr. Hari Shankar: Yeah.

Mr. M.S. Unnikrishnan: So, when we do the pricing of the order as well at the existing rates, and then we take a forward cover to cover the revenues.

Mr. Hari Shankar: Yeah, yeah.

Mr. M.S. Unnikrishnan: As the rupee-dollar parity keeps changing and when we get the realization, we get an upside on the revenue side.

Mr. Hari Shankar: Yeah.

Mr. M.S. Unnikrishnan: There is a, you know, forex loss, that will get accounted in other expenditure.

Mr. Hari Shankar: Yeah. So, in that case, the forex loss whatever you booked, it wouldn't be notional per se right. It is part and parcel of your business, I mean, would that be the right way to look at it or.

Mr. M.S. Unnikrishnan: No, when we say it is notional, what we mean is that we are able to protect one, couple of times we are able to do that.

Mr. Hari Shankar: Yeah.

Mr. M.S. Unnikrishnan: And we are hedging it for the, what is called as a cash flow.

Mr. Hari Shankar: Yeah, yeah.

Mr. M.S. Unnikrishnan: …..there is a timing difference between the forward contract and the actual realization, then we will have to recognize it in the books, which is what we are doing, which is why I mentioned it is a timing difference.

Mr. Hari Shankar: Yeah. Okay.

Mr. M.S. Unnikrishnan: Okay, go ahead.

Mr. Hari Shankar: That's it. Thanks.

Moderator: Thank you very much sir. Next in line, we have Ms. Bhoomika from IDFC-SSKI.

Ms. Bhoomika: Yes, good afternoon sir. I just wanted one clarification. You mentioned that we have gotten pre-qualified with two utility projects. Would you be correct to say that this would be on the private side rather than on the public sector side.

Mr. M.S. Unnikrishnan: Bhoomika, I refuse to give that answer earlier to somebody that, this is something more….personally, I shouldn't have given you that information.

Ms. Bhoomika: Okay. Sir.

Mr. M.S. Unnikrishnan: Which are the projects ongoing in the country, the moment they give the next answer, a clue is already left to somebody who shouldn't be here.

Ms. Bhoomika: Sure sir, I understand that. Sir, you did mention earlier that, you know, on the three large orders that we have, we are on the engineering phase as of now and not really much of revenue recognition has happened on those projects.

Mr. M.S. Unnikrishnan: If not all three, one is already revenue recognition on; that is a government project with ..

Ms. Bhoomika: Sale. Okay. Sir on the balance two which is Essar and Brahmani, what kind of, you know, what kind of progress can we really see going forward. When will the revenue recognition really start from these two projects.

Mr. M.S. Unnikrishnan: Next year.

Ms. Bhoomika: Next year, okay. Okay sir, thank you very much.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Manish from Bajaj Allianz. Over to you sir.

Mr. Manish: Hi, I just had one question. With regards to this Essar order and Brahmani Steel order. According to the terms of payments were you to receive any advances and have you received those till now?

Mr. M.S. Unnikrishnan: Both orders are with advances and we have received advance from both the orders.

Mr. Manish: Okay. And my other question was, some time back we were talking about a utility boiler order to come by somewhere around March 2009. So, these two pre-qualified orders that you are talking about, are they the same that we were discussing about 6-7 months ago?

Mr. M.S. Unnikrishnan: We got the first one, that is Essar order.

Mr. Manish: Okay. The utility boiler that you were talking about somewhere in March 2009?

Mr. M.S. Unnikrishnan: We announced that utility foray. We confirmed that our intention is to book the first order by March 09.

Mr. Manish: Okay.

Mr. M.S. Unnikrishnan: Registered the order in June 08 itself.

Mr. Manish: Okay, yeah. Thanks sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Sachin Trivedi from UTI Mutual Funds. Over to you sir.

Mr. Sachin Trivedi: Hi, hello.

Mr. M.S. Unnikrishnan: Yes Sachin.

Mr. Sachin Trivedi: Sir, just one question, which I have is regarding now we have certain big projects in the pipeline, what is the revenue recognition policy, what percentage completion we recognize the revenue, and when do we start recognizing profit on those.

Mr. M.S. Unnikrishnan: Profits are recognized proportionately and revenue recognition there is a forward chart for it based on the activities completed. It is distributed across the engineering to the manufacturing component purchase, then site construction. There is a chart for that.

Mr. Sachin Trivedi: Okay, so there is no threshold of 10%, 15%.

Mr. M.S. Unnikrishnan: No.

Mr. Sachin Trivedi: These are the milestone.

Mr. M.S. Unnikrishnan: Those are all gone now. It is proportionate.

Mr. Sachin Trivedi: Okay. And will that be significantly different from what we have today?

Mr. M.S. Unnikrishnan: No. It will be the same only. The policies are not changed excepting for the fact that values have gone up and the period is gone up, delivery period. Earlier you had projects may be in the company averaging large amounts, averaging it between INR 80 crore and INR 100 crore, and then delivery period of may be 16-18 months. Now, these projects are approximately 2 years and above delivery period, and values INR 400 crore plus. That is only the difference.

Mr. Sachin Trivedi: Okay, okay. And sir, as far as advances are concerned, the initial advances which the client give us, they are

	immediately adjusted against the revenue recognized or how does the cycle work if you can spare some time on that?
Mr. M.S. Unnikrishnan:	Advances are proportionately adjusted against the revenue or the invoicing that is done.
Mr. Sachin Trivedi:	Okay, not the entire initial advances.
Mr. M.S. Unnikrishnan:	That is not the way anybody would agree for. For example a 100 unit value order, 10 as advance is available, when you recognize the first 10 as revenue, only 1 of the 10 will get adjusted against that, and balance it will become an AR, that will then be collected from the customer. That is the way it is.
Mr. Sachin Trivedi:	Okay. And, in the current environment, are the clients willing to give us advances or are we forced to change the terms and conditions for advances.
Mr. M.S. Unnikrishnan:	It is a policy of the company that other than for the government, we will not accept any large orders without advance. Maybe we would take a maybe a lakh worth or a 5 lakh worth of a smaller product, which is normally not made to order. It is just produced, otherwise we insist upon an advance.
Mr. Sachin Trivedi:	Okay, okay sir. Thanks a lot sir.
Moderator:	Thank you very much sir.
Mr. M.S. Unnikrishnan:	Priyanka, are we through with time?
Mr. Misal Singh:	Priyanka, can we just take two last questions?
Moderator:	Yes sir, and the last question comes from Mr. Rahul Agarwal from Anand Rathi. Over to you sir.
Mr. Rahul Agarwal:	Good afternoon sir. Hello.
Mr. M.S. Unnikrishnan:	Yeah, please go ahead.
Mr. Rahul Agarwal:	Sir, I just wanted to know whether RM, your raw material to sales ratio for the quarter is dropped down by 500 basis points. Hello?
Mr. M.S. Unnikrishnan:	Yeah, I am hearing you. Yeah.
Mr. Rahul Agarwal:	So just wanted some clarification on the raw material to sales ratio for the quarter. It has dropped down significantly, any specific reason for that.
Mr. M.S. Unnikrishnan:	It has gone from 66.5 to 62.5, so it is around 400 basis points for the quarter, but it is on account of the product

mix. In this particular quarter, if we had invoiced more of products, which has got better margin in comparison to EPC; that is one reason, and second is, yeah, we have been able to renegotiate many of our supply contracts from our suppliers, and the commodity price difference, part of that is we had been able to put it into our balance sheet.

Mr. Rahul Agarwal: Okay, and Mr. Gopal said about the order inflow break up in terms of energy and environment, did not get that figure, per first quarter, the order inflows of the Group, for energy it was, I believe, 717 crore. Hello?

Mr. M.S. Unnikrishnan: Gopal, we will come closer and then..

Mr. Gopal Mahadevan: Yeah, can you hear me now?

Mr. Rahul Agarwal: Yeah. Is the figure INR 717 crore for energy segment for the group inflow.

Mr. Gopal Mahadevan: INR 716.9 crore for the energy segment and INR 145.7 crore for the environment segment, totaling up to INR 862.6 crore.

Mr. Rahul Agarwal: Okay. Can I get the energy and environment breakup for the order backlog for the group as well as for the standalone entity.

Mr. Gopal Mahadevan: The order balance.

Mr. Rahul Agarwal: Yeah.

Mr. Gopal Mahadevan: …….crore for energy.

Mr. Rahul Agarwal: I did not get that figure, sorry.

Mr. Gopal Mahadevan: Are you able to hear me now.

Mr. Rahul Agarwal: Yeah.

Mr. Gopal Mahadevan: I am a little away from the phone. Just a sec.

Mr. Rahul Agarwal: Hello?

Moderator: Participants are requested to kindly stay connected. The speaker will join shortly. Thank you.

Mr. Misal Singh: Yeah. Hello.

Mr. M.S. Unnikrishnan: Yes sir. Hello.

Mr. Gopal Mahadevan: Gentlemen, do you want to put him on back.

Moderator: Hello.

Mr. Misal Singh: Yeah. You know, actually, I think, we will just end it here sir. I had one last question for you.

Mr. M.S. Unnikrishnan: Yeah.

Mr. Misal Singh: Sir, there is, I guess, in your consolidated profits for the quarter, you are at INR 70.7 crore, and at the standalone level, you are at about INR 72.3 crore. So, any losses in any of the subsidiaries?

Mr. Gopal Mahadevan: Yes, yeah.

Mr. M.S. Unnikrishnan: Gopal, would you want to?

Mr. Gopal Mahadevan: Yeah, you see, essentially, these are losses coming in, one is from Thermax Instrumentation and the second one is a very marginal loss in Thermax Inc, and we must also remember that Thermax Zhejiang into which we have just invested and it has got commissioned in September is still just about 5-6 months old. So we cannot expect it to make profits for the initial couple of years. So these are the reasons for it. As far as, Misal, Thermax Instrumentation is concerned, we are expected to post profits by the end of the year.

Mr. Misal Singh: Okay.

Mr. Gopal Mahadevan: We hope to do the same for Thermax Inc also, let us wait and watch.

Mr. Misal Singh: Okay. Okay sir, thanks a lot for joining us on the call, and our best wishes for the next quarter.

Mr. Gopal Mahadevan: Misal, just one thing.

Mr. Misal Singh: Yeah.

Mr. Gopal Mahadevan: We owe that gentleman a response. Just ensure that he had asked for the order booking and, I mean, order backlog numbers for the group as well as for Thermax.

Mr. Misal Singh: Yeah.

Mr. Gopal Mahadevan: So, I will share that separately. I will give you a call and share the numbers, and please have that passed on to him.

Mr. Misal Singh: Yes, yes sir, I will do that.

Mr. Gopal Mahadevan: Thanks.

Mr. Misal Singh: Okay. Priyanka, we can now end the call.

Moderator: Sure sir. Ladies and gentleman, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.