"Thermax Limited Q2 FY 2016 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Thermax Q2 FY 2016 Results Conference Call, hosted by Motilal Oswal Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Sharma from Motilal Oswal Securities. Thank you and over to you Sir!

Ankur Sharma: Thank you. Good afternoon ladies and gentlemen. Welcome you to the Q2 FY 2016 post results earnings call of Thermax Limited hosted by Motilal Oswal Securities. We have with us Mr. M. S. Unnikrishnan, Managing Director and CEO and Mr. Amitabha Mukhopadhyay, Executive VP and CFO. I shall now hand over the floor to the management for opening remarks and then we can have the Q&A session. Over to you Sir!

M.S. Unnikrishnan: Good afternoon Ankur and my dear friends. Apologies for shifting the program from morning to an afternoon. It is only on account of the fact one of our team members had some other assignment, which we could not change, but we will go back to the morning rituals from the next quarter onwards unless there is some emergency occurs another time.

You have already seen the results and part of you would have also heard me talk in the media. The quarter had not been very good to report, but it is on the expected lines as per we are concerned. I am sure the marketing expectations are slightly different. Our order booking is at 810 Crores for Thermax Limited. The domestic booking is almost horizontal at 520-odd Crores in comparison to last year same quarter also with the same number.

Last year for Q2 we had an order worth around 350 Crores from Dangote, a cement company in Africa. In the current year we do not have any similar kind of orders for the Q2 to report that is why the numbers have come down. Otherwise the domestic overall order booking for standard products have been marginally better than the previous year. This has brought our order book, order balance to just above 4000 Crores which is in comparison to around 5000 last year the same time and opening of the current year was around 4400 Crores. So, we depleted around a carry forward by approximately 400 Crores from the beginning of the year at this point in time. However of the carry forward orders, this time international has gone up by around 28% whereas the domestic has come down by 35%.

Revenues for the standalone Thermax Limited from operation are Rs.1044 Crores, which is 9% lower than the previous year. If I have to disseminate it further, domestic has substantially come down from Rs.881 to Rs.696 whereas international or exports has gone up from Rs.279 to Rs.348, 25% increase in comparison over the last year second quarter. That is about Thermax Limited.

At the group level, our overall order intake has remained at 948 which is almost 41% lower than the previous year. The TBW has nil order booking in the current quarter in comparison to last year. We had registered Rs.338 Crores order plus also the Dangote order which I mentioned earlier -these are the main two items responsible for it. Our order balance for Thermax group is Rs.5162 Crores. Of it the domestic entities have around Rs.2913 Crores and the international entities and export of Thermax is Rs.2249, which is 32% higher than the previous year. So, it is fundamentally the export orders and the international orders, are now becoming equivalent to the domestic portion of the order carry forward.

Our revenue for at the group level is Rs.1290 Crores which is barely 3% lower than the previous year and the only positive lining in the entire results for the quarter. Our profit before tax at the group level has gone up in comparison to the previous year, the numbers I think Amitabha will give. PBT for overall TE level was Rs.77.6 Crores, current year is Rs.104.5 Crores. The numbers are very important for us because normally at the group level the profits are much lower than the standalone level whereas here it is higher at almost 8.1% PBT at the group level.

About the TBW subsidiary we have not had any order intake whereas the execution has started moving for the ongoing orders and going by the way it is panning out we should be able to execute the orders of TBW on the book in the balance two quarters of the current year. on the WWS water business of the company, we have not been able to bring it to profitability though there are certain improvements taking place and we expect that at least in the last quarter of the current year we should be able to hit a positive note.

Equally with our subsidiaries outside India, Danstoker group has reported positive results for the current quarter. Last year, we had the difficulty of Omnical, the German subsidiary which we had to put into administration. Post that there is a recovery in performance for the Danstoker Group and they have had positive result profitability in the current quarter and going forward we expect that by the yearend there should be reportable profits also for the subsidiary. Our other subsidiary Thermax Europe Limited, Thermax Incorporated in America and RIFOX in Germany, all three of them are turning positive results of profitability. At the Chinese subsidiary of Thermax, though we were EBITDA positive last year and even the first quarter, we are reeling under pressure for fresh orders to come because the Chinese economy is slowing down. We are assessing how we will be able to perform, but I am fairly certain that an improvement in performance in comparison to last year may not be practical looking at the Chinese entire industrial movement.

Of the Indian subsidiaries, our construction company, Thermax Engineering Construction, Thermax Instrumentation Limited and our steam on hire business Thermax Onsite Energy Solution, are positive in the quarter and for the first half also.

So let me stop over here to allow time for each one of you to ask your questions. Thanks a lot. Please go ahead with your questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Good afternoon Sir. My first question is on the base order you said there was marginal improvement adjusted for Dangote order in the base quarter. If you can slightly elaborate on which are the sectors which were showing growth and which were declining if you can take even the first half and speak it will be helpful?

M.S. Unnikrishnan: First half is better, because then it will be more representative than the quarter. Food processing with very specific emphasis on dairy industry is one where we have seen positive growth. We have seen selective uptake in the pharma and textile industry across the country not in the particular pocket. The tyre industry is also expanding capacity. We have received orders from three tyre manufactures who are on expansion mode. We also have enquiries from the rest of them across the country. In the Beverages sectors there are orders for various products of the company especially for water treatment as well as for the heating and cooling side.

Madam Gopal: Any sector, which is, disappointed in a big way Sir in the first half?

M.S. Unnikrishnan: In the base order side or is it in the other?

Madam Gopal: Base order?

M.S. Unnikrishnan: Base order side no, I mean I cannot say that there is a sector which has slowed down. In fact FMCG which has been doing well today in the first half, first quarter, second quarter with orders coming in- whether it is Hindustan Unilever or ITC, all of them are again back to investing. At least some projects are concluded. Otherwise there were disappointment in the first quarter, but second quarter have also picked up.

Madam Gopal: The second question is on last meeting you explained the kind of opportunities that can come up in air pollution control business. Are you seeing any momentum on that front both from cement sector as well as from the power sector that will be helpful?

M.S. Unnikrishnan: Cement sector had an ultimatum to close at least their first level of ordering by end of September. We have received three orders but not very large ones. These are by the finest of the companies in the country where they are already almost compliant, so it is only a minor adjustment they have to do for the delta. But the main companies have taken quotations, some of them are under discussion, but orders are yet to be concluded. They do not seem to be under pressure, because the rule has come from Central Pollution Control Board, but enforcement is done by State Pollution Control Boards and unless a sense of urgency comes into the state level pollution control authorities, implementation make be delayed. But central law cannot be violated beyond a period, especially because this has got social aspect. Hence I am expecting things to improve as we move. I cannot predict whether will happen exactly in the coming two quarters, but enquiries are there from virtually everybody. I cannot say anybody is taken cognizance of that enquiries are there, so I would expecting to be moving up as we move forward.

Madam Gopal: This is on cement right, on the power side?

M.S. Unnikrishnan: Power side nothing. Power side let me tell you the main expectation was for the newer plants for desulfurization plus NOX control. The draft law is ready, but the government has not promulgated and there had been consultation going on with the power equipment manufacturers, power developers and civic society. I think there is a pushback. I do not think in toto the government will be able to implement it. So, I would say subdued version of that should be coming by the beginning of next year. Once that is notified then of course you could see some movement in that area. So, overall Madan my expectation is air pollution control should certainly have a positive movement in the next year.

Madam Gopal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Good afternoon Sir. The first question is on TPW we mentioned that the year beginning order book was around Rs.600 Crores odd, so what is the status on that given there are no orders in first half and what kind of sales and how the losses could reduce the sales in this particular subsidiary, JV company in this year and the next year, could you give some colour on that?

M.S. Unnikrishnan: Opening orders predominant portion will get revenue recognized in the current year itself. We have not received any order from them in the current year, though there are a couple of enquiries which are reaching finalization stage in the international market by BMW and if they were to be receiving order naturally, this could be a preferred destination for manufacturing last year. Now based on whatever income is going to be registered. Amitabha tells me that losses will come down substantially from last year of -124 will be in double digit in any case. We are working if it can at least be closer to an EBITDA neutrality, but there will be a reduction in the losses in the current year. If we do not receive any fresh orders till January February, then next year will be difficult year, because even if we were to receive an order in Q4 or may be Q1 of next year only very limited revenue recognition is practical. Though we have about the facility totally available empty customers have to be ready normally for power plant equipment, if we receive an order. There is a sequencing needed for acceptance of the year active unit in that, that is why we are very crucial for us look up to the next three, four month’s time are we receiving orders from domestic market from the international market with the support of BMW.

Sandeep Tulsian: My second question is on the capex plan that you had enlisted during the previous conference call, so given the current order inflow momentum has been much weaker than our expectations how was that plan going to progress in Indonesia, Dahej and even one absorption chiller facility that you are planning in Eastern India?

M.S. Unnikrishnan: Let me go one by one. The Dahej facility is dedicated for resin manufacturing with the high expectation on the international market focus on that front. Currently, Thermax has capacity to manufacture around 10,000 meter cube per annum of ion exchange resins which is grossly insufficient. We are outsourcing a little for commodity resin, so naturally we have got to be expanding the capacity. The Dahej plant is going ahead and that business is not in the same cyclical curve as engineering equipment or capital goods, so that we are going ahead with. Land is already in our position, permissions, all applications are gone, we already had environmental assessment survey, now there is a hearing needed all that will be happening. My expectation is closure of the current quarter is the time when we should get consent to start cutting the land and starting the manufacturing, plan the construction. 18 months down the line will be a short of capacity, so we are going ahead with that number one. Second is Indonesian unit we already have got the land in our position. Indonesia was specifically intended for localizing the manufacturing of the standard products of the company in the engineering sector and I am talking about starting with heating, assembling of chillers one day and water treatment plan standard and air pollution control standard equipment. I do not think in two years down the lane when the plant is ready, the situation in the world is going to be worse than what it is today. So it can only be better and we have marginal market share in the catchment area markets for that and with the existing ASEAN agreement, an Indonesian facility will entail free movement of good without payment or duty, to the rest of the countries which are Malaysia, Philippines, Thailand, Vietnam and Cambodia. So certainly we will be going ahead with that and in fact these are a necessity for companies like us for the future to ensure that we secure a market share in countries where growth is going to happen. As an exporter from India there will be limitations. In fact Indonesia has become how we talk about make an India. Their president is stating to make in Indonesia and anybody who imports will have to pay higher duty, to the extent that there are instances where the countries are refusing the open letter of credit for orders which are to be executed from outside Indonesia. So we need to be hastening our investment rather than delaying that. Then comes third one about India for absorption chiller. Chiller in the first half we have booked more orders than the previous year and international market we continued to be booking better orders, but I agree with you we have one facility in China over and above what we have which is 100 chiller facility which is running that may be 80 chillers right now. If there is a decline in the Chinese market, we may have 20/30 chillers capacity available in China. We can still expand Chinese facility into 200 by investing may be four million dollars or five million dollars versus in India creating a capacity at much higher amount. This is a decision, which we will be taking. The movement of our facility or may be creating one more in the eastern side of India is not only for chillers. It will be starting with chillers, but as far as litigation for the organization to have one more facility for other products of the company also is on the anvil. The facility in Pune is very expensive now. Pune is a city how Mumbai was with textile industry or engineering industry in 1970s and 1980s . Its what companies in Pune are going to be facing in the future in 2010s and 2020s, so there are certain considerations beyond what you would look at only capacity building when you are talking about one more facility in the eastern sector of India, so those are weighed very clearly not on financial terms alone, there are some other considerations too.

Sandeep Tulsian: Logistic benefit and other things?

M.S. Unnikrishnan: Does it answer you properly?

Sandeep Tulsian: Thank you so much for taking my question. I have some more questions, but will come back in the queue Sir.

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

Aditya Bhartia: Good afternoon Sir. How is the industrial capex cycle shaping up? Do you expect the large orders, the kind of orders that Thermax generally announces returning in the next few months or do you think it could take a bit longer?

M.S. Unnikrishnan: A bit longer is the right answer. Because you are tracking the market more than me I am only at the ground level. I only track the engineering industry who is the recipient of that. My consuming industry is in difficulty, because I mentioned in the beginning that the ones which are policy liberated from the government where they can they have direct connectivity with the consumer B2C industry is even today investing, because they got confidence in the indian market, but the commodity side. For example, cement is a localized industry, you cannot import cement in the country. Their capacity utilization is languishing at around 70% right now. Let us say that they will have very healthy balance sheet. All cement companies in India have made more money to expand the capacity. All of them are land available. They have got limestone mines available. Coal linkage is now great sheiks problem, coal is available plenty in the world now, but why are not they investing, when do we speak to CEOs of company or promotors of the cement company, they say, are you crazy right now. If the capacity utilization to reach up to 85%, so that I can say visibility of new capacity utilization. Till that time I do not think anything is going to happen. Steel is the lesser that better. The current way the market is panning out is a global business. The global price are at a very, very low level right now and only by 20% duty imposition I believe indian balance sheets are at least protected temporarily, otherwise many of them will get into negative, so that is something is the bigger worry, so I do not expect steel industry to be turning around in sometime to happen, because steel can be imported from anywhere in the world economically, so that industry is going to undergo some pain. Fertilizer well there is a shortage and I hope the government of India acts upon that as well. Net importer of urea even today we are reporting a lot more of urea why cannot we set up our own capacity and save foreign currency. There is one sector of the government which says that we should reduce the urea consumption because we are reducing the fertility of Indian land and you should go for different kind of nutrition value for farming. So urea if you we should not create capacity, but there are five applications all of them from the public sector undertaking owned by the Government of India pending with the cabinet. I hope they will clear it in the immediate future, so if that were to happen, you could see an uptake in the fertilizer related ordering in the current year itself a little could be visible that is a possibility. Oil and gas for three quarters after the new government taken charge, they had been virtuous of the government to tell that look refining capacity need to be improved, automobile production, the country is going up so there is a capacity utilization side. They have not taking cognizance of it, but I think now they are aware of the fact that they need to be creating, so there may be some movement in terms of Engineers India Limited being given responsibility for preparing DPI for it. If at all they have to start it right now, six quarters down the line finalization orders can happen. However, on one side I did hear the petroleum minister talking about India going to be adopting Euro-V standards any moment which would mean revamp of all the refineries of India. The sulphur of recovery and entire refining process change would need a huge investment. Are we ready to do that and make petrol and diesel more expensive in the country is the question companies can answer. I think the government will have to answer. If that were to happen certainly I mean all of us will be very happy. We have some of the very specialized companies capable of making SRU oriented equipments and may be heat recovery units. Power I will refrain from talking beyond a level because it is already spoken about too much. I do not expect anything to happen in the power industry for the next may be one or two years and the minister has already capped it by saying that his focus is on renewable not on thermal.

Aditya Bhartia: Great and with the commodity prices going down. Do you think that margins can improve from the current levels?

M.S. Unnikrishnan: What happens is if the commodity prices were to come down and the market were to be a seller’s market, we could have improved our margin. In buyer’s market where very few enquiries are under finalization, he sits with an excel sheet where he approximately has calculated the tonnage of the entire thing and what are the costs reduction that has happened and what will happen in the future also and he will negotiate the prices. So anybody giving that impression that they can improve the margins in this kind of a market are giving false promises. I do not want to give a false promise. We will try retaining the margin. That is the best thing in any case we will do.

Aditya Bhartia: Lastly Sir, are they any outstanding guarantees with respect of Omnical for which Thermax can he held liable?

M.S. Unnikrishnan: We have had some guarantees which were given as a parent, and not Thermax Danstoker the holding company. Many of them are getting this share but some amount is also becoming under the warranty, guarantee some of them are there and administrator certainly will be asking for bank guarantees which are outstanding, so those are under discussion, but nothing very large in nature may be million here and there or something like that could be there, nothing beyond that, one, two million kind of thing is outstanding overall, but I do not expect all that to be becoming payable, maybe little could be there.

Aditya Bhartia: Thanks a lot Sir.

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

Renu Baid: Good evening Sir. Challenging times.

M.S. Unnikrishnan: Challenging times, you are aware of it. You were aware of it early.

Renu Baid: All of us aware of it, it is all about accepting it.

M.S. Unnikrishnan: We accepted it almost six months back when we closed the balance sheet that we are carrying forward, Rs.1000 Crores lower order booking in a very lean market. We are currently dependent a lot on what is happening today than what happened in the past or what will happen in the future, so we are living by the day, but it is okay, I mean it is challenging, but I have been able to be I know whether you guys are happy with that. We are okay with the current circumstances the way we are able to perform in the quarter other than the order book. Order booking we wanted more, but they are in orders under finalization.

Renu Baid: My first thing when you closed order booking definitely we are seeing a lot of pressures from medium to large size order booking coming in the book, so are you actually sustaining and seeing increased price pressures for new orders and negotiating with customers. How is that scenario looking, because we refrain to get into the price war, but it is a volume continue to shrink and does not seem to improve over the next 12, 18 months. What is your outlook on the end markets and profitability of new orders?

M.S. Unnikrishnan: There is already terrific pressure of price when you negotiate any order more than may be Rs.10 or Rs.15 Crores let see there and CEOs themselves get involved from buying and selling side and it is not one round with negotiation. They are enjoying because the buyer can afford to take time and seller does not have a choice and they play one against each other. It is not only the price overall contracting benefits related to deliveries, related to warranties, related to various services which you go along with that people are getting that benefit. 100% it is there and the question is can you improve the margins under circumstances no, but can you retain the margin. We are taking our suppliers into confidence, so with that only we are able to do this and ensuring that you do not commit a mistake under the current circumstances.

Renu Baid: Because if you look at numbers we have seen gross margins selectively improving staff expense is very lean. It is only because of lower volumes and somewhere the other expenses have remained a bit firm. So, do we see for the likelihood off these fixed overhead with some of these other variable included others compressing further or it would still be on a similar broad base?

M.S. Unnikrishnan: Broad base it will be the same, at Rs.1000 plus Crores topline, the bottomline will be very similar in the vicinity plus or minus may be 50-basis points to 100-basis points nothing beyond that and if there are chunky orders which you would have been able to do some value engineering we will improve it or if somebody has done a mistake it will also go down by the same kind of percentages only.

Renu Baid: On the international subs, now we have seen for the last two quarters because of better orders, volume and sales looking very healthy. This particular quarter if we see PBT obviously the losses were lower in subs and PAT there was a big delta, so was there any one off item with respect to tax reversals or any particular gain why we saw that positive despite PBT loss?

M.S. Unnikrishnan: In the subsidiary one of them had a currency advantage of a particular nature which Amitabha may have to explain in detail worth around may be Rs.3 or Rs.4 Crores one time that is all otherwise there is nothing.

Renu Baid: Otherwise Rs.54 Crores profit from subsidiary cumulatively would be on or at least adjusted for Rs.3 Crores, Rs.4 Crores, Rs.4 Crores, and Rs.50 Crores more of recurring basis in the current execution cycle?

M.S. Unnikrishnan: For the half year, the number is Rs.54 has gone to PAT at Rs.124 that is correct, but that much okay one who were to get into item by the last year we had major negative. Omnical closure was in the first half of last year, so that has really had the negative impact, so there is a one time which is not going to be there, so that is the main thing which is other than positive that we you are seeing over here.

Renu Baid: Right, but otherwise if we compare relative to other quarters also performance has been fairly healthy?

M.S. Unnikrishnan: You are right in that. In that one there are some service incomes which have come for operation maintenance jobs that we do outside India which has started picking and now and there is a consistency of that possible going forward, but one time the currency advantage of Rs.3 Crores, Rs.4 Crores which will not repeat otherwise positive only.

Renu Baid: Because essentially I am just trying to understand that on a broad basis should we now expect that consolidate profitability should improve given that most of the subs now are at break even positive levels at only TBW which is on a thin line now. So does the console profitability?

M.S. Unnikrishnan: You are right. I may not vouch for Chinese subsidiary I will be taking quarter over quarter, other than that.

Renu Baid: Chinese subsidiaries?

M.S. Unnikrishnan: Indian construction subsidiary once in a while we will get into one quarter negative again come back to positive, but otherwise overall if we look at we are in a better position than the negative, the Omnical was always losing money for Danstoker group that is off and one time they also hit us when we closed it down and put into administration those are behind us. Otherwise all other subsidiaries we should be able to be positive. But TBW will be there as a negative, the China which is positive, now I do not say it cannot become positive, because chiller business in the world has not come down the way the capital good business overall has come down, so that is something which can help.

Renu Baid: If Amitabha Sir can just help us with the Rs.3 Crores to Rs.4 Crores tax number which you mentioned for one time?

Amitabha M: One of the country we had branch one of our subsidiary, it is relating to some minor currency, there was wide fluctuation. We had kept our money in US dollar only, so we did not carry any risk, but there is a book gain which has happened, because of an accounting treatment which is about Rs.3 Crores.

Renu Baid: Okay that is it nothing much.

Amitabha M: Pure notional book accounting gain, so that is not going to be recurring item, otherwise the entire thing is from operation.

Renu Baid: That is very helpful. Thank you so much. The last thing before you can share the book keeping numbers and order book and order intake for Thermax Limited and Thermax Group segment wise?

Amitabha M: Order intake Energy segment, I am giving the standalone entity first. 584 for Energy, 226 for Environment, total 810. Group level 724 for Energy, 224 for Environment, total 948. Order balance, Energy 3273, Environment 733, total 4006. Group level were 4417 for Energy, 745 for Environment and total 5162.

Renu Baid: Thank you so much sir. All the best.

Moderator: Thank you. The next question is from the line of Charanjeet Singh from B&K Securities. Please go ahead.

Charanjeet Singh: Good afternoon. If you look at the cement sector, it could take may be another one-and-a-half two years to revise and metal sector not likely to revive even in the longer term. So how do you know intent to fill the gap which would be arising from the weakness in the fiscally in the metal sector not there and our capex also we are doing major capex in other geographies, how those you know capex can actually fill in the gap from loss in the business from the metal sector?

M.S. Unnikrishnan: Can we take both the sectors separately. Sector waste to energy, there is a waste heat recovery projects are currently under discussion with couple of companies. They have balance sheet available and thankfully the interest rates have come down and FMP has instrument is not very attractive for all these guys. In industry, there could be a possibility for waste heat recovery because the cost have come down now at that level, we may have payback equivalent to may be around five, six years, not all the cement plants will go, but some of them can go that is one filler possible and thankfully there is one continent where cement plants are being planned by a couple of groups. So we are in touch with this, so any of them coming we will I have talked about outside India. There is a possibility of main Holcim Lafarge merger was something that was holding on any capacity expansion in the world. It is almost reaching a conclusion and you will have a definitive country wise plan for many people available now. For example in India also nobody expanded other than the capacity utilization, because which are the plants of Lafarge and Holcim merger is going to become surplus in the country, which you are aware that was bought over by Birla Corp in Calcutta. So, now it is known to Ultratech they would not have anything on their own if they have to have any further capacity they have to create it on their own. So such kind of things are also happening in outside India, what happened in India, what is happening in South America and Africa, and also in South East Asia. So any cement plant expansion which was held up for may be three to four, I would say quarters on account of this, those who had planned for expansion may fructify, so we have about to be everywhere in the world excepting of course Europe and America where we want to. The waste is one. Second is capacity addition in some pockets wherever it happens. On the steel side, surprisingly the price not the composite ones, sponge iron there is some amount, some mushrooms are visible in some states, so whatever is the reason for it may be the pot is allowed the mines we opened could be the reason and so there some movement in that area, so that could be for waste heat recovery base power plants, couple of them happening. Is it a precursor for sponge iron to reopen at least in the selective way within the country because we are not in that gango time where enquiries galore all through and then here you have to go and create enquiries, every enquiry has to be followed up, so that is one visibility that we have seen. I do not expect any composite steel plant to happen in India in the next three years, you are totally right anywhere in the world people will buy a second hand plant and may be run it but setting up a new capacity is not easy, so I do not expect still revival to happen for couple of years. I fully agree with you. But specialized steel of certain nature will localize capacity come through like Visakhapatnam Stainless Steel expansion has gone through.

Charanjeet Singh: On the aspect you know we have no planned big amount of capex, so how is the growth trajectory and when do you see like these investments to start yielding in the topline and what could be the potential target numbers for these what we are having internally?

M.S. Unnikrishnan: Dahej plant would take in the phase one at 20000-meter cube of capacity. Currently we have 10000-meter cube as our production capacity at the existing facility in Maharashtra. I will not be able to reveal beyond a level for that will be our main plant going forward have some tax benefits available to us being an export oriented unit. So, shifting of manufacturing also intended to happen, so I would expect that new factory Dahej to reach the peak 20000 by 2022. It is equivalent to doubling my resin turnover also in six to seven year period I will be doubling the resin turnover also in that. Our master plan is ideally to build up to 40000, so if we are able to reach up to say closer to 17000, 18000 meter cube utility by 2020 still declare another expansion of that plan by another 20000 meter cube also. Then only it will become world class, world size plan, but in resin it is a dove chemicals, it is a Mitsubishi Chemicals, Reliance's are kind of people who lead and the global size of the capacity for resin making at 30000 to 40000 meter cubes. Indian company has created it so we have at least aspiration to reach over later.

Charanjeet Singh: Who will be the major customers here like as we are expanding where we getting the visibility for this demand environment?

M.S. Unnikrishnan: It is North America. It is Europe predominantly and to a certain extent Japan and the Rest of the World let us say that. The commodity chemicals, I can flock the entire 20000 metric cube in one year also by reducing the price. We are talking about their niche applications, which are on the speciality resins. For example, say if we are going to having a fruit juice plant and you have got a fruit pulp and the pulp to extract the juice, you got to have an ironic charge given to that and you have an iron exchange resin used for it. It may be you and I will have crocin tablet taken, but for a child, which is one year old you have to got to create an emulsion. So an FDA grade, Food and Drugs Approved grade for resin made for emulsion separation or a nuclear let us say it is happening in the nuclear plant, which is in part of billion for that to be recovered the nuclear gain. So these are products created with knowledge, which is what is the capability of a company like Thermax. So that is the market that we are focusing. It is not meter cube that we want to fill. Meter cube is utilized to fill the balance sheet is the way we go the other way because these are all very profitable. If one were to sell a water treatment resin a liter of resin will go for may be between Rs.30 and Rs.40 or Rs.45 a liter. In fact Bisleri water is today with Rs.20 then the resin will go at may be Rs.36. Some of the resin, which I mentioned about, will go for an Rs.1000 a liter. So that is why we need to be creating the capacity and this flexibility is also built into the plan. It will be a plan which can even process may be 20-liter batch, may be a 20000-liter batch also.

Moderator: Thank you. The next question is from the line of Amit Sinha from Macquarie Capital. Please go ahead.

Indrajit: Thanks for the opportunity. First question is on the base orders and now you did mention that there are segments, which are actually doing well. I am a little surprised that if some of the segments are actually doing okay and we still have an order inflow number on a standalone basis of around 8000 Crores is there a possibility that without the larger orders getting finalized can we get to an Rs.1000 Crores mark with activity in say food processing and others sectors. Is that a run rate likely in the next few quarters, I would say?

M.S. Unnikrishnan: Indrajit, it will be very difficult assumption to make because order values from big sectors, vary between maybe 25 to 30 lakhs on the smaller side, so maybe a 5 Crores to 6 Crores on the upper most side. So the number of orders that you need to be receiving to reach up to a 1000 Crores will be almost equivalent to 50% improvement in the current numbers. Though I am telling these sectors are existing it is not exactly the way they invest **(unclear-42.36)**

Indrajit: My second question is actually this kind of a run rate or maybe even a slightly better run rate sustains maybe for the next few quarters there is a very clear likelihood that next year revenues might not end up matching this year's numbers, so is there a kind of a cost control plan that we have where we intent to further reduce? Any ways we have been running fairly tight shift for the few quarters now but is there is a room for us to kind of cut costs further in the next year?

M.S. Unnikrishnan: We will have to be finding ways to cut the cost to keep the organization for the size of the business that is available. If the business size were to come down, we have avenues available by which we can proportionate it. We have avenues available. Like, in the white collar we have got 946 employees, which are system, contracting the organization. Similarly we have blue collar also, if you have to take the ratio between permanent versus contracts it is a fairly advantageous number. So those fixed costs can be taken care of but while depreciation cannot be cut off and may be well tightening is something, which is very well known to us, and we normally come very well when situation demands that way. I do not will it come to such a level or will there be for us to get maybe 300 to 400 Crores one or two orders in the next two quarters from anywhere, any corner in the world is not an impossibility but a very difficult proposition. That is all. Difficulty once in a while you overcome also.

Indrajit: Absolutely. Thanks a lot Sir. Best of luck.

Moderator: Thank you. The next question is from the line of Venkatesh B from Citigroup. Please go ahead.

Venkatesh B: Good evening Sir. Sir, this question is not particularly about this quarter more so from your longer term strategy, because while this call is going on I was just looking at your consolidated numbers and it looked like we are basically at the same topline level today than we were five years back. Our profit levels are at the same level that we are may be what it was nine years back? So it looks like it has been a very hard time scaling up the business. Of course you have scaled up the revenues, if you see over the last ten years, but even the outer environment in India has only gone worse. Now as a leader of the company how do you think about the next five years? I mean obviously you do look for growth and profitable growth so I mean if you have to grow to from say 5500 Crores kind of topline level at the consolidated level to may be 8000 Crores over the next five years or six years, what are the areas which are going to give you that big delta because one of the big delta areas as we understood was going to be utility boilers, but unfortunately that market has gone into overcapacity? So what can give you this growth which can take you from say 5500 Crores to the 8000 to 9000 Crores kind of levels and what exactly are you doing to scale up to your business to those kind of levels and is it possible to scale up the business first of all? Are you looking at new areas? Are you looking at new geographies? What exactly is the thought process?

M.S. Unnikrishnan: It is a wise and right question that you asked and we have been grappling for this quite some time. We have answers also for it. Many of our initiatives, which are underway, are aimed towards this. We cannot stagnate the organization. We have to be growing. Thankfully we grew last year. Currently we may have stagnation. Next year we will have to really see will we stagnate, degrow or grow. I am unduly worried about short term, exactly as such worried about you as you mentioned about the medium to long term. So, we understand that the product portfolio of the company which was I am talking about the standard package heating boiler, absorption chiller, standard skid mounted water treatment plants, standard air pollution control equipments, and chemicals to be precise. These have not seen the volatility of the market though once in a while they may get hit, but otherwise they are not as cyclical as the way the capital good cyclicity is following and we have maintained in many of them upwards of 30%, 25% kind of market share in the absorption chiller. In India we have got 80% to 85% market share and they are all profitable businesses of the kind of the kind all of you would love may be they are always in double digits, some of them in teens also, some of them maybe in upper teens also. The conglomerate of them put together is giving this kind of a number. We have grown this business in the last few years in India and selectively outside India, but our global market share if I were to even the operating markets of Thermax. Let me not be talking about my market share in the developed world, which I am marginally present, but the markets where we are already operating like South East Asia, like Africa, like South America, my market share is varying between may be 0.5% to 1.5%. Now we have brand recognition available for these products in these markets. I may not be recognized for every product of mine, but standard products since there are no organized companies like Siemens or a GE competing against anyone of us in this. There are local competition and we have got sales sporadically **(inaudible-48.31)** may be chillers in 75 countries, heating products is all in Peru to maybe to South America, may be entire of Africa, so a consolidation and a focus on this market is what we are intending to do which should virtually double our product business basket in the next five years time. The investment that we are currently planning in Indonesia is aimed towards that chemical factory is aimed towards that and also what we talked about absorbing chillers in the eastern side of India is towards that. That is the reason why which we are investing irrespective of the market movement. That is why I spoke also earlier that whatever the market may do we will continue investing, so long as I am not going to borrow from the banks to do that and currently we have the ability and visibility of cash flows to take care of that. So that should double our business going forward. We were earlier dependent purely on India for the larger projects or medium to large projects of the company. In the last cycle when we grew from 500 to 5000 Crores India supported us in multiplying the turnover of our project businesses. For example, my EPC business has gone up from 125 to a 1000 Crores exactly in six years. The boilers and heater business has gone up from 345 to 2400 in six year period. I am not expecting a similar kind of a growth any further in India that percentage cannot happen. So we are also selectively taking a project business to South East Asia and African Continent. I have an ambition to get into South America, but there is no unified strategy practicable because this county is different, some of them are very difficult countries when it comes to currently conversion bringing it over here, well be selective, so the movement to this country is also for the project business, but there I am not going to take Meenakshi Energy like a 1000 Crores project or a Reliance like a 1700 Crores project. We already tested our capabilities for doing projects $25 million, $16 million we are doing in Africa and another 55 we are doing, so we are picking orders of this kind, so this too put together should certainly take us beyond even the number that you have indicated to me. Our targets are little more than that in the next five year period. Irrespective of India not performing well, India continues to grow like this, but if there is a global meltdown with some analyst community people and maybe some banking community people have spoken about will the world get into deep depression and political turmoil then all the plans are impractical but global remaining is all the complexities, this are visible to us and are in the same range, we will grow to the number that you spoke about in the timeframe that you asked about based on this two strategies. Third one which I possibly forgot to inform you about is we are moving our performance management system business outside India, which means energy audit, annual service contracts and also operation maintenance. I will have a billing of captive power plant O&M next year touching $8 billion outside India and this is created by the company exactly in three years and my belief is in the time period that you spoke about I should be reaching $25 to $30 million, which are very profitable as business is so which is again we were sending people from outside India and the visa processes, procedures for a long term sending for a contractors one sending for an operational maintenance is something difficult. In Philippines today I have got three of them operating, two more are in the anvil. African Continent we are currently running two and we will be running three more in the next two years time and we are spreading our tentacles a bit. Indonesia we are moving into, so I think it is practical. We have fused up and tweaking an organization from taking larger projects and executing it safely within time and cost schedule versus spreading yourself in the Rest of the World in difficult countries, setting up a business, buying a business in Europe or America is very to easy to run it, easy in Europe, difficult in America, but even setting up a branch office in any of the African Continent. Mr. Mukhopadhyay will tell you difficult is life is when he is to open up an office in any of these places, so that is why it may be taking, the effort you have taken the plunge into that, you are moving ahead with that, so with this I think we should be able to reach up to that number.

Venkatesh B: Thank you Sir. Thanks for your detailed response and all the very best.

Moderator: Thank you. The next question is from the line of Salil Desai from Premji Invest. Please go ahead.

Salil Desai: Sir about six months back you have discussed that because of the relative appreciation of the Indian rupee versus Euro, you were facing some tougher competition in African markets vis-à-vis European suppliers, Sir how are things now, rupee has also corrected a bit and is there pipeline or are there some negotiation discussion happening for export orders?

M.S. Unnikrishnan: We had only contract only concluded in the entire African continent in the last one quarter which we have lost out, it is taken by another Indian Company, both the Indian companies were able to be surpassing the European competition over there, Japanese competition over there, but the Indian cut another Indian, so India got an order, let me say that way that is what a remunerative price for us so that experience is proving to be that to what extent can a European come down or Japanese come down, it is still manageable by us because last time when we do the final scoping we have certain advantages over them because in projects the engineering component is fairly large because unlike the product where it is predetermined engineering done you will do the manufacturing for the product whenever you take an order, in the project, the project engineering component does substantially huge manpower required for it, which per hour cost in India is still at an arbitrage level advantageous for Indian companies, so I believe whatever apprehension we had on the project side only I am repeating may not be so difficult but when it comes to product if there is a credible competition from Euro where it is a standard product, but they do not have to spend man-hours for design engineering, it is just about manufacturing and most of them know how their offering capability in Poland and China they may be able to complete.

Salil Desai: Is there quantified bid pipeline or discussion, which you are?

M.S. Unnikrishnan: Frankly speaking there are enquiries under discussion with international continent for projects now as boilers large one or as EPC. There are couple of them on the discussion level, these are solid project not where somebody is taking a budgeted quotation, will it fructify in the quarter-to-quarter is what, if it is fructifying then possibly all of us will be happy, but if not it will get postponed to the Q1 of the next year. There are a couple of them right now.

Salil Desai: Sir one clarification you mentioned there is a 520 Crores inflow from domestic aspect?

M.S. Unnikrishnan: That is correct.

Salil Desai: Thank you very much.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Hi Unni, Hi Amitabha.

M.S. Unnikrishnan: Hi Bhavin how are you?

Bhavin Vithlani: Unni one question is on the super critical boiler what we are observing is like half the orders placed this fiscal have been given to BHEL on a nomination basis, the government speaking about make in India where, half the orders are not even coming to you guys for bidding basis, so what is it that you people, the private guy as an association doing about it?

M. S. Unnikrishnan: We have taken up with the government. We had the option of going against state government to the court, which is not opted for at this point of time and that project taking off itself is a question that is why one of the considerations was that Bhavin because the debt portion for that is around Rs.16,000 Crores for which bank is having money to give a 16,000 Crores lending loan for a power plant that too thermal power in a state which is having a balance sheet page no. 1 only opened, no history available all that is doubt, so is that really worthwhile challenging such a thing in the court of law so collective wisdom was that let us launch our protest may not have to approach the court right now if it becomes a practice in the country then we will be compelled to do that.

Bhavin Vithlani: So you do not see a risk of contagion in this?

M. S. Unnikrishnan: I do not think anybody else will do that because they are subject to scrutiny because public scrutiny is not easy, forgot about past scrutiny and public scrutiny, there can be accused for various things. I do not think, earlier past when BHEL that got nomination orders from oil industry and the power industry there were no competition for them, they were created for supporting the infrastructure creation, but as the private competition came in slowly many things withdrew remember originally all PSUs had a price preference of 10% then it become a purchase preference up to 10% but maximum price intake, it got withdrawn in year 2011 in the country and they tried their level best with the central government and the ministry to get it extend it and that did not happen, so if an isolated state were to take the law into the hand beyond a level one could have gone to the court, but then currently it was operated not to do that, if it is going to be repeated another time there was a discussion in another state also, the company can always approach electricity boards to do that and most of them are bankrupt and if somebody were to say that I will organize SPV for you, I will put equity and the balance bank funding will arrange, there will always be temptation for the state electricity boards to concede to that, but such SPV would not take off , it is my opinion, banks are very weary of giving any loan to government, they are not government, government of course, they have not much of a choice, but at least SPV is created by government.

Bhavin Vithlani: My second question if you can help us with few numbers of what could be a size of your standard products, chillers and the chemicals business, so we can comprehend what size and if you can help us what size these could become over next two, three years as you are investing in these?

M. S. Unnikrishnan: Heating business of the company would clock upwards of 560 Crores let us say around size do not ask me on concalls quarter over update on that, you said you want a magnitude I am giving you.

Bhavin Vithlani: Yes.

M. S. Unnikrishnan: Absorption cooling globally is a 300 Crores business, chemical is a 300 Crores business, water product is a 170 Crores business, air pollution control products are 250 to 280 Crores these are the businesses that are allied to this and the **(indiscernible-59.34)** size is there for this service business allied to this which could be maybe 15% of the overall size of those businesses put together.

Bhavin Vithlani: What would be spares as a portion of the business totally?

M. S. Unnikrishnan: As I have told you, services means there are three arms in services, one is after market of the spare parts, component supply, second is performance management is energy audit operation maintenance that is the second one, third is the retrofit and revamp that is when the equipment becomes very old they will want to upgrade it to the latest design, so these are the three service provision that we give to customers.

Bhavin Vithlani: And what size these business could become over the next three to five years?

M. S. Unnikrishnan: One of the colleagues have already given the target of doubling it in the next five years' time so we are working towards capacity. We have got capacity in India and also creating outside put together, so there is a potential for growing this into almost into two size in the next five-year period and we are creating capacity not only in manpower, doing business for products abroad the most important thing is services network to be created, so that is where we are already working on, you have got to have the service something like automobile sales, if there is no service center you will not buy the car, that is why we are creating local partnership.

Bhavin Vithlani: Okay so the bulk of the incremental growth will be oversees or exports rather than domestic?

M. S. Unnikrishnan: No I cannot say that then you are writing off India, five years I will not write off India may be couple of more quarters I will give them, but beyond that I am sure in any case the standard product area it is business to consumer more it will tell you about that. Their capacity utilization will be there, if there is money in the hands of Indian they will spend the money and they spend the money then we will need more capacity to feed their requirements and for that that old theory of Maslow's pyramid is the issue, that is the food, shelter, clothing no doubt about it with the population growth in the country it will continue to be growing and let me give you the numbers, we produce 20 million Indians in a year that is equal to one Australia we are gifting to the world, so all of them need to be given food, they need to be given accommodation, they need to be given clothing. All of them as they start earning will need comfort, so that is the next level of human comfort of white goods, automobile, electronic items all that will happen then there is coming to luxury which is high quality items in society so India for this population will consume more so my B2C oriented business for the standard products will certainly grow and I am very confident about it so I would not write off India, for projects I am not writing off a five year period some segments like standard session I would say power as a entity everybody wants power but nobody wants to spend money for power, either the consume nor the governments nobody, so how do we have a social transformation done for that, I do not have an answer for it, but it become a social issue one day. I am not writing it off but if stranded right now somebody is hold it and start pushing it but our minister does not seem to be interested in that.

Bhavin Vithlani: Thank you so much.

Moderator: Thank you. The next question is from the line of Ashutosh Narkar from HSBC. Please go ahead.

Ashutosh Narkar: You have given pretty good count about what to expect over the next four to five years timeframe, but if I were to look at the next say 12 or 24 months time given that majority of the industries are not doing well and in the hope that markets will revive, most players have not moved out of the market, now is there a chance where over the next say three, four quarters timeframe competition again becomes pretty bad and then the outlook that margins will remain constant or at this levels might not be true, is that something which we kind of expect?

M. S. Unnikrishnan: I do not expect it to happen, but nor do I rule it out as an option to happen, there are far too many ifs and buts in what we just spoke about it, there are no new players investing money in this sector, nobody is expected to be joining the bandwagon for the conventional capital goods, frill capital goods related to the renewables that could be more players coming, we are not a major player there, but I am talking about the core area and there are stress balance sheets in this area and there could be pressures that they come under, but customers when they entrust a company with a project in fact a stressed balance sheet supplier is not somebody who is preferred so even if somebody were to be dropping the prices below level an opportunistic customer may go with him, but a consistent person will utilize it to reduce when price at the best so that is the only concern I may have, in any case 65% of my orders are from my big customers who have experienced Thermax and they do know what we mean so they can certainly be transparent with us telling I am getting something cheaper from somebody but we normally make it known to them what is the cheap means so those who have a short term outlook only as a customer, which is maybe a minor segment of the entire customer agglomeration of Thermax and surely will go for it, but will their impact be beyond deliver, I cannot say right now, the trouble is going to be when commodity start picking up and my market has not picked up whereas the price is going upward spiral for the components and may be inputs and the markets that is the time when I lose the margin, it is almost set right now that commodity price are almost at the lowest of the ebb, demand is also at the almost lower ebb, can anything further go down, I doubt, I do not know whether country we can afford it any further.

Ashutosh Narkar: Sir just to understand in the near term if things were go to bad on the competition side would we kind of still look at, try to maintain our market share and hence, kind of say all right give and take 50 to 100 basis points but we are willing to not let go off the customer?

M. S. Unnikrishnan: 100%, there is no way I will let go off customer for 100 basis points, it will be the biggest blunder I can ever commit, because please remember this customers come for buying an equipment may be once in three years, once in five, more than once in 10 years if you allow a competition to make an entry into them for a 100 basis points to show that in a Q2 everybody that I have made a good profit or maybe I am still sticking to my words I will be losing a customer for life, so which one does not do.

Ashutosh Narkar: Sure, thanks a lot and all the best to you.

M. S. Unnikrishnan: Thank you Ashutosh.

Moderator: Thank you. We will take a last question from the line of Dewang Patel from IL&FS. Please go ahead.

Dewang Patel: Sir my question was on the large orders, project orders from the domestic market you mentioned earlier there is plenty of coal available so is there any chance of revival in captive power plant orders other than from the non-core sector, other than power, steel, cement?

M. S. Unnikrishnan: There could be possibilities, there are candidates available for power generation in the country, may not be a full captive, textile industry in fact the entire tyre industry was toying with the idea of getting into captive power because they did steam as well as power unfortunately the steam pressure requirement and spurting the need for that versus the power it is not matching, that is why they went for conventional orders, otherwise almost one year and a half they were toying with the idea, there are industrial segments other than steel and cement which can get into. Remember the critical size of an Indian manufacturing unit for most of the commodities are also going up, of the kind that you mentioned about, so they can generate power and what is the economy for it. In Gujarat an industry unit pays electricity charge of approximately Rs.8 a unit of electricity, in Maharashtra we are paying Rs.8.6, I presume because we are the two states that we are operating predominantly, I understand that industrial power rate most of the states in India, most of the states let me put that is upwards of Rs.6 to Rs.7. You can generate captive power on a condensing cycle at less than Rs.4.5 and today's call price even Rs.4.25 and if you were to go for a cogeneration then cost will come down by another 10% because of the efficiency of the cycle improves, so at Rs.4.5 on an average power generation and cost of power remaining at Rs.6 or Rs.7 there is a delta of around Rs.2 available for my customers for captive power. Now first of all you should have money for it. Second a will to run captive power plant and then improve your profitability so that is a possibility. I would not rule it out and on the contrary I would say that if we were to continue the same way for the next five years which the government is also telling they will focus a lot more on renewables, I am sure there will be a huge demand for captive power plants in Thirteenth Five Year Plan. We will be bereft of electricity in this country to run the factories of the country because renewables are not a firm power, if you want to generate solar which even I like it. It is a great thing to happen, remember it the plan load factor is to 8% max, so if you are investing Rs.6 Crores for a megawatt for equivalent to thermal power you are going to invest at least four plants let us say that to have an 80% PLF which is what you should expect from a thermal power plant, 21st century, so for this 4x 6 24 Crores equivalent investment for a solar PV plant versus 6 Crores of thermal. A country which does not have money to pay for electricity, it is something like somebody says that I will now recommend that India should only go for BMW, Audi and Mercedes all other cars are not needed, it is equal retailing in there a country where the recovery of electricity is only Rs.3.06 per unit of electricity generating solar energy at Rs.5.5 to Rs.6 and having PLF of 20 it is a romance which can continue may be for couple of more quarters. India will recognize the need for thermal power which is solid power at the cheaper rate, we need power not the quality of the power, it is my opinion, all of us are going to be around to come in down this couple of years down the line, but I am happy if TPW does not do well I do not mind, so long as I can get captive power orders and it will fill Thermax and which is what is going to happen.

Dewang Patel: Last question on margins you covered it couple of times you mentioned we will retain margins but just comparing it to our margin record in the past with this same revenues is add 10% less margin also so is it the products where we are reporting lower margin today or is it the project business compared to the past?

M. S. Unnikrishnan: All of them have reported the same margin. It is only the current quarter if you look at it last year versus current year, our treasury earnings have come down by 10.11 Crores, last year for the same quarter 23.1 Crores treasury income current year it is only 13, so there is a 10 plus per reduction in the treasury income that is on account of the fact when last year we had that instrument lot of SMP and we could take use of that but currently the SMPs we cannot go for it because you have got to occupy money for a three year period and all of us have asked RBI Governor to reduce the interest rates so the banks are giving us a less interest for the same amount of treasury we are carrying, so that 10 Crores is almost equivalent to 100 basis points reduction in the overall PBT of the company. Otherwise, the operations are middle cost is almost the same, barring one or two items where it may be isolated cases we have curtailed that cost, manpower cost is lower by almost Rs.12 Crores, interest paid by the company is virtually in double digit lakhs of rupees not even Crores so the balance sheet is very well tightly managed and you would have also seen our accounts receivables marginally improving also in terms of overall value though the DSO would have gone up may be in 2 or 3 days because the topline has come down, so it is a tightly run one. I do not, see the orders are on hand, if I have to a run rate in excess of 1000 Crores of rupees and if you do not go on take an aggressive order which we normally would not do, we should be able to come around in and around the margins that we talked, but then the plunge once in a while it could be an error, but otherwise it will be within the range only.

Dewang Patel: Right Sir. Thank you so much. That is all from my side.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question I would now like to hand the floor over to Ankur Sharma for closing comments.

Ankur Sharma: Sir would you like to give some closing remarks from your side?

M.S. Unnikrishnan: I need to thank each one of them because this is a support which energizes us in such difficult times. When you ask such kind of questions, somebody asked about what is our outlook for five years, I know that you are with me, because you know that temporary may be the short term things are tough and you are having faith and confidence in us that we will manage the company and the balance sheet well and long term do we have strategies, yes that is all what we are going to articulate and inform you. We are not stopping investment, we have not stopped thinking and I am not talking about even innovation that we are doing couple of products which have come out. I spoke may be three or four quarters back that we brought into new products in the solid fuel combustion, heating boilers, very happy to say that the first one has clocked 300 numbers. That is a first ever product which is clocked 300 numbers in the first two years of introduction, second product which we introduced four quarters back has clocked 120 numbers so far. There are two more products of the similar kind in thermic fluid heating which we are going to be introducing into the market, so innovation is continuing unabated in the company and that is what one of things which is keeping us as a leader in the product business of the company, so in the short term we are going to be helped by the product in service business and medium to long term products are going to be helping. World is having an increase in population and you need to be building the world, earlier we participating in building in India if there is slowed down we will go to the place where building is happening and we will ensure that we grow as an organization. Thanks a lot and be with us, support us. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.