PRESS MONITOR

Business Standard, Delhi
Wednesday 2nd January 2013, Page: 22
Width: 16.73 cms, Height: 21.37 cms, a4, Ref: pmin.2013-01-02.37.142

'FY14 to be better than FY13 for order book and revenues'

S UNNIKRISHNAN, managing director and chief executive officer of Thermax, talks to Priya Kansara Pandya on how Thermax is preparing itself to deliver amid challenges. Edited excerpts:

How do you see order inflows in FY13?
In the second half, stand-alone order inflows should be similar to the first half (₹2,500 crore). But we will certainly book more orders in FY13 and should cross the order book of the previous year.

Do you see anything concrete happening in terms of order finalisation?
Bold moves of the government in the past couple of months, despite political difficulties, is commendable. However, there are no major changes visible at the ground level in terms of additional orders getting booked or larger orders being concluded. There is no improvement in order finalisation in comparison to what was prior to the changes initiated by the finance minister and what is currently there. Inflow of inquiries has increased, but we certainly do not see any green-shoots in terms of order inflow.

So, will FY14 be another bad year for order inflows?
I do not think India can afford to slow down any further. I expect India to grow at a better pace next year. But for the momentum to catch on, it will take time as any policy change cannot be acted upon by the industry overnight. Overall, I expect FY14 to be better than FY13 for the order book as well as for revenues. One should also recognise that many companies do not need policy support from the government since 65 per cent of India's GDP (gross domestic product) comes from consumption.

Which sectors are seeing or can see a revival?
In the cement sector, I expect orders to start getting finalised in FY14. The oil and gas sector will also catch up, compared to the stagnation of FY13. As regards the steel sector, I am not expecting a revival beyond some brownfield expansion. Food processing continues to see expansion and new investments. There are new medium-sized engineering organisations getting set up across the country.

Q&A

S UNNIKRISHNAN
MD & CEO, Thermax

The only laggard is the power sector, where nothing substantial is going to happen, and I am not expecting any turnaround in the next year also. However, the kind of power demand and its shortage being faced in many states will compel the revival of captive power generation (about 30-40 per cent of the entire revenues) led by medium power consuming sectors (new clients) like tyres, textiles, chemicals and pharma.

Your boiler plant is ready, but without orders would it not strain your balance sheet?
We will be incurring an establishment cost to the tune of ₹100-120 crore of which our share will be 51 per cent. We can also utilise this facility for our industrial boiler segment, should there be an improvement in the parent company order book. Apart from this, our American joint venture (JV) partner can also utilise this facility if they get an order for manufacturing as well as engineering. It shall be our endeavour to minimise the losses of this JV.

In any case, it takes around three-four years for a super-critical boiler facility to turn profitable. In the current situation, there could be a minor delay of one or two years to reach break-even.

Do you expect any improvement in the Indian power equipment industry scenario?
Currently, all power equipment players in India are finding it difficult as the sector has certainly some major issues to be addressed in the short term, which could take anywhere from one to three years. There are multiple issues faced by the power sector such as land acquisition, funding, fuel pricing, tariff revision, sectoral banking limit exhaustion. Only when all these issues are satisfactorily resolved, you will find the power equipment sector taking off. However, it cannot become any worse.

What about the international power equipment market? Is it any better?
The international market is witnessing even tougher times. European capacity is available as surplus for the entire world as their economy is declining. They make high quality equipment which was not affordable by the rest of the world earlier. But now they are willing to bring down their prices. Then, there is huge capacity in China and the industry there is growing only at seven-eight per cent against expectations of 10-11 per cent. So, there is surplus capacity available there too, making export of power equipment out of India a tougher task.

For full interview, visit www.business-standard.com