

Investors buy into Thermax growth story

Engineering firm **Thermax Ltd's** order book has got a big boost, thanks to a Rs1,001 crore order to set up a 270MW coal-based power project in Andhra Pradesh.

This is significant since the firm's order book position as of 30 June was Rs3,230 crore. It is a major project for Thermax in the engineering, procurement and construction (EPC) space and the execution period will be about 28-30 months.

Thermax sets up power plants, mostly captive power plants and also makes industrial equipment like boilers, chillers and pollution control equipment. Like all engineering firms, Thermax too was affected by the downturn in financial year 2008-09, especially during

the second half of the year. Due to the liquidity crunch, companies deferred green-field projects and went slow on existing ones. As a result, orders slowed, which in turn affected its financial performance.

In the June quarter, its consolidated revenues fell by 27.4% to Rs763.3 crore. According to the company, this was owing to poor order bookings in the October-December 2008 quarter. The situation improved in the March and June quarters but it may take a few quarters more to return to normalcy.

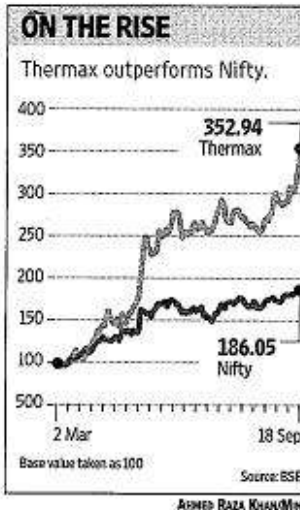
Thermax booked orders worth Rs1,000 crore in the June quarter.

This EPC project alone will ensure a healthy growth in orders booked in the

current quarter.

Thermax will be executing a fair share of its existing order book in the current year. Therefore, its future growth depends on how well it is able to build up its order book in the current year.

In a conference call with analysts to discuss its quarterly results, the firm had said that it will be difficult to operate at the profitability levels it enjoyed in the past due to competition. For the moment, investors will have to be content with the fact that the order book is growing and that sales too should soon start growing. While the power project order will not contribute significantly to growth in the current financial year, it does a lot to boost confidence. Thermax's



shares have risen by 275% compared to its lows in March, which shows that investors have bought into the growth story.

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