



“Thermax Limited Q1 FY 2016  
Earnings Conference Call”

July 29, 2015



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY 2016 Thermax Conference Call, hosted by Motilal Oswal Securities. 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. Amit Shah from Motilal Oswal Securities. Thank you and over to you Sir!

**Amit Shah:** Thank you Lisann. Good morning everyone. We welcome you to the conference call of Thermax Q1 FY2016 results. We have with us Mr. M.S. Unnikrishnan, Managing Director and CEO and Mr. Amitabha Mukhopadhyay, Executive Vice President and CFO of Thermax. We would first start with the opening remarks by the management and then we would have the Q&A session. Over to you Sir!

**M.S. Unnikrishnan:** Thank you Amit. Good morning to each one of you. Thanks a lot for your continued interest in the company and support and encouragement. The team has performed better. The numbers are already in the market, but let me repeat some of the very important ones. Starting of with order booking at Thermax Limited, we have an improvement by 33% in the order intake in comparison to previous year standing at Rs.877 Crores. Domestically, the order intake has improved by 36% and international has gone up by 24%. If you really ask me personally I am not very happy with improved order booking because base level was lower than in the last year, which is what has really lifted that percentage. I would have preferred to get a more orders and I wish a good numbers of orders had come from the non-policy oriented, independent of government policy sectors. Also from food processing, textiles, light engineering, beverages. For a change in the current quarter, we have also seen order finalization in the tyre industry and the rubber industry. May be on account of the fact that the rubber prices have crashed and oil prices remaining at a low level, input cost being lower, capacity expansion and export order of India – this could be possibility be the reason.

At the group level, the order intake has gone up by 28% standing at 1020 as against last year 797, but I need to be admitting that we have not received any orders for our joint venture TBWES nor are we expecting anything in the immediate future. Coming to the order balance, we are almost at the same level as what we opened the current year at Rs.4275 Crores for Thermax Limited, - 18% in comparison to what we were last year.. In fact for a change, our international order carry forward is almost 73% higher than the previous year and the domestic is down by 37% which means at the current level, it is

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international market which is helping the company to remain at where we are. Coming to the revenue, certainly we have upped the revenues by 19% on operations are 991 and overall balance sheet, we have across 1000 in the first quarter good numbers. Domestic up by 16%, international up by 30% and let me admit that we had orders available. One news I need to give it to you is that in the market, there is an improvement in execution cycle because of orders which are on hand. Though there is no sense of urgency of the kind that we witnessed between 2004 to 2010, people are not blocking execution of projects by delaying the payment. Currently, we see whatever orders on hand, most of them, predominant portion of them either product or project is being moved out of the factory at a regular phase by customers with little difficulty making the payments, so that is a little better in comparison to the previous quarter that I have spoken about.

PBT at Thermax Limited level is Rs.91.9 Crores, it is 56% up and you always will ask me what happened all of a sudden for it to be improving substantially. Two or three reasons; number one is top line has gone up, because fixed cost are covered at a higher margin, this is a top line. So there is an improvement on account of that. Apart from that, there has been an overall waste reduction, cost reduction and a lot more of belt tightening done by Amitabha and his team within the company.. Next question you are going to naturally ask is that is it sustainable for the year. Well, last year we delivered double digit at end of the year as we had promised. We are going to continue working towards achieving our continued goal of retaining the company as a double digit profit deliverer at Thermax Limited. One more thing not pleasant to talk about but at least I need to be notifying to that for a change at this time, the group level PBT is marginally few lakhs more than Thermax Limited, otherwise you would have seen the negatives of the subsidiary taking away even the profit made by the main company. Barring TBWES and SPX minor losses, all the subsidiaries of the company both domestic and international are in profit and even Rifox, a small subsidiary of Germany and our Chinese subsidiary is made PBT positive. I need to clarify that in China, we may continue to be facing difficulties with the economy, and our efforts are to ensure that can we can at least repeat the last year's performance of being EBITDA and PBT positive in the current year too. That is about our overall performance. To shed more light about TBWES, there are no enquiries under negotiation or at a finalization stage. However, there are three tenders specifically coming out. One is already out in the market, purely for boiler where we do not have to be depending upon somebody for BTG support or may be EPC support. The Neyveli Lignite Corporation tender for 3 x 660 for Uttar Pradesh is already out in the market where we have pre-qualified, we will be bidding for it as an independent company. Similarly, there is one project in southern part of India, which I cannot declare right now, where two numbers 2 x 660 as an EPC bid is out and we will be working along with Toshiba as their consortium partner for boiler supply. One more project

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of NTPC for boiler alone is expected, the tender is expected to be coming, and time as per them should be in Q2. So submission could be in Q2 and even extend to Q3. There are two more projects either as EPC or BTG which are expected to come from one State Electricity Board and NTPC in the current year. So Thermax will be participating in all the forthcoming projects hereafterwards either as supporter for EPC or as an independent for the boiler. That is about TBWES. Danstroker has not had any further backlash from Omnical which was put in administration. The companies whatever the service arm of that got bought over by another company. All the employees have been able to manage in most difficult circumstance in Europe, with some kind of a job, so that is no more a worry for us and I would believe that Omnical should be totally away from any concern from our side a quarter down the line. There is nothing substantially expected that we should be paying for except guarantees -- may be million, million-and-a-half Euro worth which are outstanding. Issued by the parent company to the customers of Omnical in the past which will be expiring **personally** as per Amitabha within a year's time and we do not expect anything substantially negative happening over there. I am very happy to report that order intake of both Danstoker and Boiler Works, the group companies in Denmark has been far superior than the previous year. With the negative Omnical, we should be able to report a positive result in the current year towards the year end. China subsidiary as I mentioned earlier may face some difficulty in fresh order intake because the Chinese economy is not in the best of shape. You guys are reading about it and we are facing it but being a niche player you still have a window opportunity to be sailing and navigating through difficult days and still possibly report decent set of balance sheet. But I will keep you informed going forward. Thermax Onsite Energy Limited, another subsidiary in India where we are supplying steam instead of **(inaudible-9.11)** Opex model of the business was able to double the turnover in the current year's first quarter in comparison to the previous year. Despite the oil price not supporting our cause, we expect we should be able to at least see the results continuing and I am expecting the topline to be almost 70%, 80% more than the previous year. But new orders and new projects will depend a lot more on how the oil prices will stabilize and availability of biomass which we are already trying from our side to put into a supply chain. Another good news is that in current quarter we have crossed patent repository of the company to a triple digit number. Today, we have got more than 100 patents of Thermax registered some of which issued in the recent past should help the company progressively to come out with better products in the future also. So thanks a lot for being patient with me. Let me hand it over back to you to ask me specific questions. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Amit Sinha from Macquarie. Please go ahead.

**Indrajit:** Hi, this is Indrajit here. Thanks for the opportunity. My first question is on the TBWES and now in the last couple of years our strategy has been to kind of bid for the right orders in the right margins. Is there a change now that we have facility which is fully up in ready and it is okay that not to make margins in the first one or two orders, but get into manufacturing cycle cut cost and then look at making margins going forward, so is there kind of change of strategy there that we are kind of working on?

**M.S. Unnikrishnan:** First of all we are working very seriously with our partners for bringing the cost down of the components and we cannot compromise in the design, value engineering to bring the cost down. Work is already on. Next is the strategy pricing to make an entry - certainly because we have got fixed cost to cover, so irrespective whether we have orders or not there are outflows of expense to keep the edifice on. So strategically we will look at it Indrajit in terms of halving but we do not want predatory pricing to the level where it will become something unknown, which one of the competitors have already done in the market in the recent past in two of the tenders for BTG at Bareilly which I shouldn't name. Should we follow the same practice and bring down the entire price level where equipment suppliers become bankers in a power projects in the country? No, I am not for it. How to do strategic pricing to ensure that we make an entry and fixed cost coverage, certainly we will look at it.

**Indrajit:** Second question is you made very interesting comment about execution being still okay on the ground. Is this an improvement compared to what was existing six months back and what do you think would have necessitated that improvement at this point of time?

**M.S. Unnikrishnan:** The reason for that is there is cash flow positive availability on the balance sheets of my customers. Barring a set of them, I am talking about predominant portion of the customers who are also raking in net profits quarter over quarter and they have not committed anything a new for capacity building. So in such a case what do you do with the money, **(indiscernible-13.17)** are not too good. So at least for the projects committed with the self financing and with good balance sheets, we are able to be get loan sources from the bank. Keeping the power and steel sector aside, all others have good balance sheets available. So, the CFO like Amitabha are asking me why I want to put the money into the fixed deposit rather than get the equipment done and then increase the turnover. We see a decent enough monsoon prediction and with the consumer price WPI and CPI controlled properly, consumption pattern should improve in the coming 18-month period, which should make any capacity added. Most of these equipment are for line balancing of the brownfield nature so that should help them to be taking on the market as it improves. I think there is a perceptible movement I am not naming it for the larger inductions, let me repeat it that way

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but I told you about independent of the policy industries are possibly looking forward to not green shoots, possibly an improvement of good nature going forward.

**Indrajit:**

Thanks a lot. Actually if I may squeeze one more regarding our target typically which on the margins front which is to kind of get into that double digit mark in the last two, three years, we have been aggressively cutting cost, is there more room left for cutting cost which can drive the margins up to that 10% plus levels or is it now going to be entirely dependent on the revenues and what is kind of giving us confidence that we can get there?

**M.S. Unnikrishnan:**

I will not recommend any further cutting internal cost because whatever said and done organizations which are dependent a lot more on intellectual capital, you need to look that cost cutting always brings in negativity amongst the employers of the organization. So there is a limit which we can do. I think we are already there, we are almost there. So beyond that we may not be doing it. However the margin squeeze can also be on account of the fact that the commodity price reduction which has happened that is steel or copper, may not have been totally translated into cost reduction in terms of the supply prices of the components. When you buy the raw material you know the global prices, you know the copper prices, everybody knows about it, I know the steel price, everybody knows about it but how do you translate that in the impact of a price of motor or a cable or may be a pump or a valve, so, these are the areas where to expect out of the supplies it would take a little longer time, so that is where I would expect there is a possibility of a pass on of that back to us should improve and next of course, as number of orders getting finalized in certain sector improves my competition will also start behaving properly. The way the desperation which is visible for the past 18 months in the market I would expect that at least for the smaller boilers the packaged ones standard products where the competition is not with BHEL, not with the John Thompson or the project companies they are also getting orders, not that I am getting orders alone. I am sure my competition also getting orders. So satiation of where minimum requirements to cover the fixed cost should compel them to start making profit. Once they start making profit, the price will go up, so marketable pricing improvement is expected, this is by proposition, these are all hypothesis. We will have to wait and watch and practice it as we move further.

**Moderator:**

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

**Sandeep Tulsian:**

Sir first question is of course you have shown a very strong top line growth in this quarter despite starting the year off on a very low order book, of course (**indiscernible-17.06**) order book and it has declined by about 18%, so most of the growth or may be if you are targeting

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flat growth in FY 2016, it should come ideally from the inflows that the order book in the current year, so give more color as to you know how is the enquiry pipeline. Do you think the inflow momentum in the balance nine months would be such that at least you can clock flat sales growth in FY 2016?

**M.S. Unnikrishnan:** Sandeep, if I have to take a parallel, I am expected to be a marathon run but possibly I have done a sprint in the first quarter, so let us take it that way. My answer is already there in that one. I fully agree with you book and bill what is the necessity, but one could have always calibrated your revenue recognition project execution by you supplying at a slower pace, but that is not about Thermax is all about. If a customer demands if there is a way to do that, so order is available got executed revenue recognized in the first quarter, which has ideally depleted me. If I have to compare the revenue versus order intake there is a delta approximately 100 odd Crores of rupees which is a further depletion happened to the order carry forward. So, we are totally dependent in the current year on the book and bill, but thankfully we are such a company where I got spare capacity available and if the market were to behave well in terms of sectors which I mentioned about the short cycle orders where I can revenue recognize and order to cash process may be three months, four months, five months, I should have time available up to may be September in any case and in some cases even up to December. For example, the coil type products of my company if I get an order today, I can deliver it to the customer exactly in 45 days' time. I can also have forward looking manufacturing plan made where I have stock available. Similarly, the chemical business order that has come in today will get delivered within three days' time also. Because of the portfolio diversity available to the organization, there is a possibility that we can still be looking forward to I do not know I do not want to say whether higher flat lower, decent enough in the current circumstances going forward. Is that okay Sandeep?

**Sandeep Tulsyan:** This is perfectly fine and I want to ask my second question. This is more if I were to compare the last five years of Thermax, what would have been this share of this book and bill, the orders that you receive and bill in the same year may be over the five years, what was the trend? Has that share been increased substantially or is it more or less at the same levels at which it was in FY2010 may be?

**M.S. Unnikrishnan:** FY 2010 would have been a peak may be Rs.1500 Crores, but in the last year, we have done Rs.1250 Crores worth of book and bill. So, this year doing that kind of number, that it will be done in any case. Let me take it from that that it will be done, but will I do a 1500 out of 1600, it is the kind of number which we will have to look forward to. So that purely depends upon the market. One positive I told you is that I am expecting I mean these are all speculative expectations that the domestic market should be better in the current year for the

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standard products of the company book and bill I am expecting. How are there also negative about the counter well. International markets with all what are positives and whatever you done currency is not favor in Indian companies. The European currency depletion by almost 27%, 30% in the last may be 12 month period and the Japanese currency depletion has brought in a new set of competition in the international market. Look at it may be I am talking about 10, 11, 12 kind of years that you sought right now. Those days for a South East Asian customer he had the lowest of the choice available for a Chinese supplier for equipment whatever is the capital equipment. Chinese would have been the lowest in price; of course everybody knew that their performance may be just about okay. Next was premium for an Indian company ranging between may be 5% to 10% depending upon whether we are Thermax or some other company. We would have gotten a 10% premium over Chinese in the South East Asian market and above that was the Japanese and Koreans which were may be 7% to 8% higher than Indian price then you had the Europeans who were at may be another 10% above the Japanese also. Now look at currently purchaser in the South East Asian market when he has got quotation from a European company closer to Indian price, what would you do for a Japanese of the Indian price, what would you do. So now, this is our area where nothing to do Thermax or companies like us, we have products and solution which are at par with anybody in the world, quality anybody in the world indeed. The country perception for the brand is very, very important. India cannot expect this all what we may be doing in anything shouting that we do. We cannot be perceived as equivalent to Japanese or a European in the minds of people in the international market, but thankfully we retain our customers in most of the cases and their experience with our company in terms of in capital goods is not an experience of products alone. How they experience as in solution creation pre-sales and in commercial terms flexibility and various ways of tweaking while you are executing the project to suite his requirement, in those areas we have been able to create a customer loyalty which is helping us, but what is the help meaning so the guy will tell look I am going to buy, I am getting something from Japan at your price. I do not want my management would not agree or my board would not agree, so come down, so the profit potential that you had reservoir available for profits are coming down for Indian companies not for Thermax alone, it is going to be common for many Indian companies. Another market where all of us had a great run was Middle East where with oil prices remaining at what it is today and not expected to be rising back with the Indo-Iran signature because oil availability, gas availability and the world is going to be improving substantially, so people will think two times before putting an investment in the Middle Eastern economy, so that captive market which is available to most of us may be drying up for at least next two to three years' time. Of course, invitations available from Iran to go and invest over there, so that is something which all of us will have to think. Thermax had been selling absorption chillers in Iran. In fact in the last two, three years with



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the oil purchase and inability of India to pay in dollars had propagated our sales also little better. Now we all of us are thinking can we do anything better over there. Investment in terms of going and setting of something may not be so easily done nor are we thinking about it, but increasing our footprint over there is something we should look forward to. There are multiple challenges, there are multiple opportunities let us say that way.

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

**Renu Baid:** Good morning Sir. Good to see traction in business and performance, but I just wanted to understand couple of more things first on the BTG side you did mention few projects, where you would like to participate. Firstly I wanted to understand in Karimnagar NTPC also it was ultra supercritical and separate boiler tender. So any specific reasons why we do not participate, was there prequalifications or any other technical reasons?

**M.S. Unnikrishnan:** We were not on the right time over there for the boiler loan quotation, because by the time we would have been ready for 800 megawatt, but the scope was different little more than the conventional boiler, which had in that fund a part of the coal handling. There was also entire ash handling to be done in that and full civil works for the boiler also was a part of it apart from some more addition. Within the timeframe that they have given, we would have been able to put in a decent enough bid, we could have put a bid and become H1 over there, with the limited number of manpower available and the resources, we were being choosy. Now, since you asked the question Renu, there are two NTPC new tenders, most of them may have similar kind of scope, so we have created a separate section and Thermax Limited which has got an EPC capability is also helping them, so future bids we will be participating that is only reason by which we did not participate.

**Renu Baid:** The separate section that you mentioned would been the standalone entity or the EPC entity which is the Thermax Instrumentation where we do a lot of these work?

**M.S. Unnikrishnan:** Both will be there, because at this juncture for proposal support will be from Thermax, but even to prepare from there side we had to be expanding that, but as execution going to happen, we may have to create part of that, that portion of the extra scope will be done by Thermax Limited only.

**Renu Baid:** Essentially, we would be expanding some of our executional works on the material handling side as well as coal handling, ash handling and light civil works?

- M.S. Unnikrishnan:** Absolutely, if I have to look at the quantum of work being done by us in the EPC and some of them. You could be asked because of this also. For example, civil work is talked about in. Meenakshi a civil work is equivalent to supercritical because we made all the things, for example the water treatment plant was for 1050 megawatts there. Let us see water intake system which is the most complicated thing one can do in may be civil work constructing a cofferdam in the seas what we have done for the project, that capability is already existing in Thermax, but the volumage will be increasing, but the time available is also more. A captive power plant needs to be done in 24 months, a 660 supercritical will be done in four years' time, so that the time available, you are able to do more quantum of work. We are capable of managing it.
- Renu Baid:** Okay, but technically there was no reason from a technical qualification perspective, we have very much within the qualified criteria than?
- M.S. Unnikrishnan:** Truly right. Let me re-clarify to anybody who may have suspicion in mind about that.
- Renu Baid:** Because ultra-supercritical parameters, so I thought I will just clarify once again.
- M.S. Unnikrishnan:** Let me clarify to you. The first supercritical boiler in the world was built by BNW, the largest existing running installation in the world is done by BNW in America 1300 megawatt nine numbers running in one sight, the highest temperature they have done is 603 degrees centigrade, another one is 608 is under consideration. Ultra supercritical is above 560 and 580, so we have installation of this, we are prequalified to do that.
- Renu Baid:** Secondly Sir on the order book side apart from sharing, the typical mix between the energy and environment segment, if you can also share what proportion of order book is on fixed variable price, so that we can try and make some judgment on likely benefit of material price impact as well?
- M.S. Unnikrishnan:** Thankfully there are hardly in the orders variable price anymore remaining on the balance sheet. We had government orders of steel companies SAIL and oil company, OMPL but those are all almost completed. We currently are executing an NMDC order which is a part of also Steel Ministry, which may have, but otherwise no major order the company has got price variation clause available. Municipal orders we would have had it but we are not in the municipal you are aware of that anymore. So, there are not too many orders which I can think of which may have a price variation clause.
- Renu Baid:** So essentially we must significantly gain because of the commodity input prices then?

- M.S. Unnikrishnan:** You guys calculate my balance sheet and we will start preparing it.
- Renu Baid:** If Amitabha can kindly share the mix of order book and intake standalone and group for energy environment?
- Amitabha M.:** Order book standalone Rs.4275 Crores, energy Rs.3493 Crores, environment segment Rs.782 Crores, group total order book Rs.5537 Crores, energy Rs.4741 and environment segment Rs.796.
- Renu Baid:** And order intake Sir?
- Amitabha M.:** Order intake for the quarter standalone Rs.877 Crores, Rs.653 in energy, Rs.224 in environment as a group Rs.1020 Crores of which Rs.837 is in energy segment and Rs.183 Crores is in environment segment.
- Renu Baid:** What proportion were exports in the order intake and order book?
- Amitabha M.:** In order intake, total export order was Rs.255 Crores and domestic order intake was Rs.622 Crores.
- Renu Baid:** Okay and order book?
- Amitabha M.:** In order book, the total out of Rs.4275 Crores Rs.2684 Crores is domestic, Rs.1591 Crores exports.
- Renu Baid:** Sir my last question, last time when we interacted you did not mention about likely change in emission norms probably now encompassing SOX and NOX as well. So what is your view with respect to the timeframe and likely implementation of these draft regulations and to what extent is Thermax prepared through its own and through its sub SPX on the side?
- M.S. Unnikrishnan:** Renu, the draft is ready with the government, the consultation is going on. The user industry is going to be widely reacting to this. If they were to be implementing it as-is-where-is condition, you are bringing America to India, so which would mean if one were to be having the NOX norms and SOX norms specified and if that were to be implemented the cost of setting up power plant will almost double, if not double at least 70% more, so in a country which is bereft of power as an Indian, I would say let us go step by step the way it is run in developed world, first have the suspended particle which is the current norm, let it be stringently executed perfectly. SOX is a must because it can create acid rain so especially with imported coal coming in a lot into the country SOX norms should be implemented

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immediately. NOX I think should be little in my opinion, because the NOX worry should be from the automobile industry rather than from the power industry, because it is in isolated places. It is emitted at a height of 280 meters, so dispersion to the ground level is not so much of a problem in my opinion right now because automobiles are ejecting much more, my recommendation also would be not to go for NOX immediately, though as a company I should be telling thank god it is coming, definitely to come one day, but I want power to happen in the country then the NOX to happen, progressively the way it has happened the rest of the world but coming to how prepared are we on this one suspended particle, we have the best of the installation even our own experience of having tested our equipment is that we given 10 mg/nm3 also the norm is only 30, so we can bring it. We have got all the capabilities within Thermax and with our joint venture of SPX to do that. On the SOX, we have recently signed a technology transfer agreement. I would possibly come about that a little later it is under MOU level. The moment we have the technology transfer signed with a fairly well known American company, which has supplied DSOX plant for 95000 megawatt worth of installations across the globe we will be signing up with them for technology transfer, give me time to declare it in the proper way with a press release, give me a quarter-time to do it. By the time, the norm is in place Thermax will have the technology in place and of course the execution capability is already there in the company. Then left is the NOX portion. NOX if somebody where to say, one of our joint venture partner is one of the better companies in North America to execute I am not naming them, because both of them may have capability. So one of them is a better company in North America, it is already doing NOX. As it comes of course we will bring in also. We will be there in the field. Is that okay?

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

**Venkatesh B:** Good afternoon Sir. The first question is can you actually tell us what kind of Capex you plan to do at the consolidated level for the next couple of years?

**M.S. Unnikrishnan:** We will tell you. The main three Capex of Thermax Limited already initiated. The first one being, a facility being created in Indonesia, which is expected to be costing us approximately \$25 million of which 19.5 will be done in the next 18 months to create the first manufacturing, there afterwards on the mediate expansion which is as the market picks up we do not want to put all the money in one shot as the market picks up to do that next \$500 million. Land is already procured and we are now working on the design of the plant is almost ready and execution will start, 18 months down the line with everything being alright we should be able to be up and going in Indonesian plant. This will be for

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manufacturing standard heating boilers may be also capable of making components are cogeneration plants for smaller capacity. This will progressively have capability for doing the assembly of skid mounted water treatment plant, air pollution control standard product component can also be done from there, so that is Indonesian manufacturing facility. This is the feeder unit for the entire ASEAN region which comprises Indonesia, Malaysia, Thailand, Philippines, Vietnam, Cambodia and Laos where the ASEAN rule will permit, their agreement will permit, free movement of good without payment of import duty, so that is the Indonesian plant. Second one, we are going to process is at Dahej. It is an export oriented unit for manufacturing ion exchange resins where in any case we have good market available internationally in North America and Europe, Japan and rest of the world and capacity sorry, I will not want to declare and make it known to my competition as to what capacity plant I am putting up, this is for ion exchange resin, it will be modern plant. We have already have the land and possession. We already have international consultant currently working on the entire plant design and we have already applied to the government for a consent to start the construction which I would expect normally for a chemical factory should take may be three to four month period. Thereafter it should be awarding the contact for construction and 18-months there afterwards we should be able to start the commercial production for that. So that is about the Dahej unit.

We are setting up two blending units in our chemical business that is the construction chemical business of the company. Currently our manufacturing and blending is done at the Jhagadia in Gujarat. We have taken land in Perundurai in Coimbatore for the blending unit first one; normally this kind of you know should take 12 month period, 12 to 14 months. Second one you have applied for land in state of Rajasthan place I will not declare at the moment we have the land in possession and these are for the construction chemical which we started a year back to grow the business we are going to be closer to the market. The Rajasthan one will contribute to northern part of India especially NCR, Delhi, Rajasthan, Punjab, southern one will be for Bangalore, Chennai and we may have to one day set of one also in the eastern region. The chemical one for the resin one is expected to be around Rs.150 Crores are current estimate of expenses and the smaller units in Perundurai and Rajasthan each will be costing **around 15 to 20 depending** upon the price or land and capacity that will be building in the beginning. Third unit which we are intending to be setting up is absorption chiller expansion in the eastern part of India because we have totally on the western side of India so we felt as a nationalistic company why are not we spreading onto other side, which will also possibly have sea route and marine security for our goods movement in the future because currently the ports that we use are in the western side of India and if there is any expected difficulty in the marine and navigation route in the future it should mitigate that risk by having one in the eastern sector. So that how much should it

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cost Another Rs.150 Crores equivalent of expenses could be meant for it. These are the current plans. Apart from this, we will our technology upgradation internally done in technology creation and also IT and digitization of the organization will be spending money. Any other thing currently is not envisaged, but we may have money available to spend for it as in when we made it. Is that okay Venkatesh?

**Venkatesh B:** But, is it like does this all work out to something like around Rs.150 Crores on an annual basis of Capex or more?

**M.S. Unnikrishnan:** In the next 24 months it will be little more. There will be a bulking happening in the way it happened in 2006, 2007, 2008, in the company and there will be bulking and all these will happen in 24 month period and there afterwards there will be leans if you take average of 5 years, the number will be even lower.

**Venkatesh B:** Okay and the second question is now correct me if I am wrong, but the Barethi tender which you said it was predatory pricing was roughly at around Rs.8200 Crores, correct Sir.

**M.S. Unnikrishnan:** Yes.

**Venkatesh B:** Now, works out to around Rs.3.1 Crores per megawatt. Now this pricing is actually much higher than what it was one year back and incidentally it is the same pricing at which if you add the boiler portion and the turbine portion of the Karimnagar tender recently, it is actually similar and if you actually break it up into boiler and turbine parts it is actually higher, so why are you saying that the pricing is predatory?

**M.S. Unnikrishnan:** Venkatesh, this is where the problems happen, you guys only read the number. You do not go through the tender specification. This is not a BTG, it is also having entire civil works of the boiler turbine including the turbine building which is a huge item. Coal handling from the transfer tower feeding into each of the boilers with tipper on top and the coal bunkers, entire ash handling system for 4000 megawatt of power plant, which is arguably the largest may be if you talk to Tata, you cannot take a comparison, because Tata Mundra plant is with imported coal it has got may be 7% to 8% ash whereas Barethi will have to burn Indian coal having 40% ash, so the ash handling plant will be almost equivalent to five times of size of Mundra plant that cost is included in that one and whereas I can add one put together. When you say BTG is just boiler and turbine, so this is majority of the balance of plant for power plant is embedded into the cost which is about 3.21, I will restrict my comment, I respect to all my competition. So, let me remain over there to say that in my

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opinion it could have been a better price. I withdraw my words, so do not note what I spoke as predatory, it is a normal price.

**Venkatesh B:** Sir if I could just slip in one more through, this is about the receivables, now if you actually see last year our standalone and consolidated receivable have been quite high compared to what it has been historically. Now are you seeing any improvement as we have ended the first quarter in terms of collection, efficiency and the receivable days coming down or has it deteriorated further, if you could provide some kind of light on that?

**M.S. Unnikrishnan:** In comparison to that, DSO has come down by few days. Amitabha, I would rather have him give the accurate numbers. I may have the approximate numbers.

**Amitabha M.:** We have seen in terms of DSO there has been an improvement, it has come down by about 14 days, which is (unclear-41.50) percent reduction in terms of DSO compared to same time last year. If we want to see in terms of cash flow, we continue to face difficulties in the cash flow situation and the market has not improved to that extent. So difficulties are there, but internally our process is we have made it much more vigorous. We are quite focused on this area that has helped us to bring it down margin rate.

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

**Aditya Bhartia:** Hi good morning Sir. Just wanted to understand how is the enquiry levels for large orders I mean the typical three-digit orders that we tend to announce lately?

**M.S. Unnikrishnan:** This is all what the sad part of our con call and Indian capital goods industry. The larger enquiries from the projects have to come from the sectors, which I mentioned earlier are starting with steel. Steel expansions, there are no enquiries right now though we had one from JSW, which initially announced 5 million TPA expansion program. I understand there is no movement in that enquiry any further though we have had a lot of discussion, movement is lower. In the cement industry, there is an absolute no movement at all in terms of fresh capacity building though in between I would say nine months back we had enquiries from some of the family on groups of India for expansion, but all of them are currently at a standstill. Waste heat, waste power generation was being considered by some of them that also not moving. So enquiries are there, not moving in that account, so domestic enquiries in these two sectors are not much. Fertilizer, there is a possibility, there are five proposal for expansion of fertilizer companies lying with the cabinet of the country, on and off people continue telling that I mean it is going to be approved, three of them are

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going to be approved. The moment there happens because that is an area where I believe the government may relent and give it because it is a no brainer in a country where our importing fertilizer, urea is imported and you want to save foreign currency, so why cannot you expand our fertilizer companies, in any case naphtha is imported, petroleum raw material is imported for it, so why not. So I have hope that possibly that may go through, couple of them may go through, do not ask me will it go through in the current year or beginning of next year, but should go through in the fertilizer area. Oil and gas though I am hopeful that possibly refinery expansion may be on the annual. There does not seem to be hurry with the government to be expanding. Let me repeat it another time though many time people say there is surplus capacity. We are always counting Reliance refinery and Essar refinery, both of which are predominantly jobbing equivalent where we import the crude, export the producers. It may not be available to the country going forward. So these are the reality. Now that you will ask the question as to how are we going to survive in the larger projects. We have fairly decent pipeline of enquiries from the international market, boilers, heaters, and EPC, but there again international market as we spoke about these are not from the developing world, all of us will be striving for getting some money unlike Indian companies having huge quantum of money available in the balance sheets in the sector, which I mentioned also barring some companies, even companies in India have a lot of money available, they can invest. Internationally they have to get the finances tied up, so the movement will be slower than India also. I am hoping we should be able to conclude some orders in the international market for all of this. That is about it. Is that Aditya?

**Aditya Bhartia:** Can you give some idea based on the Reliance order, any idea on by when the project will be completely executed?

**M.S. Unnikrishnan:** As far as supplies are concerned, we would have almost reached to 65%, 70%, balance is supplies 20% and odd percent remaining and construction is going on that will be booked in TECC, our construction arm. We will be ready for commissioning of the first set of plan by March of the current year depending upon their readiness, we are only supplying the boiler and so the equipment are going to come from multiple as a companies. I would believe that barring anything untoward, anything should happen, we should be able to clear our commercialities and finance side billing and everything by first quarter next year it should be over then we will be there in the side because we will have to ensure that the plant is commissioned totally when they are ready and the performance side. We normally hand hold the customer for a six month period thereafter with all that we continue them, but financially which will be important for the balance sheet, the event should be over predominantly by March of the current year and very little remaining in the next year.



- Aditya Bhartia:** Lastly Sir, last year we had some issues with the water business, how is that progressed now and how the other businesses of the environment segment performing?
- M.S. Unnikrishnan:** Water business, product business of water is still positive, project continues to be better. Our losses in water in the current quarter is much lower than the last year same quarter and it is an indicator that now we need to pick orders, we had virtually shunned orders at some point of time unless we put our house in order, we are now prosecuting for order, but we may not be bidding too much for the public sector or maybe that kind of orders, so private sectors international projects as the revival takes, we are getting orders, a lot of them in the small sectors, we are getting orders, but for us to becoming positive towards the end that is what my expectation here and we should be positive in the current year. I think we may hit or we may miss it by a marginal number only, but it has improved. Then second is about the air pollution control business. Well, they reported a better performance in the previous year in the current quarter and in the year also we will have a growth on both top line and the bottom line, so these are the two businesses in the environment sector and third is of course chemical business of the company, last year versus current year, the first quarter business is almost in the same way, but going forward in the year end we should be able to be expecting a better performance. We have bereft of capacity for resins so that will not grow because unless otherwise they have capacity added, which will take an 18-month period, but other performance chemical should grow in the current year and may be year after, 18 months down the line when I have the new capacity on, the other one also will start growing. So it will grow in the current year by almost 10% is my expectation that chemical should grow in the current year by that.
- Moderator:** Thank you. The next question is from the line of Devang Patel from IL&FS. Please go ahead.
- Devang Patel:** Sir, I just wanted to carry forward the question on the water business, we are making losses and you are still not back in the market for municipal orders, how big is that market opportunity and what was the municipal business contribution on average for us in the past?
- M.S. Unnikrishnan:** Devang, we have decided to be out of municipal business and is a firm decision, it is not something which is a negotiable decision because that is something which is to do with the value system or the organization that we decided to be opting out of that, but currently in the entire water business, the largest chunk of the business opportunity lies is the municipal and the government sector and we will not be present in that, it is unfortunate, but we would rather be unfortunate than regretting something later, so that is point number one. What is the contribution of the municipal sector, even when we participate in the municipal sector;

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we were not a significant player. Our value proposition is technology in that one, so we have got patent and technology for bioreactor which can do the sewage treatment at one-third of the land that is needed by the conventional technologies, but today we will continue to be a technology provider for those who want to participate in that using our technology and may be the main components purchase from us, which may not be the best thing to happen and going to be an exclusive municipal sewage treatment market with Ganga cleanup plan going to be evolving in the next two to three years, but we would not be participating in that directly that is the real answer. Let me tell you what does that mean for water business of a company, we have technologies available for treating difficult to treat effluent and as the pollution norms are getting stricter and implementation is going to become stronger, we will have a play in the industrial sector of the country, water is going to becoming, it is a difficult commodity to get, so many industries will be forced to go for recycling the effluent for the purpose of utility as a water and there we have technologies available we are creating further, so progressively we will become a technology player to the core industry of the country in water recycle, which is going to offset what we would have lost out in the municipal segment. Second is actual ratio of the standard plans, which we are currently doing in India, we would reach a size of may be 200 plus Crore next year, which will entail us to be exporting and may be internationally present in the fraternal markets to India and with that, we should have our requirements of growing the business progressively from a three-digit level to a four-digit level may be in a five to six year period that is the target that we are taking for the water business. I know it may not satisfy the market, but we would rather be satisfying ourselves in this particular business.

**Devang Patel:**

Sir, similarly can you explain our strategy in the solar business, lot of players entering the EPC and we have also been there for sometime now, what is the niche that we have identified, there are something that we did for an automobile factory, how can we grow the business exponentially?

**M.S. Unnikrishnan:**

There are two segments in solar business of Thermax that is thermal, which is Thermax very dear to us and second is PV, which is something, which we have started doing it. On the thermal side, on the heating hybridization, we continue to be selling, but not very significant and the oil prices having come down to almost half in the last two years time, the viability of hybridized thing with solar thermal for heating application is also higher so payback period from may be 4 to 5 years is going to 9 to 10 years, so which is not an attraction. So only when the oil price runs up back, the hybridization possibility would be appearing in the market and in the thermal based power, it is not going to be happening for sometime because in any case the PV prices are very, very competitive. So we are a player, but there are companies who will want to have green footprint improvement done and

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carbon footprint reduction done, so those are the guys who may buy from us right now whereas no commercial reason for anybody to go for anything in solar thermal anywhere in the world unless government to support. We will continue with that technology as and when it happens, we will be picking it back then comes to the PV. We were specializing in roof-top PV, we got more than 47 installations completed and furthermore orders available totalling to almost 6 megawatt completed and we have also rated by the Ministry of New and Renewable Energy MNRE as a most reliable and the best plans made in the country for PV because we do specialize in highly engineered roof-top PV where people care of an aesthetic and no damage to building all that we have already specialized that is where we spoke about another automobile we spoke about, for thermal, thermal also we have done for automobile, just I can give you the name what is wrong in that one, Daimler Chrysler for their Benz buses getting manufactured in the southern part of India. They will have an auto park, which is going to be parking the buses over there. The entire thing are designed by Thermax and almost a megawatt of that is done by Thermax and well I am sure similarly another say company in southern part of India, float glass manufacturer they are all in recent technology, so since we could offer a better engineer plan, we got a megawatt done for them, another megawatt is just giving me the order, but we are predominantly in central part of India and southern part of India, we need to move nationally. It is yet to be reaching a good profitability level for us to be enticed to move further because as you mentioned too much of competition coming where competition expectation top line, not bottom line, no solar company in PV doing EPC will be able to match up with double-digit profitability is my understanding where the price are currently downing, there is not knowledge gain to be done in that front I mean buying the entire panel from some companies, you do in EPC only, unlike in power plan when we do captive power sale a lot more of engineering plan, engineering needed for it. So here we are adding on our knowledge, some work is done. The main question is all of will be wanting to know as to with the government declaring 100,000 megawatt of solar to be introduced in the country with NTPC taking up 250 megawatt immediately, many, many state governments putting up 500 megawatt of plan, do we have a claim in that front. Even in the L1 game the winner is going to be a balance sheet loser, it is my understanding, I could be wrong and that is one I want to be proved wrong, so we may not get into that kind of a game of wanting to be L1 to have a huge top line coming in. We get an order for a 100 megawatt in that you are talking about a turnover of Rs.650 to Rs.700 Crores turnover coming in. This entire turnover that I have done from EPC business last year, so top line will be there, but what bottom line can you make in it is a question, so we are going to be selective. I cannot give a firm answer because the size of the market is going to be humongous. You can create another, Thermax were doing EPC alone in the power solar going forward, but there are extended guarantees of 10 years, 25 years, where you would depend upon the supplier of the panel who may not be from India, may be from

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some countries where, I do not know where the company exists also and these equipment are yet to be proven. So normally I give a very firm answer, normally I do not have any dichotomy of giving an answer. This is an area where, we are yet to get that slot for us where we can make decent enough profit and also create a top line. It is not competency, it is not in terms of our technological capability, it is a little beyond that. So let me stop it all this and then, wait for things to evolve. I am not denying that this is a good opportunity. I need to find a place for me in that where it will satisfy all the requirements for the balance sheet of Thermax, so let us wait for it to happen. Is that okay Devang?

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

**Bhavin Vithlani:** Hi Amitabha, congratulations for great set of numbers. You are just looking at the annual report, your MD&A that you painted a quite bearish picture where you have surprised the market on the positive side, I am just wondering whether the revenue growth is more front loaded this time as against the earlier period?

**Amitabha M.:** Almost like that Bhavin, I do not want to make that as a conclusive statement. What has been written in the MD&A we stand by that because it is bearish, for us to be returning bullish, there is no indicators either in the Indian market or in the global markets for a capital goods company to be bullish, no that is not existing, so each on a statement made over there are valid and now the results of the quarter, I always mention that to be bad quarters, but it does not mean that we are going to have a bad balance sheet. That could be a good quarter, it does not mean that you got a great balance sheet, we will have a good balance sheet irrespective of what a quarter is, so coming back to that you ask a question as are we front loaded, I think to somebody I give an answer that a person who was expected, all of you are expecting to do a marathon run, when he does a sprint in may be one of them everybody will see that he is going to break the record that kind of a inference should not be taken from what you done in the quarter, it is a good performance and now we are into the second quarter, we are looking forward to how can we perform in the current quarter.

**Bhavin Vithlani:** The second question is if you can help to understand the boiler, heater and chillers in terms of revenue break up a little bit further and you have Rs.2860 Crores of revenue, so how much is the standard boilers, how much is the chillers and how much is the project related boilers and how has been the growth in the standard boilers and the chillers?

**M.S. Unnikrishnan:** Normally to that granular level we do not go to, but let me give you some overall numbers, which are for general understanding. We are a two-third projects business company and a

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one-third product business company, so the standard products of the type of the coolers, chillers, the cooling products, the standard package boilers and standard water treatment plant, all these will fall in that one-third category. Now even in the standard boilers we do a work around and that is when we treat it as a project that is why we do not have, it is not that we do not want to give, we will give a wrong number. See for example, a standard boiler we got a new product introduced known as Combloc year-and-a-half back we sold 350 of them that is why we have been able to at least report decent enough numbers in the recent past. Now, in that there may be a set of customers who will not only buy the boiler from me, they will want me to do the fuel handling plant, the ash handling plant, also the chimney along with that, civil of course I may not doing that, so that will get treated as the project in the business and the balance sheet unfortunately Amitabha started separating that and making the product component of the project in that one, that is where the accuracy of the number may not be working out, so take it up as around one-third as the products of the company. Now answering your question as to how is the order intake and then, the first quarter our order intake for the standard products had been 10% better than the previous year, so 10% to 15%, some of them are even 15% in the current year that is the reality first quarter.

**Bhavin Vithlani:** My question was more on the last year, the year gone by FY'15, how has been the growth in standard products and the chillers business?

**M.S. Unnikrishnan:** Around 10% of the growth.

**Bhavin Vithlani:** If you can also help like the O&M as a segment, which is actually growing consistently for us, what is the potential and how large it can become over the next four to five years?

**M.S. Unnikrishnan:** Two things in that one. Potential growth will depend upon the EPC happening because we are predominantly a captive and cogeneration plant the O&M Company right now. We are not broken into the IPP segment maybe the larger power segment. In majority of such cases the developers or the owners themselves are running, they will want to keep it with them, so it is predominantly in this area. Captive power plant ordering as I mentioned about is virtually at a standstill, hardly anything happening in their segment right now. As lots of newer plants get created in the country will have opportunity for more and more O&M. Now then there is another segment set of people who had been running historically, they are on captive power plant can we displace them with us highly unlikely because then employment lost will happen on white collar and blue collar, so no body wants to take on that and those are the criteria by which we can. Second possibilities can be move out of India, yes we have taken three orders outside India, one in Southeast Asian Market going on

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quite okay, we have been doing it for the past four years right now and we have taken the African continent two orders, the revenues are started trickling in the current year and continue to be in the next year also and the let me give you also one more thing which we need to be very careful about because I am normally transparent in giving answers for it, operation maintenance when you do for a company who has got a weaker balance sheet than us we will also be amounting to me paying salary for the employees, so exploitation of a balance sheet is a practicality in case we do not become careful about that, so in such cases Amitabha and team are working very closely to ensure that cash flow is matching up with the work that we do and we are also giving up some of the O & Ms where we feel cash flow are not proper, so there will be a reduction in turn over for the domestic, but overall I will do far superior including the international at this juncture for O&M. So O&M potential if you want to know about, if you are doing almost 1000 odd megawatt of O&M in India and abroad put together, I would imagine if I had to take a five year bunch I should be able to more than double this certainly yes, should be able to more than double this.

**Bhavin Vithlani:**

The last question if you can give some color on the recent acquisition, the strategy and what is the size of the company and how are we looking forward for that?

**M.S. Unnikrishnan:**

I will have to go give a full story, but I will do that very quickly, British Petroleum Company decided to get into renewable outside oil for the kitchens of the world and they selected India as a market to start it, like the way they done for solar, BP solar, first come with PV, they exited it and handed over the company to Tata same way they started with biomass, so they created in India a stove, which were meant for the homes for four-person home, the stove was being sold at Rs.750 and they will create a community pallet making facility where the equipment will be given by them free and this house hold will get the pallet at Rs.150 rupees for the house hold for a monthly basis and for a larger house Rs.1500 worth of a stove and the monthly billing of Rs.250 or Rs.300 bucks for it, they sold near to Rs.3000 stoves of this kind in the rural part of India and it was a business, which they invested a lot of money and created a product and a mass for it, somewhere BP lost interest in renewable for whatever are the reason, so the solar they gave it to Tata and this company the First Energy, which is an incubation company they created with all this, they have handed it over to the CEO and a set of people on an MBO basis and these guys realized that they would not be able to have the muscle power to be taking it to may be a couple of million homes in India and make it as an alternative for LPG and take it out of India to the rest of the world where gas is a limitation. They converted this in the commercial product a larger version of the stove got created and they acquired 3000 customers in the commercial segment in hotels, hospitals, even kitchens of engineering college hotels equivalent of that, the best names to, name some of them are Sodexo in India,

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in majority of the kitchens where they started making a million meals in the afternoon using this kind of a technology, a stove provided by them. The way they do the business is stove was given on a marginal lease basis, they do not charge any, first of all they do not purchase, it was put by them based on the requirement of cooking and given their lease rentals are not too heavy, but the supply chain is created for the pallet generation, so they have got an imported pallet making plant, they were replicated one more in India and they will need to be creating a lot more, so their revenue stream is from the supply of the fuel, which is a replacement, like the way the LPG cylinder their vehicle will come and supply to you based on your requirement, when the cylinder gets over equivalent, when your gunny bags get over they replace it with, it looks very similar to what your this, what is that for pet you got Pedigree equivalent, that is a kind of a bag you will see in may be that is the way they do supply and supply chain available for it. They have reached up to a revenue level of Rs.42 odd Crores and almost EBITDA positive let me say at this point of time. What is the purpose of Thermax buying it, Thermax Onsite Energy Solutions Ltd. is a company which sells steam instead of selling a boiler. For stabilizing Thermax's balance sheet in the future we would like to have a revenue stream coming from operation maintenance and replacement in kind and also this kind of operational revenue rather than capex revenue we already have that intention and we want to get into that, but we would have been restricted to B-to-B, but this is giving an opening to Thermax of B to commercial, which we would want to one day reach up to B-to-C and the reason for that is a lot of technologies which are owned by Thermax and energy environment sector will also have a application for business to commercial and business to consumer and we do not have a vehicle because we are B to B companies so much into B to B that we do not understand B to C because if you remember we had a B to C company supplying water in 1990s one of the finest bottle water selling company was owned by Thermax and the JV with Culligan, Corporation of America, many of you may not have started working in that time, may not be aware of that we closed it down, but our technologist do find there is a niche market, so this will be something which eventually will be utilized for, for example the gasification they do we have technology for gasification far superior on that. Currently they are doing gasification of only pallet from wood chips, but tomorrow you can do from any biomass because we have biomass knowledge available, so what is the potential for this kind of a company, a 3000 customers can be built in to 30,000 also, can even be more, in India I am telling 30,000, the number of engineering college hostels in the country is exceeding 5% for you to be knowing about, the number of companies having kitchens in this country is exceeding 100,000 Lakh, so they are all potential customer, hospital, hotels, restaurants and India is not the only market, we have muscle power, we have got market business outside India also, so we bought one-third of the equity of the company for some which, I am sorry I should not be declaring because I will be doing a disservice to the current people who are

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running it, who will be continuing to run that, we will be buying the balance 18% in the next 24-month period on a valuation which will be based on the performance of the company, another 25% will be buying two years there afterwards making 76% equity holders of the company, beyond that if they would like to keep that we will allow them or else we can have a agreed price of purchase four years down the line, the management of the company will continue and we got an excellent CEO and Managing Director who is an IIT-IIM and had been with Castrol, BP for these years and had literally pulled this company out of red and brought it up to the level that is about Oorja and the company will run as an independent organization and the brand name of Oorja will continue for it, is that okay Bhavin?

**Moderator:** Thank you. Ladies and gentlemen due to time constrain that was the last question, I would now like to hand the floor over to Mr. Amit Shah for closing comments.

**Amit Shah:** Thank you. We thank the management of Thermax for providing us this opportunity and the participants for joining in the conference call, sir would you want to make any closing comments?

**M.S. Unnikrishnan:** Certainly Amit, certainly for my friends on this group, I have to always thank them they stood by me, thanks a lot for continuing to be asking us this kind of sharper questions, while we are answering you we are also calibrating our thinking, this was helping us to act there afterwards, but I would want to be cautionary because the first quarter when you perform well and satisfy you then the demand on us will go up, but the demand on us can be satiated only by the market behaving well, which is not within the control of the company and you need to remember that this good performance of the current quarter is also at the back of the carry forward order not part of the Indian industry or the international market. There are tougher challenges going ahead, we will work towards ensuring that we are able to make a decent balance sheet that is all what I can promise you in the current year. Thank you.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Motilal Oswal Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.