

# **THERMAX LIMITED**

## **CHAIRPERSON**

A very good afternoon ladies & gentlemen..... I extend a warm welcome to all of you at the 39<sup>th</sup> Annual General Meeting of your Company.

I thank all our shareholders and members for joining this meeting. Hope all of you are safe and in good health.

It's unfortunate that we cannot meet face to face due to the covid-19 pandemic, but we are holding the AGM through Videoconferencing for the first time. This is in compliance with the directions of the Ministry of Corporate Affairs. The company has taken requisite steps to enable members to participate and vote on the items in this AGM.

Before we begin, I would like to mention a few points regarding participation in the AGM through video conferencing.

- The facility of joining the AGM through VC or other audio-visual means has been made available for members on a first cum first serve basis. I do hope we are able to hear each of you clearly.
- All members who have joined this meeting shall be muted by default to avoid any disturbances.
- Once the Q&A session starts, the person from KFintech will announce names of the shareholders who have registered as speaker shareholders one by one. The speaker shareholder will thereafter be unmuted by the host to enable him or her to speak.
- To start speaking, shareholders are requested to click on the 'Video On' button. If the shareholder is not able to join through video for any reason, the shareholder can participate through audio mode. While speaking, we request the speakers to use earphones so that they are clearly audible. In case there is a connectivity problem, we would ask the next speaker to join. Once the connectivity improves, the speaker shareholder will be called again to speak.
- We would like to request shareholders to kindly limit their questions /comments to 2 minutes. During the AGM, if a shareholder faces any technical issues, the helpline number mentioned in the Notice may be contacted.
- We will listen to all the questions before we answer as many as we can. Thank you.
- The requisite quorum for the meeting as required under Section 103 of the Companies Act, 2013, is present. Therefore, I call the meeting to order and we can commence the proceedings of the meeting.

I take pleasure in introducing our Board Members and other officials.

We have Mr. Nawshir Mirza – Chairman of Audit Committee

Mr. Harsh Mariwala – Chairman of Nomination and Remuneration Committee

Mr. Pheroze Pudumjee – Chairman of Stakeholder Relationship Committee

Dr. Valentin Von Massow

Dr. Jairam Varadaraj

Ms. Rajani Kesari

Mr. Ravi Pandit

Mr. M. S. Unnikrishnan – Managing Director and Chief Executive Officer

Mr. Ashish Bhandari – Joint Managing Director

Mr. Rajendran Arunachalam – Chief Financial Officer

Mr. Kedar Phadke – Company Secretary and Compliance Officer and

Myslf Meher Pudumjee – Chairperson

- A request from corporate shareholders, for their representatives, has been received and considered.
- Since, there is no physical attendance of members, the requirement of appointing proxies is not applicable.
- The requisite statutory registers, Auditors' Report and Secretarial Audit Report are available for inspection. These will remain available to the members for inspection electronically, if they so desire.
- Since, the notice has been circulated to all members, I take the notice of the AGM as read.
- The Chairmen of the Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, Representative(s) of the Statutory Auditors, Cost Auditors and Secretarial Auditors are also present at the meeting.

I will now make a presentation.

We are very happy to present our first "Integrated Report" for FY19-20 of the Company. Thermax has always been committed to all its stakeholders and hence, I would like to present a few aspects with regard to each of the stakeholders. We have intensified our focus to deliver our brand promise of 'Conserving Resources, preserving the future'.

### Employees

I would like to thank Mr. M. S. Unnikrishnan and Mr. Ashish Bhandari, Executive Council Members and every employee of Thermax for the efforts taken during the challenging situation of the Covid-19 pandemic and lockdown.

Health and Safety of employees was and continues to be of paramount importance for the employees under which a Covid-19 helpline and two mental health helplines were launched for employees and their families. The Company also launched various wellness programs for the well-being of the employees like Yoga, Zumba etc. The Company launched a safety and sanitation app called ThermSafe. Food and emergency aid was provided to migrant labourers who were stuck at site locations.

The Company launched an in house Learning Management System in June 2019 and a leadership development management program for senior managers was also launched.

## Community

Thermax Foundation supported Migrant Labourers by providing masks, food at site locations. Thermax also supported front line workers including the police force and hospitals in Pune with masks and equipment that they needed respectively. The company also participated with various industrial groups in the city, to help set up isolation / quarantine wards. The company also donated to the Central and State Government's relief funds.

The Company continued its support to Akanksha Foundation which provides education to economically underprivileged children. The NGO had undertaken online education during the pandemic however, half the students did not have access to devices. The Company proposes to hold a donation drive for providing devices to the students. It also continued to fund all its projects that were signed up prior to the Pandemic.

## Vendor Partners

The Company conducted a business partner meet for 180 vendors and shared the Company's growth plans and how they could partner in the same. The vendors were informed and trained on the concepts of sustainability.

Corporate Finance tied up with banks to make bill discounting available to help vendors manage their working capital.

## Customers and the Environment

Thermax successfully relocated and recommissioned two large heat recovery steam generators for India's Oil and Gas major located in Jamnagar giving the customer additional power and steam with significant cost benefits and assured extended life. This required meticulous project planning and technical expertise.

The EPC Division commissioned a 15 MW biomass fired power plant for an independent power producer in Philippines.

TOESL, a subsidiary of Thermax supplied green steam to a Pharma major by using waste biomass under the Build Own Operate Model. This helped the customer reduce their operational costs and reduce their carbon footprint.

The Enviro business commissioned its largest overseas Electrostatic Precipitator (ESP) for a leading power producer in the Philippines.

The chemical industry witnessed a positive momentum during the FY maintaining a CAGR of 17% in the last three years even when India's economy faced difficulties. Thermax resins were preferred in major applications like removal of colour and impurities from raw sugar, producing ultrapure water, purification of liquid glucose and catalysts in complex petrochemical processes.

## Shareholders

I would now like to highlight some positive external factors such as global push on clean energy, strict compliance to emission norms and energy efficiency measures presenting retrofit opportunities. There are positive internal factors such as all-time high order booking in the Environment segment due to two large FGD orders during the year, revenue growth in chemical business domestically and internationally. The Company has provided work from home facility to its employees and taken effective cost cutting measures.

The Company also faced some negative external factors starting in 2019, which included global uncertainties like the USA-China trade war and Brexit which worsened during Covid-19 times affecting production, demand, supply, unavailability of manpower and large job losses. Rising border tension between India and China, continued NPAs in the Indian banking sector and NBFC crisis will impact FY 2020-21 and possibly longer.

Internally, the Danstoker group was facing challenges due to cost overruns in FY 2019-20 however, efforts were being taken to turnaround the condition this year. The international order booking has not been upto the mark during the year due to investment slow down globally but this is also in our control as our share in global markets is miniscule. The PAT and EPS have also taken a hit and of course the internal impact thanks to covid 19 where we are unable to manufacture and invoice for the last 10 days of March and the first two months in Q 1 which has had a significant impact on our results.

So these are the Thermax consolidated financials for the group. Order booking and order backlog are slightly down vis a vis last year however we have a reasonably strong order backlog provided we are able to invoice. The total income at a consolidated level was down by 4.7% purely due to the closure of factories due to the pandemic which had an impact on our results. Our PAT has taken a substantial hit of 34% as compared to last year the first year is the turnover reduction and the second is lower treasury income due to lowering of interest rates and the third is additional depreciation on account of new facilities for our cooling, chemical at dahej and Shirwal at TBWES and the fourth is a one-time expense for our digitization journey.

Thermax also declared an interim dividend of Rs. 7 per share which is also the final dividend.

So some of the areas of short term focus, this is immediate focus, with tough times ahead for the next year or two, we will continue to focus on the health and safety of our employees, number two, we would be securing cash flows and tightening costs. Three, a focus on sectors that have good cash flows and fourth will be an investment in digitization to intensify the smart Thermax movement. Next. The areas of long term focus, there are a few more but these are the three we would like to focus on right now is investing in smart products and services, providing remote monitoring services, remote commissioning and start up for our products and renewed focus on internationalization especially in terms of driving our products and services such that we gain market share in certain select countries and the third is growing a green portfolio or a greener portfolio. We have moved from 40% green 10 years ago to 70% which is a large jump in 10 years but customers, luckily for us, customers are looking at decarbonization, are looking to recover waste heat and are looking to enhance their energy efficiency and they have Thermax to partner with and therefore we can continue our commitment of conserving resources and preserving the future. Thank you. So I'd now like to project our first quarter results. With the pandemic, most of our factories other than chemical were closed for two out of the three months in Q1.

- a) The consolidated order booking was Rs. 608 Crore for the quarter ended June 2020 and was Rs. 1216 Crore in the corresponding quarter of last year.
- b) Consolidated order backlog reduced from Rs. 5250 Crore to Rs. 5212 Crore in the quarter ended June 2020
- c) The total turnover reduced from Rs. 1392 Crore to Rs. 665 Crore in the quarter ended June 2020

Profit After Tax (PAT) reduced from Rs. 63 Crore to loss of Rs. 15 Crore in first quarter this year.

But the good news is that we see that August is better than July.

Now I would like to move to a happy yet sad juncture of Thermax's story. Happy because we have had the good fortune of having Mr. M.S. Unnikrishnan lead Thermax as the MD and CEO of Thermax for the past 13 years. His contribution in steering the company successfully through his tenure as MD and CEO while upholding its culture and values is commendable. Sad, because its time to say goodbye. On behalf of Thermax and the Board, our family and all our shareholders, we thank you for your leadership, your passion, your commitment, your drive, your love for Thermax. I wish him and his family the best of health and an abundance of happiness. We now have a small presentation

Mr. Unnikrishnan replied Thank you Meher. I am humbled by the presentation and the words by each of you. I don't have words to thank the Board. I am grateful to the Board, EC Members, management team and all the shareholders who stood by us for giving me the opportunity to create what Thermax is and become what we are today. The great promoter family that believes that companies should have values and the very supportive board that challenged me and supported me. I am moving out at a time when I am confident that Thermax will go places and acquire true global edifice. I am happy to be handing over the baton to a person more capable than me.

Now coming to the procedural compliance of the Meeting.....

Since, there are no audit qualifications offered by the Statutory or Secretarial auditors, I will take both reports as read.

The Company has provided e-voting facilities to all shareholders, to cast their votes electronically in respect of all businesses mentioned in the notice, therefore there is no need to propose and second the resolutions as per the Notice of the meeting, as the same are already put for e-voting.

The Board has appointed Mr. S. V. Deulkar, Partner of M/s. SVD & Associates, Company Secretaries, Pune as the Scrutinizer for conducting the e-voting process in a fair and transparent manner, who will submit his report.

Members who have not voted earlier through remote e-voting, can cast their vote during the course of the meeting through e-voting. There is a small "vote" box on the bottom left of your screen – you can vote anytime during the AGM, while listening to the proceedings or during the "Insta Poll" session, in respect of all the resolutions contained in the Notice.

The results of the e-voting will be declared on receipt of the scrutinizer's report within 2 days of the AGM.

It shall be placed on the Company's website and will also be disclosed to the stock exchanges. I invite the members to offer comments and seek clarifications on the resolutions contained in the AGM Notice Sr. 1 to 8. In the interest of time and because we have provided e-voting facility, I will not read them out.

### **Question & Answer:**

#### **Speaker 1:**

##### **Ashok Mallya:**

I am Ashok Mallya from Udupi, Karnataka, my DP ID is IN 303028---. My question is what are the steps taken to achieve net zero carbon footprint considering the environment being one of the significant concerns raised globally by the company Thank you.

#### **Speaker 2:**

##### **Anupam Sharma:**

Hi, Good afternoon ma'am and members of the board. My Question is, as a Thermax stakeholder, I would like to know how does Thermax see its extended arms which are the channel partners in recent times? How does Thermax extend the growth of the channel partners and along with that, if there are some issues that they are facing with the channel partners, what is the procedure or process to resolve the issues?

#### **Chairperson:**

Okay. Yeah. Anupam this is not really regarding the items one to eight. But so, this is not something that we would want to resolve at the AGM. It could be probably done offline with the management if I may request you to do so.

#### **Anupam:**

Sure madam, that can be done.

#### **Chairperson:**

Thank you. Thank you very much.

#### **Speaker 3:**

##### **Beruz Pouredehi:**

I am Mrs. Pouredehi, Madam, we are very happy to have attended your AGM just now. Completely heard the entire presentation. In fact, our questions have been answered. So we are very proud of our company. And Madam your mom is the second biggest philanthropist. Madam we are so proud. She has not made a name only for herself but made a name for all the Parsis, madam so we are so proud of her philanthropy is a Parsi that name is charity. So indeed we have just a few questions. Madam, has anyone contacted COVID from our company? So do you know why I'm asking yesterday at Titan AGM? Mr. Noel Tata mentioned that 75 employees have contracted COVID and there are three casualties. So we just wanted to know, so that you should let everybody know of the company, how the staff is facing in managing our company. So we would like to know that . So of course, we are very proud of your CSR activities. I'm not going to mention. We heard every word especially in the migrant. labourers. So now, what has been a loss due to pandemic. Madam ours is not essential services. But then if you don't supply a machine to other companies,

how can they function? We want to know on this point what you have to say if we just want to know what you have to say in that. We thank your company secretary who has made all the efforts in taking our questions before the management inputting us, allowing us to come to your forum. Also Karvy, they have made us come to our speakers platform. Once again, we are very proud of our company. We are very proud of our promoters of Thermax in passing, we are extremely proud and now I'm handing over the phone to Beruz, the next speaker who is my husband, supporting all your resolutions and wishing you great luck. Thank you.

**Chairperson:**

Thank you very much

**Beruz:**

Respected Chairperson and other directors. My name is Beruz Feramroz Pouredahi. Madam, we are very proud that you are a parsi and you're taking the legacy of the parsis to such a forefront. We are also very, very thankful to our company Secretary, Kedar Phadke who has taken the initiative of ringing us up so we were really pleased with his services and attitude and his dedication. So your mother is also doing excellent CSR activities on helping all the poor migrants and we are really proud.

And you have made a name for yourself. We are very proud of your mother. Anu Aga who has given better Battlefront to her daughter who is taking the name of our Thermax company to such great heights. Madam, we welcome and we hope that our share price nowadays, hovering around about 700 it should rise than 1000. And then after this pandemic, I think our company will give an excellent dividend and our order book is also looking of more than 5000 and we hope to see better days ahead. Many thanks to your company, all your employees and all your staff and all your directors. Thank you very much and we support all your resolutions. Madam, thank you very much. God bless you, madam.

**Speaker 4:**

**Shashikant Marathe:**

Good afternoon madam and good afternoon to all the dignitaries who joined this meeting and my fellow shareholders. I'm associated with this company since its IPO. Madam, you are in a capital goods segment. World over, the capital goods segment is not functioning due to lull in the market and in India added to this is the availability of credit. I recollect the double digit consistent growth achieved by Late Mr. R D Aga. and he was appreciated by all. I'm also happy to note to your part, ppt presentation, and also Mr. Unnikrishnan's, all the aspects what he has done for the company.

The company has been recognized worldwide and has done an excellent thrust in Africa exporting huge plants, after assembling them at Mundra. where you had 1300 employees, and the greatest pride is no accident at all. And the plant was erected in hardly 21 days 21 hours I believe, which is a very great record.

The company's contribution is well recognized by everyone. The 10 years performance showed EPS at a much higher than its share price. You have already paid back our share price. you've extremely done well in African markets, which is expanding and have a thrust on exports. So that it could achieve 45 to 55% of in turn total turnover from exports. In view of the China's falling exports and support from our government's Atma Nirbhar Bharat a strategy you will also have to explore the possibilities where you can substitute

China's products.

So, World over, the business cycles are never going in direction. They exploitive lies in finding out when it is likely to pick up and when you pick up the business cycle, it will be always a good I think now is the time to pick up the business cycle which is likely to go upwards in few months from here on because of successful vaccine for COVID and good monsoon also relaxation of lockdowns all over India, it is heartening to note that you did not declare and pay dividend in 19-20. Before 31, 30 you are ethically sound; you have proposed 350% dividend for 19-20 though it was not a good year for the decade. Thank you for caring shareholders. I extend my heartfelt thanks to Mr. Unnikrishnan for his efforts to improve the results of the company. Whenever I interacted with him, he was absolutely cooperative and listened to me very carefully and also talk to me thereafter. Hope In case of need, you will call him for his advice. We welcome the new managing director and wish him all the success. I recollect due to excellent productivity initiatives, the company received performance bonus from Sri Cement for completing erection and commissioning the boiler months in advance and our employees when they were asked by me in the AGM I was told they said there it was their duty to complete the product and they did not expect anything from the company. This shows that they have trust in you and you have to further trust so that you and your company can look after their safety. I am sure that you will achieve improvement or 19-20. Wish for your team still more successful year. I personally appreciate such meetings as I go to participate and listen to your views. Thank you for giving me a chance to speak. Thank you, madam.

### **Answers:**

#### **Chairperson:**

Thank you, everyone for all your very valuable questions. Just I'll answer a few. One is Mr. Mallya asked about our net zero carbon footprint. So Thermax is doing a lot. First of all, with regard to the carbon footprint we have, there's a scope one, scope two and there's scope three. So the scope one is normally direct emissions of greenhouse gases. And this is sources owned by us. So if we look at what we're doing on rooftop solar, what we're doing for LEDs. And of course, we go beyond carbon, we also think water is a very precious resource. So we've done a lot in terms of water recycle as well.

The scope two is normally the electricity purchased and consumed by the company, let me tell you that this is very, very small. And between scope one and scope two we are very low at just 50,000 tons of co<sup>2</sup> equivalent.

I think where we really need to focus on is scope three, which is really the optional category. It's called the optional category. And there it refers to all the products that use fossil fuel. And as mentioned, during my presentation, we are conscious of it and we are moving more and more towards green products. In fact, the whole world is moving towards that I spoke about decarbonization people are talking about using waste to convert it to some value, people are using it looking at energy efficiency. So all that helps in terms of us providing products, which are greener. So, we're moving quickly in that direction. Even our R&D focuses mainly on the green side of the business. So hopefully, our carbon footprint should improve in terms of scope three, which really is our customers carbon footprint, thanks to us supplying the right utilities will improve considerably over time.



So that's the first question. Then, Mr. and Mrs. Pouredehi, thank you very much for your compliments and I do agree that my mother genuinely Mrs. Anu Aga believes in philanthropy, and she's, she's focusing in fact all her time on philanthropic initiatives right now, and has specially looked at migrant labor, which has disturbed all of us very, very deeply during this COVID cycle. Correct me if I'm wrong, Ashish. We have 78 people in the company who contracted COVID so far. Is that correct?

**Ashish:**

Meher, today we have more than 80 people with some new cases in Sri city. More than 80 people. More than 60 of those 80 people have already recovered. We have less than 20 which are still positive covid and are going through recovery. Okay, thank you and one fatality.

**Chairperson:**

Well, you've seen our first quarter results. Unfortunately, apart from our chemical business, which apart from a couple of weeks, they are termed as essential goods so they were able to supply their equipment, their raisins, or water treatment chemicals. But all the other businesses were down two out of the three months. And therefore, we see a loss in the first quarter. But as I mentioned, it should look better in Q2, because we are already seeing that August is better than the previous month, which has been better than Q1. And how do companies function without our equipment?

Well, the demand is down tremendously, because consumption is down. And people already have a lot of our equipment and other competitors' equipment in the form of utilities. So since their capacity has not reached a point in time in which they have to order for new equipment, because the demand is down, they can make do with their capacity right now. So till such time as they reach to 70-80% of capacity, they don't really need to order new equipment. But having said that, our services are required right now, and more so during COVID. And people have been fantastic in terms of offering their services, even through remote performance monitoring. We have actually commissioned a large boiler sitting in Pune. So I really commend the entire team for doing this. Um, and as you say, Hopefully, we've given a very good dividend of 350%, which is roughly a 49% payout. But as they always say the best is yet to come. So thank you very much for that. And Mr. Marathe, you spoke about some of our delayed deliveries, where have we gone wrong? Let me assure you that the team every time we have a delay, every time we have a cost of poor quality, the team goes into every single detail and provides learnings for it. So that we hope that in the next order things will be a lot better.

China's falling exports, yes. Unfortunately, what is happening in China, especially with two of its two of the products that we compete with, especially for the US, which is resins and chillers. They've gone and given them 25% almost as a dole to the companies that supply chillers. So in some ways, we are at par again with each other. So there is no real positive coming out of that. And as far as chemicals are concerned, yes, we are doing our very best. We are hopeful that the chemical business is going to do extremely well in the future as well. I just want to make one correction, Mr. Marathe. We did pay the dividend. We declared an interim dividend in March and did pay it out the 350% before March end. And you're very right. People have a lot of trust in us. They've all really worked hard during this Covid period. And thank you to Kedar for being very proactive with all our shareholders. And I just want to take this opportunity to thank all of you. Sorry, we can't meet face to face but hopefully next year we will.

## **Closing Comments**

### **Chairperson:**

As there is no other business to be transacted, the meeting is declared as concluded. I would like to thank all our shareholders, Directors and Auditors for joining the meeting. I now authorise Mr. Kedar Phadke, Company Secretary to conduct the voting procedure. The e-voting facility will remain open for the next 15 minutes to enable those members who have not cast their votes and would like to do so.

Once again, thank you.