

Q4FY12 Post Result Conference Call Transcript**Representative:****Mr. M S Unnikrishnan – Managing Director & CEO****Mr. Gopal Mahadevan – Executive Vice President & CFO****PL Rep.:**

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Date: May 14, 2012**Mr. M. S. Unnikrishnan: Managing Director and Chief Executive Officer**

Good morning to all of you. It's a great pleasure for us to be with all of you and the keen interest that you are showing in knowing more about Thermax. I don't know how the reaction of all of you are about the kind of results that we have shown. It's already known to the market that we will have a decline in top line for the Q4, but decline percentage is not substantial because of which we have been able to maintain an overall improvement of 9% in the revenues for the year and many of the efforts taken in by the team of Thermax has been able to contain the cost both on material cost side and the rest of the expenses and have been able to retain the profitability albeit the minor reduction in percentage. So on annual level against 9% topline growth this year we have a 6% bottom line growth. One more good news is that as a group we have retained our billion dollar status despite the Indian Rupee declining by almost 20%. We are still billion dollar plus company. And the group turnover has crossed 6000 crores for the year. One more good news is that Thermax has retained 1000 crores infact surpassed 1000 crores physical export; it's a first in the history of the company. The other numbers are already known to you but also I would repeat another time that Thermax topline is 5304 crores in comparison of 4852 crores for the fiscal and the consolidated revenues are at 6091 crores versus 5289 crores in the previous year.

The revenue for Thermax in domestic market has shown a growth of 10.2% whereas international market grew by 7.2%. Energy segment has contributed to 78.2% and environment is 21.8%. So the barrier of 80:20 is broken. Is it a trend? Let's wait and watch. With the EPC business coming down whether water business and air pollution business possibly contributing, we can still see an improvement, going forward, that's our expectation. Annual profit before tax is 601 crores against 573 of the previous year and for the Q4 annual profit is 130 as against 127 the previous year which is an improvement despite the reduction in topline we have been able to improve our profitability and the profits too. Our order intake for the last quarter was 809 crores for the company which is a 35.6% decline in comparison with the previous year same quarter but it's better than the 590 crores which we have done for the Q3, which I had indicated to you that I mean in any case expecting the improvement. Now is it a trend that is going to be continuing, I will not be able to comment but all efforts are on from our side to improve the order book and I am quite confident that FY12-13 Thermax should be registering more number and more crores worth of orders in comparison to the previous year. I don't expect it to be worse than that. Now, where is this confidence coming from?

In the domestic area, with substantial productivity improvement done, for example: our Pune factory has improved its productivity by almost 15% and we are working on line balancing at Baroda by which we will have a substantial improvement in capacity as well as productivity. You would have seen the manpower cost for the company going up marginally in comparison to the previous year. With the efficiency improvement and also the number management we should be able to be competitive in the market. So retaining a double-digit margin, we should be able to improve our order booking in the current year in the domestic market. Second is international markets, we are active with the project business as well as the product. In any case we are doing quite ok. One indicator for that is African market which has contributed 15% to overall order booking which otherwise would have been a single digit. So you can see the traction that we have been able to achieve in the recent past. Segregation of the year's order booking at 41% has come from South East Asia, Middle East has contributed 20% and Africa 15% and rest of the world contributing remaining. Now the sector which has contributed to the domestic order booking, Ferrous metallurgy has given us 25% of our order booking, cement has come down from a pivotal position to barely a 9% in the current year, power has come down to 10%, refinery at 9% and textile has gone to 14%, of course that is because of one chunky order that we received from Gwalior Industries which we declared at the beginning of the year and another good news is sugar and food processing has touched 10% in the current year. So some sectors are doing quite ok. That's about overall order booking.

I have already mentioned that there is an improvement in the operating margin. Maybe a part of that may have to be given out to improve our order booking. But still we will be heading for double-digit margins for the current year. We have commissioned a heat recovery steam generator in Netherlands with a \$15 million order. The importance of that is Netherlands is home for second best HRSG maker of the world NEM. In that country, we were able to go and supply equipment and commission to the European standards which should improve our visibility for HRSG in the world. We have also commissioned our paper chemical manufacturing facility at Jhagadia, this being not substantial argument, we have not reported to the Stock Exchange because it's not going to be something of a major nature but I thought that all of you should be aware of that. Enquiry flow has stabilised in the recent past; it's better than the previous quarter. Can I say it's improving consistently? I would say sporadically it is improving. Other than that an update on TBWES factory, it is going on as per as scheduled. We are ready to be commissioning it in any case in financial year which we are already on. Based on the order availability, if there are orders to be coming in we are all aware of the fact that there are not many enquiries in the market currently. To be precise there are two private enquiries and one public sector enquiry for supercritical boilers. Thermax will be in all three of them and we will have to wait and watch. Will that get finalised? and when will that get finalised? and the factory which will be of world class standards be ready? You will have the pleasure of seeing that maybe beginning of FY14 where we would have already stabilised everything. That's it and I will not take much of time from all of you and I will leave it open for you to be asking your questions.

Operator

Thank you sir. Participants we will now begin the question and answer session. Anyone who wishes to ask a question may press “*” and “1” on their touchtone phone. If you wish to remove yourself from the question queue you may press “*” and “2”. Participants are requested to use handsets while asking a question. Anyone who has a question may press “*” and “1” at this time. Participants may I request you to limit your questions to 2 per participant. We will take our first question from the line of Venugopal Garre from Barclays. Please go ahead.

Venugopal Garre: Barclays: Hi Unny and Gopal a very good morning to you. Sir, I think you have already touched upon the B&W JV as to what kind of orders you would be bidding this year. But I just want to understand, given the sort of the pricing environment, we have seen in supercritical in the last 6 months in terms of these large orders. From that context, do you think there would be any change with this model ROE expectations, margin expectations etc.? Are these prices still good enough for us to make margins?

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

Venu, for the next 18 to 24 months I am not talking of whether BHEL or Larsen & Turbo or maybe BGR making its factory, we will be worried about what margins are we making. It is fundamentally, you got fixed expenses of a manufacturing facility available and how do we utilize that is the way market is going to be looking at it and Thermax’s strategy will be to enter the market, if there are orders we would be entering. But are we going to ridiculous numbers in terms of the topline or maybe the margins to conclude an order? We will not, whereas we have done a lot of exercise to ensure that our cost is within the Indian market expectation. Now if somebody were to be really going down to a level of making losses to keeping the factory on then he will be funding many power projects in India, which the banks in India are refusing to fund. So I don’t think the boiler makers of India can turn to bankers to create power industry in the country. That part I mean I will not subscribe to but will we be competitive, if you ask me that question in comparison to the prevailing market prices, I won’t take NTPC’s 11 X 660MW as the benchmark for pricing but certainly that could be the kind of expectations which is created in the market, we should be able to be competitive. We have done a lot of work related to indigenisation that’s the only solution for it. We have done it substantially and a breather is available for all of us to if you can imagine that if there were maybe 25000 megawatt getting finalised every year then you will be forced to take orders and execute it. So one has got time available and the components suppliers who support us also do have time to get things in order. So I believe we should be able to be competitive.

Venugopal Garre: Barclays

Sir just one question here. Just want to understand how does it work for you in terms of the B&W JV? You have commissioned it officially even if there are no orders or do you see that also the timeline for that also is changing because that could have an impact on your interest outflow through the PL etc. you know for the debt that you have taken for that particular JV?

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

See we will not deliberately do anything as a manipulation of the balance sheet, that's not the culture of the company. However, how will I commission a plant unless I have something to show, it's not like, cement factory where you produce and keep in bags and trucks will take it to the country and sell it at some price? I cannot make a 660 megawatt boiler at a cost of 1000 crores and keep it to commission the plant. However we have to be fair. In this financial year I am going to be commissioning the plant. So which month is the question, we will be declaring. Thankfully now I have a lot of luxurious time available to do trials when I can declare it. So in any case before March I have to commission it, that would be the commission period you should have seen I mean somewhere upto that level.

Venugopal Garre: Barclays

Now I get it sir, sir just one last question. What will be the execution period of a backlog and have our subsidiaries made a loss in Q4?

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

Exactly I won't be able to give because all my standard orders of cooling, heating, chemical, standard water treatment plants and all it will be executed in the full year. Some projects will get spilled over to the next year. We will have to see execution cycle going on at each of the sites. Though we have the numbers it will be unfair on my part to be giving you the exact numbers of that but I mean most of it will get revenue recognised in the current year, some of it will carry forward. Now the subsidiary losses are on account of one is the Chinese subsidiaries continuing to be which in any case I did tell you that I am not expecting cash break even in the FY13 which again I will have to depend upon if China were to behave like India which is all likelihood if that is the case then we will have to postpone. But that's not a major amount. Thermax Instrumentation Limited manages the construction portion for the EPC business. There are some costs over in the Meenakshi project which are absorbed over there and will continue in the next year also but not a big number. There are all manageable numbers that's it.

Operator

Anyone who has a question may press “*” and “1”. Our next question is from the line of Srinivas Rao from HDFC Mutual Fund. Please go ahead.

Srinivas Rao: HDFC Mutual Fund

Hello sir! Could you tell us the outlook for smaller CPPs and also what is driving this? Also, we are hearing that you lost market share in the segment, is that correct? and you know if you can elaborate on that also?

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

Yeah frankly speaking there were no orders registered for CPP in the last two quarters for the type of captive power plants that we are into. I am not aware of anything. At least I am aware of order book of all my competitors in the last two to three quarters related to CPP. Now outlook is something which surprisingly there is positivism prevailing and it's going to be prevailing because the delay in the larger power plant order finalisation and execution and the innate demand increase for power in the country this summer. You must be aware of how many states have gotten into the power cut and power shut down syndrome starting with Kerala and Tamil Nadu. Where Tamil Nadu has not seen power cuts for 6 years but this year they had for 2 hours and industries are closed for an extra day over a weakly off. So two days in a week they are off. Rural parts of most of the central India is bereft of power barring Gujarat, Punjab and Himachal Pradesh, there is a substantial increase in power cut. But to prevent newspapers from reporting it what they are currently doing is the power shut down in the rural areas, that's the way they are currently facing it. So my expectation is captive power plant will become again a necessity the way it went on in maybe between 2003-04-05 when the grid was unable to take care of the growth in the country. Now you can ask me so where is the coal going to come from? Managing coal for a 20 to 25 megawatt or a 50 megawatt is much easier from the international market than managing it for 660. I mean in captive power one has to look at the sensitivity and the elasticity of the pricing of the power input power versus ultimate commodity or product that they are selling, whereas in the case of an IPP or a main power plant, they have got only one item to sell that is electricity which doesn't look viable at this point in time at the prices prevailing in the country. So you would increase the power prices for the consumer. Consequently, the income for the power company is increased so their balance sheet becomes healthier. Then second is you got coal and energy security available, input security available and land availability should be there. With these three factors prevailing, you can have larger power plants coming in. So a lot of companies will be forced to go for captive power plants progressively; many are waiting when things will improve. But some have already started changing their attitudes and as the investments in cement industry improve. I believe this should be happening in the second half of the current year because all of them are making good money in the balance sheet. What do they do with the money? Will they put in FD like Gopal Mahadevan does or will they start increasing the capacity? So once you start doing it in the second half of the current year, I would believe there would be enquiries for captive power from the cement industry. Steel should be improving right now because steel imports will expand. With the Rupee having depreciated, it is viable for people to be exporting steel that sell to people like us in India. So there will be an increased rigor in the steel industry also. So I do believe we are going to see a cycle in the next 4 to 6 quarters probably where you can have a revival of the captive power plants happening irrespective of the economy growth GDP coming down to 6.5% to 6% to 5.8% or to the numbers that can be spoken but I would believe it would improve. Are there any other questions Srimi?

Srinivas Rao: HDFC Mutual Fund

Sir, just in FY12, what do you think would have been the market size in say 10 to 100 megawatt whether in TPP or otherwise?

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

We have booked only one large order to talk about that was a 90 megawatt; the numbers available to me shows that we still are holding 30% market share. See there were two orders which got finalized which are much bigger than that (IPPs). The cement plant that UltraTech had finalised an order the Chinese boiler one company has taken and another order was taken by a company in Pune 'Transparent.' These were the main ones which have gone that I am aware of. Spilt orders have gone away if you see on EPC basis. There are some orders which got finalised in the sugar industry which of course you can imagine that we are not in the EPC position to do that for obvious reasons also.

Srinivas Rao: HDFC Mutual Fund

Right but I have heard that the total size is about 1200 to 1500 megawatt in FY12. Is that number way off or?

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

That's way off absolutely way off; its including the only EPC you are talking about?

Srinivas Rao: HDFC Mutual Fund

No, no, all?

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

Oh that number is right number which is always 2500 plus in the previous year.

Srinivas Rao: HDFC Mutual Fund

Oh ok. Second question is on the exports. You have done 1000 crores plus a great achievement. What is the outlook going forward sir and which geographies would try this?

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

See we had been trying only in South East Asia and Middle East and Africa and other than that once in a while orders comes from Europe or the rest of the world. Now for this period I would believe the investment cycle is going to continue in Africa which we do. These are small orders 5 to 10 to 20 megawatt boilers, heating boilers will continue. So we see an upside over there but the oil prices remaining at \$110 to \$120 kind of averaging out Middle East will also start investing more in current year. South East Asia will behave like India. I don't think there is any though there is lots of hope in Indonesia. But the way they are minting money on coal in the world what do they do with so much money? So there will be expansion in that area, I don't think the same thing happening in Malaysia, Thailand or Philippines but Indonesia as a country may have some amount of creation.

Srinivas Rao: HDFC Mutual Fund

So can we expect a growth in FY13 over FY12 in physical exports?

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

No because I am carrying forward lower quantum orders, booking is what currently I am not looking at the revenues at all for the next year. I am concerned as the captive power plant industry we are concerned about the order booking in the current year. And booking I should be looking for the betterment.

Operator

The next is from Aditya Bhartia from CLSA. Please go ahead.

Aditya Bhartia: CLSA

Hello good morning sir.

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

Yes Aditya your daily reports are very interesting.

Aditya Bhartia: CLS

Thank you sir. Sir just wanting to understand what the progress on Sale & Grasim orders is and what are the smaller orders also being executed as scheduled?

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

All of them are on schedule. Thankfully I don't have any projects on hold at this point in time despite the economic deficiency difficulty paralysis that they use the words so. All our projects are going on ok. Except for the one fact that it is very difficult to collect money in the market. Because money is available to companies they will want to delay the payment and earn maybe atleast one or two months more interest so that the CFO can show they are also contributing to the balance sheet of the company so that is why I am not trying to blame my brother, he is helping you out certainly. But that is the way, otherwise there aren't any major because most of the projects are I mean Grasim equivalent are on balance sheet projects and they have money coming in. See let me clarify to you there are no balance sheets in India which are bleeding substantially right now unlike maybe the late 90s the early 2000s & maybe for a quarter or couple of quarter in 2008 to 2009. Every balance sheet is reporting a fairly sturdy result but the scare is in terms of are the sentiments good enough to expand? So the people are able to continue with the projects which they have finalised. So I don't find any delay in project execution currently.

Aditya Bhartia: CLSA

Ok and sir given that order backlog has repeated this year, what kind of revenue growth would you be expecting by FY13?

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

Unfortunately we cannot and we are not used to giving guidance. So I normally leave it to audience's speculative capability as to what could be the number. See let me tell you. Our order carry forward has come down for Thermax to 4200 crores as against 5600 or something like that, 1400 crores. Now the question is will the topline drop by 1400? Now we are trying our level best because we have got capacity available. We can build quite strong market possibility in the current year. We are talking certainly a lower number than previous year. To what extent will it pan out will depend upon the order booking in Q1 and Q2 for medium projects and for the projects up to December Q3. Whatever I book in say maybe smaller heating boiler, I can revenue recognize in the month of March. Let's look at how the market is going to be behaving.

Aditya Bhartia: CLSA

Ok and sir in terms of pricing on the environmental side, is there any pressure on that front as well?

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

On the air pollution control, there is substantial pressure on account of the fact that it is a pure commodity scene which is consumer reliable. The technology and innovation isn't sizing of the equipment the content of manufacturer is not coated steel, it is plain steel which is the main expense in that. There we don't have an organised sector competition coming like that we would find there are lot small companies and people compromise when they have toughness in the market. So there is a margin pressure in that area. Otherwise water business will retain the margin; chemical business should retain the margin.

Operator

Our next question is from the line of Sumit Agarwal from ICICI Bank. Please go ahead.

Sumit Agarwal: ICICI Bank

I just wanted to understand if what we are seeing in terms of the future projects though you try to look at it. Do you see that the power structure has been deteriorated and hence it will take something like a 2 or 3 years before you are comfortable with your TBW segment?

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

I think your question itself is the answer. I don't expect anything substantially to be changing. What we need to be doing is, see unfortunately even today the power distribution is in the hands of the Government in the country barring some small BEST, Delhi capital to some extent CMC and Ahmedabad, the total put together consumption of electricity is not even 10% is managed by private industry. It is the Government's electricity distribution companies which are managing it. So their ability to increase electricity tariff or like income tax you could have more coverage more people paying for it is the first solution in the country. So average power

distribution or the purchase price in the country has to be improved by not less than 35 to 40%. But the political will of the state Government who are becoming powerful is the first stance in the power industry. Second is mines getting opened in the country and agreeing for the fact that even domestic coal will have to be I don't say priced to global level but better than what it currently is so that's the second thing to happen. Once that is over, the banking community, some of whom are already on, will have to take a decision that power is not a bad area in any case; the banking system has got to support it. Once these three are done, I am sure things will improve and I am told that Government wants to put this land acquisition bill in the current session. If not so, before the monsoon session or the winter session, that will be taken up so that should be over in the current year. One problem is going to be resolved and second level would be reform related to banking and dealings on the national grid on an open access basis which is already available to the CEA and to the power ministry and that also needs to be promulgated. It doesn't have to go through the parliament so that is something which is subsidiary level at the ministry level initiated so these three items should take it forward. But by the time what happens is that fragile governance plus also the political consensus is required. I would believe that nothing will happen substantially till the next elections are on which is 2014. And then again the results are already known to all of us so no singular party is going to be stronger. Coalition is going to be formed in the country and how they will look at business as a necessity. But fortunate part is that power demand is increasing and not coming down and that may be catastrophically difficult because if there is a shortage of wheat in the country we import shiploads. Unfortunately electricity cannot be imported into the country, so that prospect we are all going to be facing I mean all of us as Indians and companies like us will also be a part of it.

Sumit Agarwal: ICICI Bank

Sir how much have we invested in TBW and how is it being funded in terms of debt equity and if you can give us what would be an approximate fixed cost that you would be incurring over the next two years?

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

850 crores is what team budgeted for it and I am sure that there would be some savings in that which I am not going to declare right now because we have done that way we have. Thermax is a very Gandhian engineering way company and we will use it tightly. So we should be able to save some money in that is number one. Its equity is 51:49.

Sumit Agarwal: ICICI Bank

No debt equity I am looking at. Is it 70:30, 80:20, and 50:50?

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

50:50 approximately. 50:50 perhaps that number would be 55:45

Sumit Agarwal: ICICI Bank

No its fine. What would be approximate fixed cost?

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

Which are yet to be confirming in the last moment because depending upon if I were to be getting say an order immediate before the close of current year. I will scale up in terms of the people so there we have atleast four options available in front of us and depending upon how the market is going to pan out, we will take it up and maybe the right time to talk about the numbers will be towards the end of the year. See let me tell you, we have about 137 people who are working for TBWES currently.

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

Our standard style is Thermax has also got good engineering capabilities available. So we have surplus manpower available and so maybe we will share manpower available and I will make that available to the JV. So that both JV and main parent company both of them are in good condition. Or if we get too many orders and if we are too lucky that irrespective of what happens to the world, we have 20% more order booking than previous year in Thermax. I am very busy then I will possibly allow them to recruit people. Options are worked out for the scenarios that are going to be panned out by each of the stages. We will not increase the fixed cost to show that we have got a big edifice, that's not our culture because if we take somebody on, it will be unfair on our part to be then telling two years and no orders what do we do with the people. So we will wait for orders to come to recruit more people. So we are recruiting and training all that is going on, they maybe not be onboard.

Sumit Agarwal: ICICI Bank

Sir if I can squeeze one more question on your current business which is the energy business. Are you willing to buy orders? And how low can you go on the margins though you indicated double digit but your current margins are almost at the same levels?

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

Sumit, like last con-call also somebody asked the same question. No CEO will ever want to have the margins dropped. Not that you gain something out of that, it is something like to lift the margins it takes three times more times than reducing, reducing is one quarter is good enough to reduce the margin but to lift it up, the market won't give it to you. It's the market taking for you. Now unless you are in deep trouble like my fixed costs are not covered by the orders on hand then what choice do I have? Then I have to buy orders, buy orders means that you are willing to kneel in front of the customer. I don't expect with an Indian economy growing even at a 5.5% forget about 6, 7, and 8%, we will have to come down to such kind of situation because 5.5% growth also will necessitate that energy areas will grow by atleast 8 to 9%. And 8 to 9% is the growth & order finalisation of the market not for the big ones. I am talking about the captive power plant you asked for the standard business of the company I don't think I need to be compromising on the prices. My bigger worry is on the other count, Rupee having depreciated to such levels 20% in one calendar year and another 6 months it

would go up to 58 or Rs. 60 is the likelihood, it's quite likely. My commodity supplier will become very, very funny then because I don't have an option available. I can't import steel from outside. So it turns out to be with a reduced market wanting to retain their profitabilities on the balance sheet or improve their. And buyers and capital goods are not the major buyers and we don't have that kind of buying power where you can dictate your supplier like very large steel company telling I will not buy from you so because of which how will we manage margins based on the input cost is the our current issue. It might not be an issue for Thermax. You talk to anybody who is buying commodity steel, commodity copper, commodity aluminum and managing their businesses they will never have the same worries. Rupee stability is something where we can always have multiple options available that either you can import from Japan, china anywhere in the world which option is going to be coming down for Indian equipment manufacturers. That's the reality.

Operator

Our next question is from the line of Nainesh Rajani from Tata Mutual Fund. Please go ahead.

Nainesh Rajani: Tata Mutual Fund

Good morning sir. One question from my side. I just wanted to understand out of the total revenues that you have reported for this financial year how much would be the portion of orders that you would have received this year and executed in this year?

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

That number may not be readily available at this point of time. Maybe Gopal can make a guess on that. Do you have that? It is book and build.

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Book and build?

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

Yeah

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

See what happens is that you know the products business typically have the revenues recognised the same year of order but the larger projects like both the boilers and heater and power actually carry forward for more than a year

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

I will tell you how it happens. Even in chemical, I can tell you that it comes today and it is supplied within a month's time. In a short span, project of even of packaged boiler, if I get the order in say December, I would supply the first part of boiler by March itself balance would go in the next year. So that is why unfortunately we don't have something like an automobile where the entire thing goes in one shot except in very small boilers or maybe baby boilers. That's only 55 to 60 crores of my total turnover of baby boilers which is made like the way anybody will make in an automobile industry. It's the manufacturer keeping stock and getting sold out. All others are little because the products built are the project.

Nainesh Rajani: Tata Mutual Fund

Sir no even if I get some percentage basically just wanted to get a sense when you mentioned that you know next year's revenues would be lower than what you have reported in this financial year?

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

I will give you a clue for it. I know what you are aiming at. I know that you got references and calculations. In the past, what was the best in terms of the book and build done? 1080 crores was the better number that we turn in year 2008-09 when we all of us were in trouble. I had hardly 1900 crores orders available and then lifted it up by 1088 in that year. But those times were different. Currently, it's better maybe in comparison to that. Let's wait and watch for that. What you need to look at it is do I have capacity to manufacture when all the business is put together? I have enough and more. Enough and more capacity available across all of them and still we are line balancing and improving, improvement is going on. Second is when do you get the order? and what kind of orders do you get in? This is the way one has to guide.

Nainesh Rajani: Tata Mutual Fund

Just one thing if I can. The 1080 you mentioned was the best that Thermax which was in 2008 is that correct?

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

Yeah I am giving you from my memory not from a listed number.

Nainesh Rajani: Tata Mutual Fund

No no, fair enough. Just wanted to clarify that no issues at all. Thanks a lot and all the very best sir.

Operator

Our next question is from the line of Devang Patel from Avendus. Please go ahead.

Devang Patel: Avendus

Hi good morning sir. These 809 crores of inflows that we had in the March quarter is this reflective of the base orders or did we have some spillover which will come in the first quarter?

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

First of all we follow our policy of registering the orders consistently in one way that any order where I am supposed to be getting an advance, advance is not 1%, it is 10% equivalent minimum and above then only we register it. So it continues in every month in every quarter that way so there aren't lower or equivalent of that. We don't interfere with the business on all of that. Whatever is registered is as per the rules only. It's the real registration.

Devang Patel: Avendus

Sir in your opening remarks you were indicating you try to increase your order inflows for the full year at this run rate you will not get so are you factoring some large project orders in your?

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

Yeah, there are enquiries currently for captive power. There are enquiries for boilers as captive boilers or maybe specialised boilers where companies like Thermax will be better off to do that. So I am expecting that they are going to be getting finalised because we also do very well. Gopal does a lot of work these days in marketing because any enquiry we do verify about the balance sheet strength of the company. He does talk to his colleagues in the respective companies to understand, are they serious about their enquiry? Earlier we depended upon the marketing team to be talking to the project team of customers to understand the veracity of enquiry. Today there is a higher level of check done because we have to commit our resources for the preparation of proposal. So we are confident about a set of enquiries which are still there in the market, it can't be declared right now, till it is concluded. Whether I get it or my competitor gets it, it will be finalised. So because of which we have the confidence that there will be more number of larger or medium ticket size projects in the first quarter atleast first and second quarter.

Devang Patel: Avendus

Sir in the previous quarter's con-call, you had said that you don't see large projects getting finalised for next two to three quarters. So now based on what you are seeing is that scenario changed now and you will?

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

No. These are only very limited numbers it is not that we have chunks of chunky orders its only small number of chunky orders which are in the market and there is desperation from companies which is visible. But you know technically we are able to be superior. So customers, normally atleast in some of the enquiries, would be preferences available first. Of course they will want us to come down on the price level which we will have to

be negotiating. Are we seeing a trend change in the country that I mean there are larger ticket size order getting finalised too many of them? No. But it will be unfair to all of you if I tell you that things have changed now. No. Sentiments remain the same. There are guys who are desperate right now to place orders irrespective of the negative sentiments because they are worried about that. Two to three years down the line they may lose out on their market share; I am talking about commodity manufacturers. That's the way it is.

Devang Patel: Avendus

Right sir and sir could we have the share of projects revenue for the full year?

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

Gopal, will help you out with that?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

For the full year?

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

Yeah for the full year.

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Revenues you wanted right?

Devang Patel: Avendus

Right.

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

See what we normally give is the energy environment data. Shall I give it that way?

Devang Patel: Avendus

Within energy, what would be the share of large projects?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

See normally what we give again is we normally share revenues of power division and most of the divisions themselves have not started breaking down into projects including heating. So it's difficult to call out information and give it as projects because projects is something that you do at the customer's site. So let me attempt to give for the full year what is the overall number that we have. We have got the total invoicing for the



full year is 5243, out of which, energy accounts for about 4100 and the balance is environment segment, power revenues have been about 1540.

Devang Patel: Avendus

As compared to previous year figures if you would have that?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Previous year numbers, I don't have the breakdown but I think it was somewhere close the same numbers

Devang Patel: Avendus

And sir in the order backlog?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Order backlog for Thermax is 4230 as Unny in his opening remarks mentioned 3249 comes from energy and 981 comes from environment.

Devang Patel: Avendus

And within energy, how much would be power?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

About 1125.

Devang Patel: Avendus

Right sir, Thank you so much sir.

Operator

Anyone who has a question might press "*" and then "1". Next question is from Pritesh Chedda from Emkay Global. Please go ahead.

Pritesh Chedda: Emkay Global

Yeah. Thanks for the opportunity. Couple of questions. One in the standalone operation, if you could tell us what component or what amount of the expenditure could be fixed in nature which typically could be sticky for the operation and I am looking for other than obviously RM?

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

Other than I didn't get you other than raw materials?

Pritesh Chedda: Emkay Global

Yeah

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

See we have a 70-71% as RM cost and then we have got another in the manufacturing groups of the company you have around 8 to 10% depending upon which division are they manufacturing expenses and then we have got other direct expenses for running the business another say maybe a 10. So you touch almost 89 to 90 including the RM. So of this fixed portion are the employee costs which we take it as a fixed cost only. In that there are some variables. So you would have seen some 380 odd crores are employee cost in the company. If they have a variable pay, which is 10% of the profit made approximately depending upon all the achieved sliding skills. So that is the 10% variability which will bring in a variability of 15% in the overall employee cost. Am I correct in telling that Gopal?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Absolutely

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

Say around 12 to 15% is the variability. Now there are variable numbers which are approximately 980 of 4000. So around 20% of the manpower is variable, but that 20% doesn't get paid. They are not the top manpower. So I don't have the variability of manpower numbers at the managerial level. It is more on executive level. So though it may be 20% of the manpower, they may be contributing to only 7-8% of the cost. So 20% of manpower cost can be variable. Imagine worse situation where there are no profits made by the company or maybe they don't meet up the target and there are no orders on hand. This 20 is the variability available for the organization. That is point number one. Second are the other costs for running the organisation. I am talking of the electricity, water charges all that what you call Schedule 15, am I correct Gopal?

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

Let's say another 400 odd crores is rest of the expenses in which the fixed portion could be I would deal half of that; balance would be the variable because I mean they are orders they would consume electricity, traveling for enquiries. But hypothetical situation, don't get unduly worried Pritesh right now. We haven't come to the level where, see there are multiple shifts organisation would think before reaching that level. I still am not making double digit profitability. And I have a 30% plus market share in India. India will still grow point number one. So we can still get orders through the country. May not be for the supercritical. I barely have maybe 2 to 3% market in the global market for many of those items except that maybe absorbent chillers so there I have an

opportunity available. Now you may ask why don't you go there earlier. All of us were happy with the Indian growth and we thought ok we will first take care of the domestic in turn like nationalist and then we will go outside. And then the nation not helping us we will become internationalist. Ok. If we fail in that also then there are options available like Gopal has got cash available with him, all that is there. So it's not a panic situation but one has to be careful so let me give you comparison. In the year 2008, post Lehmann collapse, we had 2900 crores of orders available and in exactly 2.5 months it became 1900 because order cancellations and everything, everything put together. We pulled it through there afterwards and that 1900 was lower than the breakeven level.

Pritesh Chedda: Emkay Global

Ok.

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

Still we maintained profitability also. If you remember 3 consecutive years you have not seen growth of Thermax but you have seen the profitability that's the resilience in the company now we are prepared. So these days what we discuss in the boardrooms and the management companies rooms are only scenario and what has to be done and whatever is they are working on operations strategy rather than strategy of the future in the long term. It's the short term strategy and the medium term strategy that we are working. It will be fostered don't worry.

Pritesh Chedda: Emkay Global

Ok the TWB JV side in the event of say orders coming slightly later than what we think and not in the initial year. I just want to understand if the absolute fixed cost of operations which any case would appear in on an annual basis?

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

See we have multiple numbers available. That's why whenever Thermax says numbers we want to be absolute accurate. We are looking forward to scenarios one order coming and when no order is coming across.

Pritesh Chedda: Emkay Global

I am just looking for a case where no orders are coming.

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

Still you can keep the expenses as low other than the interest and repayment or anything like that is you may have maximum of 100 plus crores to keep us on. Our office is 51% is mine 49% belongs to my partner.

Pritesh Chedda: Emkay Global

So 100 crores is the running expenditure for?

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

See you ask me that question another time I would say I disown the number because these are all speculative in numbers. You are setting up a factory you can run it in multiple ways I can have my maintenance management to outsource agents. Ok. In that there can be variability built in.

Pritesh Chedda: Emkay Global

But what would be the budgeted number say currently?

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

That I will not be able to say because it's not a permissible thing so no. I am sorry.

Pritesh Chedda: Emkay Global

Last couple of questions. Last call we had said that the base orders in the operations are about 2000 crores. Should we stick on to that figure and second environment as a segment has more promise to grow even in this difficult time because of the market place is that a statement which still continues?

Mr. M. S. Unnikrishnan: Managing Director and Chief Executive Office

It continues even today barring the air pollution control. So point number one you asked for 2000 as a number it continues, maybe better, because I am seeing there are lot of industries still gung-ho about India. See Indians are not gung-ho about India but others seem to be. I am seeing lot of multinational coming and setting up their small, small edifices; they are utilising the opportunity over here right. Now with the Rupee depreciating further how will they take you know transcontinental capacity building in India that is something which I am little concerned, otherwise food industry there are umpteen number of companies which are setting up their office in India. In the process industry, I have seen a lot of them coming in but they don't need big power plant, they don't need captive power plants. They need a baby boiler which would be worth maybe anywhere between 10 lakhs to a crore Rupees. They will need absorption chillers. Some of them need boiler worth between 25 lakhs to one crore Rupees. Chemicals are getting consumed in those factories. They do water treatment plants. So those are there still in the country.

Operator

Mr. Chedda may we request you to come back in the queue for any follow up question?

Pritesh Chedda: Emkay Global

Same question which is in favor of everyone I just want to know the backlog breakups standalone you gave is, consol and inflow breakup standalone and consol?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Order booking? Ok standalone and consol right.

Pritesh Chedda: Emkay Global

Yeah separate.

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

So let me do standalone the order booking as on for the full year was 4032 broken up into energy of 2883 and environment of 1148.

Pritesh Chedda: Emkay Global

Ok and consol?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Consol of order booking? Just give me a moment.

Pritesh Chedda: Emkay Global

Both booking and backlog in case in consol?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Then after that order booking Thermax Group 4631, with energy being 3460 and 1171 being environment. Then backlog as I said earlier for Thermax was 4230 energy being 3249 and environment being 981. And for the Group it is 4827 with energy being 3841 and 987 being environment.

Pritesh Chedda: Emkay Global

And the 809 crores the inflow figure that we gave that was?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

That was for water

Pritesh Chedda: Emkay Global



That was for standalone or for group?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

That was standalone.

Pritesh Chedda: Emkay Global

Ok can you give that for the group as well and the breakups of the two?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

See 809 crores order inflow energy was 576 and environment was 272; consolidated is 918 crores to be precise, 629 being energy and 279 being environment.

Pritesh Chedda: Emkay Global

And in last on the revenue side what is the energy and environment revenue for the consolidated? For the full year?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Just give me a moment here.

Pritesh Chedda: Emkay Global

Because we have the quarterly standalone segment we don't have the consol segment.

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

No problem sir. Like Unny mentioned we have reached 6000 crores market its 6031 and 4867 being energy and 1164 being environment.

Pritesh Chedda: Emkay Global

Many thanks and all the best to you sir.

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

Thank you.

Operator

Our next question is from the line of Akshen Thakkar from Fidelity. Please go ahead.

Akshen Thakkar: Fidelity Mutual Fund

Yeah. Thank you. Most of my questions have been answered I had one question on your EPC side you know in terms of your megawatts what would have been the orders that you bagged this year?

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

One order that we picked was 90 megawatts, 3x30 megawatt and a smaller maybe 100 megawatt for the EPC portion.

Akshen Thakkar: Fidelity Mutual Fund

So you know when earlier Gopal mentioned order intake for power that would be towards 100 megawatts or would there have been other orders also?

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

No. Its 100 megawatt only.

Akshen Thakkar: Fidelity Mutual Fund

All right. Thank you, that's it from my side.

Operator

Our next question from A Bhandhari from Macquarie. Please go ahead.

Surinder: Macquarie

My first question is that you mentioned that the staff cost like in this quarter is not grown at all. You did address but parts of that but in terms of full year basis can we see the staff cost actually declining from these levels when you were talking about improving productivity and increasing capacity in couple of your factories.

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

No you will see an increase in manpower cost certainly. We intend giving increments to our people. Because we are holding some of the finest of intellectual talent in the country for energy and environment field and there has been inflation in the expenses. So we are people oriented organisation, our first priority other than maybe to the investors also to our stakeholders is to our employees. So we would be doing that. So you would see an increase in that. But the variable pays will depend upon what we are able to generate. So that we will be quarter over quarter we will be monitoring. If they produce better results than what it is earlier. I mean we will have also to be clear that the targets will be marginally lower than the previous year; so if we achieve that they will get a variable pay which will result in an increase in manpower cost. The variability of the cost which his outsourcing

portion which is coming over here which will certainly be coming around in the case if the orders don't come. If the orders are coming that will also continue.

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

See all of you put together let me tell you it has not come to a level of scamper in the market currently. We are all concerned; we are working towards that. We have ability to manage the company even in the current circumstances also. Thankfully Thermax is more de-risked than pure capital expenditure play company with multiple portfolios available right from service onwards. There are businesses which are growing. In fact, if I were to give you the number by standard business, the order booking is better than the previous year as well as the EPC which is booked in the last year maybe 2000 crores current year 400 to 500 crores, 1500 crores drop in that. My boiler and heater business is the project boiler business has dropped maybe 10% but if you were to look at my cooling, heating, water and wastewater solutions business, chemical business all of them have an shown an improvement in their topline as well as they have also shown an improvement in the order booking and I am expecting that to be continuing in the current year too. We haven't reached a level where we are worried about all that. Yeah in the corporate office between the finance and my group we will work at various scenarios by how if we have to reach at say maybe breakeven 20% more than that, 10% more than that; that's only for us to be prepared for our action plan if we are ever facing that. Remember India is going to be growing not less than 6% as per the admission of many of us in the industry; the Government may say a 7% plus but 6% energy business and environment business will grow. And there are no huge player entering the market.

Macquarie

Ok, you made one of the initial comments that the enquiries have shot up to one of the best in last few years is it safe to assume that most of these enquiries are in the standard business and not in the EPC side or even EPC has seen that kind of an improvement at the enquiry level?

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

There is some, either I didn't convey it properly or you didn't hear it properly, one of this is true. I didn't say it is the best enquiry position in the recent past I never said that. Let me clarify it to you. What I mentioned is we have seen there are some enquiries I repeat there are some enquiries both for medium ticket size getting closer to finalisation both for EPC and for boilers and we certainly have barely good preference with the customers provided we are able to meet up with their commercial requirements, technical requirements are already met with Thermax, commercial requirements are possibly the price levels which we are currently working on is what I mentioned about. Because of which I am confident that Q1 should be better than Q4 in terms of order intake that's all my comment right now. Beyond that comment none of us are capable because this depends upon the sentiments of the market and the market means the banking community financing the money availability various factors are there. However for the standard products of the business there is no decline in enquiry between Q4 and Q1 as I am seeing at this point in time.

Surinder: Macquarie

Ok one last question if you look at the balance sheet in the standalone Thermax limited there is an increase in the trade receivables, is it just a timing issue or do you think or there has been some delay in payments from customers?

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

If one were to ask about the quality of debtors the debtors have gone up, the account receivables have gone up but not at alarming levels. However the quality of debtors is not deteriorating. See we have a credit appraisal done before we start. There could be one or two cases where there could be some difficulty but nothing is going to be hitting the balance sheet to a level where one needs to be currently worried about. Circulation of money is still ok. The reason is when you have got double digit interest prevailing for fixed deposits in the country let's say you want to give a cheque for a larger size, that is the reason for it.

Surinder: Macquarie

Ok sir thanks a lot. Thank you.

Operator

Our next question is from the line of Lokesh Garg from Kotak Securities. Please go ahead.

Lokesh Garg: Kotak Securities

Hi sir good morning. Sir you already have shared a lot of perspective about the business as it is going on. But I wanted to ask your perspective on some of the businesses that you are building up, let's say a two to three year outlook as well since the acquisition of Danstoker your concentrated solar business or EACB or water business or all that?

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

Yeah Danstoker is performing ok. I would say that irrespective of what has happened so far in the entire European continent, we have not seen any decline in performance. Omnical which is a part of Danstoker has not measured up to the mark in the beginning. There has been a change of management which has affected. With that we have seen in the last two months order intake has come to our expectation levels. Going forward, looking at the specifically concentrating on the Green side of the energy that is the biomass based, there is no decline in enquiry and so. Now with Greece moving out of one European currency regime and, the changes in the French Government post elections, will it have an impact on entire European scenario, I cannot predict right now. But I am tending to believe that we may not be so much impacted. We are very small company not one of the multibillion dollar company like Alstom over there. So we should be able to escape out of there. And next is we have been able to except certain market penetration for them in the rest of the world where they are

operating. So if at all there is any negativity prevailing in the short term, we should be able to help them out. We have started an engineering offering for them at this point of time where the costs are under control and improved so that the competition is also going to be improved. That's the Danstoker medium term thinking. I would expect that edifice to be growing atleast at almost double digit because Europe growth itself is a reward and touching the double digit means you will get multiple rewards. So I would believe that should happen. But one caveat I am putting across is that I do not know if a collapse of the entire economy in Europe happens the way it happened in America. Then we may have a challenge for one or two years. But I don't think we should be levered on that. We are sufficiently profitable to go through that.

Then the next question was about what we are doing in the solar concentrated solar and equivalent to the new initiatives of the company in water. We are restricting the company in the beginning to heating and solar cooling. Don't ask me for the numbers because the numbers are not good enough to report to the markets for a billion dollar company. Our application development in solar heating has improved substantially. We have got ready made products available. We are getting Government support in terms of subsidiary for our concentrators, which is a good push for market in the country. I would believe that one or two verticals are going to be commercially viable as a product portfolio in the next maybe 18 month period where on its own without funding from the parent company that particular business can stand on its own in the next 18 months period in the heating and cooling vertical. On the concentrated tower side, we were not very hopeful. I mean we would be able to play any major role and as we have seen PV has overtaken, Chinese are dumping all through the world and many European and American companies are biting dust. So thankfully there are no major Indian investment other than BP Solar and maybe Moserbaer. So solar thermal on the power side only with the Government support one can look at an improvement in that area. That's about solar. Water certainly is it is growing and it will continue to be growing.

Lokesh Garg: Kotak Securities

Sir the number for Danstoker what have they achieved in this fiscal?

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

I would say year as a whole. We have crossed when we acquired the company. It was just a tad below it was €39 million. Today we have crossed about 50 and you know we are doing a very decent EBITDA margins there. The company has been performing I would say even slightly above our expectations on overall basis and just like Unny mentioned I think given the current scenario of what is being happening in Europe, I think both the management in Danstoker and of course the new sets of people who are there in Omnical have actually been doing reasonably a good job. Let us see how the new year pans out. The team seems to be confident, they are pulling up their profitability and we have certain expectations from the team there as well.

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

Lokesh, if you were to look at it from the time we took over the company, we have seen it grow. Since 18 months we are owners of the company, 38 million going for a 50 plus million for a European company under Indian management. I think is a great achievement and retaining the same profitability as what we have taken it over. So it is Europe which has not seen any good times in the recent past and Germany has been in real difficulty for two or three quarters. But despite that, we have been able to pull it through and we will continue that way.

Lokesh Garg: Kotak Securities

And you seem to have made an acquisition recently also would you wish to speak about it in terms of numbers if possible or in terms of strategic fit for your company?

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

Strategic fit is more important than the numbers. It is a very small acquisition. This company is a 1954 vintage specialising in steam traps, advantage being they are one of the very, very specialised IP companies making steam traps which can go upto 250 kg kind of pressure which is not even marketed in India. Steam engineering market in the globe can be you know near to be a half a billion dollar this company is only €3 million that's the size of the company. But it has got certain product and it is a very small organisation happy being in one place, one year making profit and another making minor loss but fully improved but they got bought over by Virgo thinking that Virgo wanted to get into steam engineering. But they realised that steam engineering is not their subject. So they have decided to hive it and that's where we bought it off from them. We find them as an absolute strategic fit because in our service business of heating we have got a separate arm for steam engineering and this directly fits into a gap which existed over there which will take us to the next level in that business. so our current portfolio in India of that business is say around 35 crores which I am expecting it to double in a reasonable period of time with a new portfolio coming in and with a marketing arm of Thermax all over the world, we should be able to grow this company. Now it may not make a major difference to Thermax's balance sheet. But the service business of the company is expected to grow at a faster pace with the equipment business coming down. It is a strategic fit for the company. It may not end up with being only one we are looking if there is anything else available we would continue buying.

Lokesh Garg: Kotak Securities

Sure sir. My last question is actually related to the fact that mostly the emphasis on exports which has done well this year in product exports. Would Thermax in terms of strategy willing to build an execution expertise on those geographies or would it restrict to mostly product exports?

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

We will be doing project exports. In fact, we even wanted to do an EPC in Middle East where we had taken couple of orders and executed in Middle Asia. We expect to continue with the same thing in the international

arena. Only thing is international business and projects, one has to build the local capabilities to construct because nobody gives an order for supply of equipment. You got to build it. So the risks are already there associated. So we will have to be careful about how many would we be executing. But we are going to be focusing on international market also for projects.

Lokesh Garg: Kotak Securities

Sure, that's all, sir. Thank you.

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

Thank you Lokesh.

Operator

Participants that was the last question. I would now like to hand the conference over to the management of Thermax for their closing comments.

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

Thanks a lot I am sure most of you wouldn't have been able to ask all the questions I attempted answering to your queries. If there is anything further that you would like to ask certainly you can send the email or telephone calls to Gopal, Vishal, me all of us are available. I need to thank each one of you for the positive response you continue giving and incessant questions you are asking many a times which makes me and Gopal think further and are able to manage the organisation. So I do believe you are adding value to my thought process also. Only one assurance I want to give you that my entire team is seized upon because we have met up with every employee of the company in small groups of 100 to 200 in the last December to January time, sensitizing people to what's happening in the world and what's happening in the country and worst and best scenario that we could be thinking and preparing the organisation to pass the turbulent period. We already have our seat belts around but you can also see a much tougher turbulence. However, the organisation is solid enough to pass through that. During this period of time my team is worried about the balance sheet in terms of increasing the growth percentages? No we are interested in ensuring that we continue investing in technology, continue investing in people. That should deliver a balance sheet which is the best possible in the difficult circumstances. So stand by us. Thanks a lot.

Mr. Gopal Mahadevan: Executive VPM & Chief Financial Officer

Thank you.

Operator



Thank you sir. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

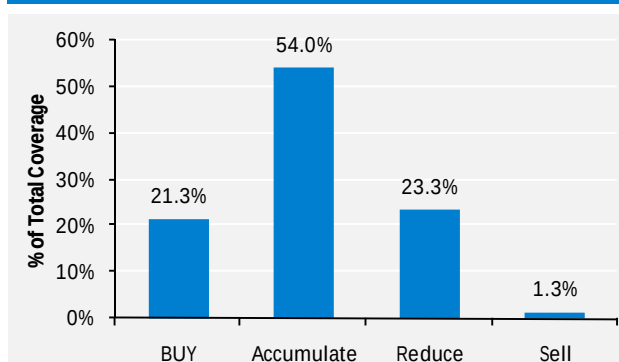


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