Thermax Limited,
Thermax House, 14 Mumbai - Pune Road,
Wakdewadi, Pune - 411 003, India

Regd. Office:
D-13, MIDC Industrial Area, R D Aga Road,
Chinchwad, Pune 411019, India

+91 20 6605 1200, 6605 1202
www.thermaxglobal.com
PAN AAACT 3910D
CIN L29299PN1980PLC022787
27AAACT3910D1ZS
enquiry@thermaxglobal.com

THERMAX

February 16, 2023

To
The Secretary
BSE Limited
PJ Towers, Dalal Street
Mumbai: 400 001
Company Scrip Code: 500411

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051
Company Scrip Code: THERMAX EQ

Sub: Transcript of Analysts / Investors conference call for Q3 FY 2022-23

Ref: Regulation 30 of the SEBI (LODR) Regulations, 2015

Dear Sir/Madam,

Enclosed herewith transcript of the Analysts / Investors conference call for Q3 FY 2022-23 held on Monday, February 13, 2023. The same is also available on the Company's website i.e. https://www.thermaxglobal.com/

We request you to take this information on record.

Thanking you,

Yours faithfully,
For **THERMAX LIMITED,**

KHELE JANHAVI KISHOR
Digitally signed by KHELE JANHAVI KISHOR
Date: 2023.02.16 12:29:11 +05'30'

Janhavi Khele
Company Secretary
Membership No: A20601

“Thermax Limited
Q3 FY2023 Conference Call”

February 13, 2023

ANALYST: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS**

MANAGEMENT: **MR. ASHISH BHANDARI – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – THERMAX LIMITED**
MR. RAJENDRAN ARUNACHALAM – EXECUTIVE VICE PRESIDENT & GROUP CHIEF FINANCIAL OFFICER – THERMAX LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Thermax Limited Q3 FY2023 conference call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on the touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Bhandari. Thank you and over to you Sir!

Ashish Bhandari: Hello everyone and a very warm welcome to this call and wish you all a fantastic Monday and a fantastic week as well. As you know, we released our earnings a few days ago, and you would see a few different things from our earnings consistent with what we had spoken.

First, on the orders front, while we see a lot of strength in our general momentum across industries, overall we have fewer bigger opportunities to work with, and that showed in this quarter. It will continue to show for the next few quarters as well. Second, on the revenue side, we spoke of moderating challenges on the overall commodities cycle, so that is showing as well that things are consistent and a lot more predictable. Overall operationally, I do not think we are having as many surprises, which is a good thing, so there is some consistency, and that consistency in some of those trends is also something we have spoken about previously. The third thing which is how is the market doing and what is the overall environment like; I would say still more glass full than glass empty. Tremendous set of opportunities, especially as we start to look at some of this climate change set of technologies - what they bring about, and so we are entering a phase for Thermax where our mix of the kind of work we do will go through continued change between now and the next couple of years and in that mix, a lot of hard work that goes through has to go through in this immediate period. This is also going to be a period that we will be looking to invest more, get back into some newer areas which may come with some amount of risk, etc., so that could be some of the framework that we have for our discussion today. Like previous times, would speak less at my end, would love to hear questions from you and answer those questions, so let us just get started with the questions.

Moderator: Thank you. We will now begin the question and answer session. We have the first question from the line of Sujit Jain from ASK Investment Managers Limited. Please go ahead.

Sujit Jain: Good morning. Just wanted to know you have spoken in the past about your opex business which is where you are putting utilities at the client end? What kind of capital employed sitting as on today that you have in this business, and what kind of ROC do you expect in that business?

Ashish Bhandari: Rajendran would you want to take this question?

Rajendran A: Sure, so Sujit thanks for that question. I think we roughly have invested close to about - as you know, we have two businesses on this front. One is a solar business and the other is where we offer our steam and water treatment solutions on pay per use model, and then both of these businesses I think put together we would have close to about I would say about Rs. 400 crores of investments at this point of time and the internal IRR requirements I wound not want to be sharing that exactly, but it is upwards of Rs. 15% plus kind of requirement that we would look for on the equity IRR side.

Sujit Jain: Okay, and if you can just split that between solar and TOESL, I assume first energy is the entity in which this solar business will be housed, and TOESL is the entity where this water treatment and other utilities business will be housed right?

Rajendran A: You are right.

Sujit Jain: So if you can just give the split of Rs. 400 crores between the two entities?

Rajendran A: So roughly about while I presume that you will be talking about equity investments from our side, there would also be debt, and the overall capital employed would be slightly more. From an equity investment standpoint, our investments in First Energy would be nearing about Rs. 150 crores, and the balance of the investments is in the TOESL business.

Sujit Jain: And the debt would be in both these entities?

Rajendran A: The debt is a number which I will revert back and give you the number during the course of the call.

Sujit Jain: Is it safe to assume that TOESL will not have debt, but First Energy will have commensurate debt something 80:20 right?

Rajendran A: Both the entities will have debt.

Sujit Jain: Okay and 15% IRR for both the entities combined but I am sure that First Energy targeted IRR will be lesser and TOESL will be higher and that is all 15% income right?

Rajendran A: No, I think as I said I just gave you a rough number on the expectations that we would have, but I think our internal numbers - we do not want to disclose that at this point of time.

Ashish Bhandari: Rajendran I think it would be fair to say the weighted average is higher than 15%. 15% is our minimum expectation, and that is on the solar end. The biomass side comes in higher, solar is proportionately also a slightly lower risk project because the opex and some of the regular tenure of the contract, etc., it is a little simpler in some ways. Biomass, because of slightly more complexity, has got a bit more challenges and hence an expectation that the IRRs are higher as well. Traditionally our IRR in biomass has been about 3% higher than what we talk about on the solar side. Going forward also our investment will likely go more on the solar side than on the biomass side because the biomass side is already generating a fair bit of cash of its own. Even that is on a growth mode, but we will require let us say equity investments than the FEPL one because the FEPL one is on a much higher growth trajectory.

Sujit Jain: Sure and the margins that you have achieved in energy 7.6% gross, do you see further improvement going forward and reverting back to something like 9% to 10% you used to do?

Ashish Bhandari: I have been saying this for some time. You look at our businesses as a blend of three different parts. One of the parts that you spoke about yourself is the solutions business which is where we provide green utilities - whether it be solar based or wind based opex we are getting in. Our last two projects are wind and solar both, so it is hybrid, and then the TOESL portion as well - so this part of our business, we look more as what is your return on equity, what is the long term cash back relative to what you invested and not really at the profitability. Solar, as an example, will be a loss making business for us this year, and even next year it will likely be a loss making business because while we are putting up by next year, we expect to reach 200 megawatts from zero a year ago, so that is a very big ramp up so the whole team and everything that we have put together to be able to put that. The earnings that will come will be over a longer period of time, so even the TOESL business, as we look to take it international, take it in a much, much broader way, will be going through a period of investments. So both of these are businesses that we like quite a bit but will not likely provide the profitability that you are looking at in the immediate term. Long term, they have got very good profile. The second thing I would say - our projects business historically has been 5% to 6%. We think maybe you could increase the profitability out there to give more of a range of 5% to 8%, but that is the range that it will go in. That business is also very good from the point of return on capital because it is running off a depreciated base. Very little capital goes in, it works on a negative working capital and growth path is there. So that 5% to 8% profitability we like. We manage our risks within that, we manage all of our vendor payments, customer, manage all the things that happen. All of it is managed in a negative working capital environment so we like to keep it that way. Then the third part that we have is our products business and products and associated services business. There I think we would like to strive to get to 10% business, 10% profitability. We are not there. If we get a longer run of a good economic environment and consistent commodity prices, I think we can aspire for 10% profitability. Though even there right now with all, everything that is happening in hydrogen and water is having multiple new technology trends; we want to be in a period where we are investing in newer things. So again, I would say 10% profitability may be something that we can do in our base business, but at the blended business energy, I do not think we will get to 10% soon.

Sujit Jain: Thank you. I will get back in the queue, but so blended basis it will be 5% to 10%?

Ashish Bhandari: So as far as blended basis, there is a long, big gap between 5% and 10%, my friend. Yes, I think we can do better to show how our three businesses are mixed up but you too can take a look. FEPL we will report out, TOESL we will report out. Both of them fall within energy. We will start to report out some of our other elements as well, which is our TBWES business. You can see that separate. Our projects business is somewhat familiar to our TBWES business. What remains after that is our products business, and the products business has got a fair bit of what is called environment. Here the entire water business and our environment pollution control business are very strongly product businesses. There I think as the blended number, we should be looking at a good at least 8% to 9% profitability even in the short to medium term and aspiring to 10%.

Rajendran A: Sujit I think I have the numbers which you were asking for. FEPL debt would be about Rs.120 crores, and our TOESL debt would be about Rs. 90 crores.

Sujit Jain: Thank you.

Moderator: Thank you. We have the next question from the line of Renjith Sivaram from Mahindra Manulife Mutual Fund. Please go ahead.

Renjith Sivaram: Good morning, and congrats on a good set of numbers. Just wanted to get some thoughts from you in terms of the order pipeline going ahead in terms of the order funnel that you are looking at because even in the television interview, you were a bit not that positive? You were kind of trying to hint at the peak of the ordering is kind of overrun from here on? The high base will catch up, so if you just give a more granularity like what are you seeing here because even this quarter also we had a decent kind of a number in terms of order intake so how do you see that going forward?

Ashish Bhandari: So I have been saying that for some time now, and I think I have been saying this for two last quarters at least, that we do not see a big pipeline of big projects which were the petrochemical projects and the SGD projects. Both of those we have been saying that the wave is over and that specifically on petrochemicals, I think six months ago when there were actually two major projects, one for one major refinery. We had taken a step back from quoting at very low practice, and saying look we would rather go for some better margin businesses because we could see a fair bit of opportunity in a different set of projects, and I will maintain that we are seeing good momentum. We are not seeing any sort of concern that we have crossed a peak or anything. The topline will be a challenge because you do not have a Rs.1,000 crores and Rs. 800 crores order which we had two of last year, and we are still backfilling what remains with a lot of things that are in this Rs. 10 crores to Rs. 50 crores mix, and we have to fill a lot of them to get to a Rs. 1,000 crores order, as you can imagine. The fact that we are still doing it and coming somewhat close is the testament to an overall healthy pipeline that we see and an overall cycle capability that we see, and I will continue to be in that range. I think this year also we see reasonable momentum, and we see reasonable momentum going into next year. We do not see big projects, so if we do not see big projects, it will hurt our ability to show good growth in the order book side, but with that said, we should be getting into a place where we should be able to grow our order books somewhat at least that is the plan that we are building.

Renjith Sivaram: Okay, and if you can just throw some clarity which are all the areas where we are still seeing demand, and you are positive on?

Ashish Bhandari: A lot. If you take a look at and a lot of these are associated with energy transition - the steel sector is one which is possibly not driven by energy transition but is driven by lot of the steel industry coming in and saying look we need to put in new capex - so there we are seeing momentum. The entire sugar, ethanol, distillery space is continuing to be strong. It has been strong for 12 months. It will be strong for at least another 12 months, in our opinion. Cement - we have got new capacity coming in, so previously we were going through a wave of brownfield replacements for waste heat recovery. Going forward, we will be seeing new capacity coming in and then the tail end of the waste heat recovery cycle. Chemicals - we are seeing a wave of momentum which is continuing from what we have seen in the past. Decent activity in pharmaceuticals, decent in food and beverages, so overall strength other than a couple of sectors, especially refining and petrochemical, will be weaker, but otherwise, we see decent momentum across sectors.

Renjith Sivaram: Okay, and Sir what is the status of the European subsidiaries currently like we have all the challenges in terms of the winter and gas prices, everything over - or you still believe that there are some more challenges out there?

Ashish Bhandari: No, we see I think improved numbers. The gas challenges and all have come down. They have reasonably strong demand as many of the European countries look to cut their energy supplies off Russia, so we are okay overall. I do not think it will be great. It will not become 8% to 10% profitability business, but as we look at the next 12 months, we do not see it as being a drain at least yet, we do not expect losses. We expect continued low profitability but continued profitability and reasonable volumes in our European operations.

Renjith Sivaram: Okay Sir, thanks and all the best.

Moderator: Thank you. We have the next question from the line of Deepak Krishnan from Macquarie. Please go ahead.

Deepak Krishnan: Sir, I just wanted to check on your enviro segment margins. They were pretty strong over the last two quarters. Since the large issue of the FGD projects is largely behind, should we kind of expect with the next two that you are executing are at a much more better margin profile?

Ashish Bhandari: So what was happening on the FGD is, as you can imagine, you have a base cost with the FGD business and because you look at a project based revenue recognition and there are some specific milestones that you need to hit to recognise revenue. So far as the revenue we were recognising was relatively small, which is why that base cost that we have, we were not able to liquidate it to the extent that we would have liked. FGD is now for the past two quarters and especially in the last quarter and for the foreseeable future is getting into the place where revenue will start to get liquidated, so we do not expect as things stand for the FGD business to be reporting losses. It will not be making a lot of profit either. But we expect it to make consistent profitability going forward and with the revenue schedule that is may be slightly delayed relative to what we may have previously committed but only slightly - very, very marginally lower than what we have previously committed. Rajendran, anything to add?

Deepak Krishnan: Sure, Ashish may be another follow-up question for you. Just wanted to kind of understand while you are saying that we do not have large Rs. 1,000 crores order, but we have already declared close to an Rs. 200 crores ESP order. What is the pipeline in terms of those mid-range orders - the Rs. 100 crores to Rs. 200 crores because our base business which used to be about Rs. 1,300 crores then went to Rs. 1,600 crores, and today now it may be Rs. 2200 crores. It looks like it is sustained at these levels. Is that understanding correct?

Ashish Bhandari: I think maybe not Rs. 2,200 crores. It is not like I think even this particular order which you saw. It made the threshold by Rs. 1 crore, and the threshold was set when we were at Rs. 5,000 crores business that we need to report out anything that is above Rs. 250 crores and at one point when our threshold had gone below Rs. 5,000 crores, we were reporting things that were above Rs. 200 crores as well. Going forward, we need to change our threshold, and to me this is also the SP order was not something that merited reporting out. It is just an order in the normal course of business. In the Rs. 50 crores to Rs. 200 crores orders, we have had quite a few in the last couple of quarters as well. So, it is not like we have not had momentum. We have had a fair bit of momentum and we will continue to have these kind of projects in the future as well. I think Rs. 200 plus crores orders, if we look at our pipeline maybe there are two or three more that are possible in the next couple of quarters, but I think we will be okay even if we do not get those kinds of orders. I think we see enough strength in the smaller book to be able to hit Rs. 200 crores order book on a consistent basis. I think that we should be able to achieve.

Deepak Krishnan: Sir my other question was more on terms of your investments into newer technologies like while we have indicated that we have been evaluating newer technologies for about six to nine months now? Any progress or any update that you think would be meaningful, probably over the next six to 12 months?

Ashish Bhandari: So we have been working not just for the last six to nine months. We created a new energy division almost two years ago to start working on some of these things. Some parts which you would be seeing in the background already happening are things around like bio-CNG where the orders are of the order of Rs. 40 crores to Rs. 50 crores, and we have kind of built up somewhat of a leadership position in the way we are working on municipal solid waste to bio-CNG, biomass to bio-CNG, getting into more and more things that are biomass related in several different ways. So that is one example where not only have we taken a position, but we have kind of started to work down. In solar, we had said which is not really new technology but for us was a new area to get into which was the opex solar. We started with solar; then we added wind, and now we are looking at cases where we can integrate storage into this as well and taking a business which was zero and now kind of getting to 200 megawatts in the next 12 months. We have a fair bit of confidence that we will have an installed capacity of 200 megawatts in a year. This is all homegrown, no MNA nothing - stuff that we have put together ourselves brick by brick. So then you come back and say - look what are other new areas that are possible. We have been working on coal gasification for a very, very long, long time. Thermax has been working on coal gasification for may be more than six to seven years, and in the last one year we have demonstrated home grown Indian technology for coal gasification with confidence that if India wanted to work with high ash coal, our technology was perhaps the best one to look at and now we are working to say look help us scale up this technology because as Thermax we cannot go take a technology which we have developed and straight go into a Rs. 2000 crores project. We are wanting some set of Rs. 200 crores to Rs. 500 crores projects where we are willing to put some of our own money at risk to showcase this. The government has been taking about VGF funding for coal gasification projects, etc., etc., but all of that is still just not making its way to the ground, and we would love for some of this to be showcased. So that is an example of new technology that we have been working on. On hydrogen, we have been working on biomass to hydrogen, where we think we are working on areas which are relatively new. We are also looking at partnerships for hydrogen overall to get into some of the newer spaces as well, including electrolysers, etc. Nothing to report right now, but very actively working at least in some of these spaces - looking at carbon capture, looking at various different aspects of what the new energy world will require, and as things mature, we will come back and share more details. So some that is here and now, some that is pregnant, some that is too early to speak about but where we thing we need to invest and not. A lot of the questions which you are asking around - give me 10% profitability right now and I am saying this is not the time to ask for that because we need to be putting in some amount of our money as risk capital in some of these newer areas because without it we will not be setting the company up for the future. I very strongly believe that this is a great time to build a Thermax for the next 20 to 30 years, not just the next two to three years.

Deepak Krishnan: Sure, Ashish thanks for the answers. Those were my questions, and best of luck for the future quarters.

Moderator: Thank you. We have the next question from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Good morning. Sir, first on the competition side if you can highlight from the product segment perspective - has the market been growing very significantly and we have improved our market share from the project perspective also how is our hit rate and the competitive intensity in terms of the differential between may be L1 and L2 or the lowest bidder. If you could touch on those aspects from the competition perspective that is my first question?

Ashish Bhandari: Okay, it is very competitive across the board. The kinds of products that we provide, our customers have choices and we are not at all in anything relating to a text base or anything that would come back and say that we have access to any unique technology which is not available to anybody at all. With that said, in most of the areas that we operate in, we have at least some sort of a leadership position where we can command some sort of a premium that is based either on the customers trusting us that this complicated solution Thermax can engineer it better than anybody else or because that the customer has a preference that Thermax just from as a partner of trust would be the one that they would look to work with. Of course, then you have government projects which are completely on an L1 basis where also we have been prepared that below a certain margin, we will not go and we perhaps walked away from the biggest project in our history because the margins did not make sense so that as an example of where competitiveness is. Now let me take examples of all the first ones that I have spoken about. Like in the places where customers trust us to operate from an engineering and a technology basis better than our competitors, so the entire biomass space is something of that sort - biomass, multifuel, and waste to energy all of those. Our competitors can say I can do it as well, but Thermax has about a 40% market share across because when the application gets a little difficult customers to prefer to have some peace of mind, and they will come back and at least give us the last look. The last look may not be worth more than 2% to 3% but at least you get a last look. In our water business, we are not always having that technology edge, and our ask is to build a technology edge in water the way some of our other waste to energy and our heating and other places as well and our cooling solutions are. In places like bio-CNG that I mentioned, customers come to us with a clear preference and saying look this is the price I will do and look to negotiate with Thermax, but those we come to it from a position of strength, so that is the kind of one bucket. Second, are places where customers trust us to execute the project well and just a partner of choice. We are seeing this in solar. In solar, there is no technology difference. The difference between us and the next one would be may be Rs. 2 paisa to Rs. 3 paisa. Here where we would be expensive by Rs. 2 paisa to Rs. 3 paisa relative to the person who is not chosen in a way. In many cases we to are not being chosen where the customer says - look I will give you a price but that price then looks like a 12% to 13% IRR for us, and we walk away from that business. IRR minimum threshold has been 15% to 16% on the solar side. We walk away from this, but many customers if they are putting their own money into a project like the idea that there is a Thermax out there which is managing the 75% and a company that will be rock solid through the execution phase and we have got similar examples on larger waste to energy projects. The entire steel industry in a way is a place where we hope to work that way. TOESL is an area where we have significant market share because customers trust us to manage biomass better than anybody else, and here in India we have maybe a 90% plus market share in a TOESL kind of a business where the tough part for us is to convince the customer to go from coal to biomass or from liquid fuels to biomass, but after that, we do not have as much competition from somebody else just because we have extremely strong execution capability overall. Where we are focussed on as we go forward is to focus really deeply on the services part of our portfolio - bring digital in, and bring customers better insights from that digital capability, have AMC capability, rapid spare parts because these are all areas where we think we can grow profitably without really having the competitor to speak of and services have been growing for us at above 20%. Last year it grew 30%. This year also we expect it to grow. Next year also we expect it to grow 20%, so we have been able to grow services which are hopefully a more of a repeat kind of a business and grow that profitably and some of that is now showing in our bottom line as well as we go forward. So, a long answer to your question, but I hope I have given you a flavour of at least how we are looking at competitiveness.

Charanjit Singh: Yes Ashish, thanks a lot. That was very helpful. Just last question from my side is on the exports market. What is the contribution from exports right now, and how do you see different markets because of the various concerns that we are seeing in terms of export markets slowing down? Are you seeing any specific trends there?

Ashish Bhandari: So export markets, long answer again. So by export market, I will say not our international business, which includes Danstoker and PTTI and all that. I will talk about our export markets and stuff that we make in India and send outside. That portion of our business has been somewhat slow because we have not seen as many big projects internationally the way we used to see. Certainly, the Dangote kind of projects, even like three years ago, two and a half years ago when I was relatively new, we had a Pemex order that was quite nice. We do not see larger projects of that kind immediately. We are seeing a pickup in activity. We see a fair bit of activity in the Rs. 50 crores to Rs. 100 crores projects, and going forward we see a good pipeline of similar waste to energy projects in South East Asia and Africa and other parts. So, we like that pipeline overall, but we do not have anything big and dramatic to share internationally either. Where we are seeing good activity, I have spoken to you about. We are also seeing few examples of China plus one showing up in our export side where global waste to energy leaders previously, and by the way many waste to energy leaders globally have got no manufacturing capability of their own. They work on core engineering and then they partner, and most of that business was going to Chinese players. Now we see people coming to India, and we have broken through on a couple of these bigger names on waste to energy globally, and as we execute that projects, we are hopeful that they will come to us for more and more repeat business as part of this. Then the last bit is our chemical business which has been doing reasonably well, growing reasonably well, not growing as fast as our higher end expectations and that is because couple of those areas especially in the US are seeing some amount of slowdown, and it is a little bit of slowdown. We are still very, very bullish, but that team has missed our internal growth projections. It is still growing, but not at the higher end of what we expected. Overall, I think my number would be we have gone through like the highs of previous times that we have had on export, we are not there. We should be doing better than where we are right now, but still not any one big bang project to announce, but continued momentum based on a relatively low base that we are at.

Charanjit Singh: Got it. That was very helpful. Thanks for taking my questions. That is all from my side.

Moderator: Thank you. We have the next question from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: Good morning team. My first question is broadly related to the domestic and the exports mix, especially on the energy segment of the market. If we see the run rate of the orders that we were winning in this market has steadily improved from 7 billion to 8 billion to now Rs. 1,000 crores plus kind of run rate so you did mention that now you are seeing a variety of mid and small size orders and the momentum remains pretty healthy. So excluding large orders in your view, should we be able to sustain a double-digit growth momentum over this Rs. 1,000 Crores run rate, or you think this is still a mix of mid and large size projects which are required to drive growth from here on?

Ashish Bhandari: If India capex holds with this trend that it has right now and with some of the newer things that we are doing, a double-digit is something that we would like to see. We are planning, we are seeing at least pipeline because the problem with some of the shorter orders is that you cannot look too far. A large order you start working on it may be even six to nine months before it happens. The smaller stuff lot of it is in the mix, but the close rates depend completely on sentiment and overall look, and right now, I would say the sentiment is positive.

Renu Baid: From your perceptive by when do you expect to see some of these mid and large size projects from the steel sector because they are large and lumpy in terms of size; so from project timelines by when should those orders accrue to Thermax in terms of order inflows FY 2024 first half or second half - a broad timeline?

Ashish Bhandari: Second half of FY 2024.

Renu Baid: FY 2024 got it. Second on the energy international piece of the business, while in the previous question, you did mention that you have been trying hard in multiple segments, while the domestic refinery segments price pressure is refrained. But after Dangote, our credentials with quite a few oil and gas majors have been through, so how are we looking at order prospects in the oil and gas segment, especially from Middle East or Africa buckets? Do you think there could be something in the kitty in the next two years in terms of project pipeline, or it may still take longer on this side?

Ashish Bhandari: I think two years may be a more reasonable horizon. We do things that we are lot better or more widely accepted across the board, including right now portions of Latin America as well. There are two things going on. The first is right now there are no big petrochemical projects coming up anywhere in the world, which is perhaps also a sense of where the world sees its future. Even in the Middle East, you are not seeing any new refineries or petrochemical projects specifically coming up. There are quite a few downstream projects that are starting to come in, which brings me to my second point that I think Thermax can do more to establish its self credentials in some of these Middle East markets, in particular where we are a good name, but we are not a local name like local entity in Saudi. We do not manufacture out there, and a big chunk of the market of the downstream market is actually action happening in Saudi where it is happening for local manufacturing and local production - all of those kind of things. It is not something that we are deeply involved in. I think we are seeing a good set of projects, but I would agree with you that we are not as local in some of these markets where downstream activity is happening as we should be, and I am not committing that we are going down that road. Our focus has been South East Asia, and we put up a big plant in South East Asia. Right now, my primary focus in terms of where our money goes is more in new energy, and we do not want to go into putting up a new plant somewhere else internationally and getting that plant to three years of stabilisation and all that. Our focus is more on getting into some of these new energy areas and starting as India is our home.

Renu Baid: Got it. The other question would be as I look at the chemical segment, while you have highlighted growth across some of your sub-categories in terms of water, oil and chemicals how does the mix broadly stand at the end of nine months or probably at the end of 2023 and in your view if US slows - will the growth be incrementally driven by construction and water segment for us for the next 12 to 18 months and will that also have an impact on the margin mix?

Ashish Bhandari: I would say overall on chemicals at least, we continue to be quite bullish, and we are focussing on double-digit profitable growth again, and we will continue to look at capacity additions, adding new segments, new technologies, and new capabilities. So, we are preparing internally for a much longer investment cycle in chemicals with continued reasonable profitable growth which means and by reasonable profitability, I mean this teen's profitability and good growth but with investments and for a much longer period than just three to six months. We are preparing for a three to five year cycle on chemicals.

Moderator: Thank you. We have the next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you. Good performance on the profitability Ashish. Two questions from my side. If you could just help us within the energy we have this so called BB boiler business and the chiller business - if you could help us understand your underlying growth trends of this business in the nine months and the kind of growth that we are seeing - how profitable are these that is the question one and second is what has been our losses in our international subs and on the trend line of how do we see that will be useful to understand? These are my two questions.

Ashish Bhandari: I will take the second question first. I think that is an easier one to answer. Both are. I will give you direct answers on both. On international, I think we had I would say a trend which has been now going on for six months where we see better visibility and improved numbers. We do expect both our international subsidiaries which is Danstoker and PTTI, which are manufacturing subsidiaries, to be in aggregate profitable for the next 12 months maybe even the next 15 months of which we have visibility and both individually to be profitable as well which is the change from where we have been in the past and doing that with some amount of consistency. So PTTI, I would expect four out of the next five quarters they should be breaking even. Similarly, Danstoker four out of the next five quarters they may be breaking even. One quarter here or there because they both somewhat close to the edge in the 2% to 6% profitability range. Maybe you may have one negative surprise here or there, but I think they should both be okay for the next 12 to 15 months which is much better than where they have been for any length of period, and we have been seeing that order buildup in some strength for the last two quarters, and that is what gives us this confidence overall. I think that is my answer to your second question. On your first question, historically, our cooling business has been within our product business our most profitable business, which is not the case right now. If profitability has come down from high teens to mid teens and even kind of edging to the boundary of coming to double digits and not being teens profitability and that has been driven by and I am talking about EBITDA. Here there is a deprecation impact on that business which pulls it down even lower, but that is driven by two things on our cooling business. One is that commodity prices - the primary chemical that goes into this is lithium bromide, and lithium prices have gone up like four times, literally four times, lithium bromide prices have gone up four times, so that has created a lot of pressure on our cooling business. They have done a lot of cost out but even with that margins have fallen because we are working in a competitive space overall. The second thing that has happened is the mix within cooling has changed where a couple of applications that were driving our cooling business, those applications under the new energy world are no longer of interest to our customers where the customers who do gas fired engines and take the waste heat from those gas fired engines to drive our chillers, to drive chillers through our capability. So, those gas fired engines market itself is going down and which is the cogen market and so our need for chillers is also going down so it is being affected. Overall this has been the area where we have grown the least. With that said, cooling long term we are very excited about because India will need cooling solutions and industrial cooling solutions for the next 50 years, so we need to branch out into some of the other areas and build up our cooling business and our focus over the next three years is going to be to build our cooling business and get back into an aggressive growth more but for that we will have to invest a bit in this business as well. On the other side, in our heating business, which is our small boilers business, we have been doing incredibly well. We have been keeping our market share at 40% kind of a number holding on to our prices, improving our profitability thereabouts and in this kind of space, we have been holding on our own, which has somewhat been reflecting in our TOESL business also having extremely high market share and here our profitability has been improving as well. So, our blended profitability number has stayed about the same, but cooling has been coming down in profitability, and heating business has been going up in profitability.

Bhavin Vithlani: Thank you so much for the elaborate answer. Really appreciate it.

Moderator: Thank you. We have the next question from the line of Amit Anwani from Prabhudas Lilladher. Please go ahead.

Amit Anwani: Thanks for taking my question. My question is on the FGD. You already highlighted that it depends on the threshold just wanted to understand how much is the FGD order book and how are we seeing the revenue booking coming in Q4 and FY 2024?

Ashish Bhandari: Rajendran do you want to take this question?

Rajendran A: Did I get you right in terms of what is the revenue recognition on the FGD side?

Amit Anwani: Yes Sir?

Ashish Bhandari: And the number we expect for 2024 based on the backlog.

Rajendran A: Sure I think Amit, roughly the revenue recognition would be between Rs. 500 crores to Rs. 600 crores for the full year during this year in FY 2023 and in FY 2024 as well.

Amit Anwani: Sure Sir. I just wanted to also understand in our book how much would be the base order and how much would be the proportion of large orders, and what is the average duration of the large order?

Rajendran A: You are talking specific to FGD or overall?

Amit Anwani: Overall book.

Rajendran A: So I do not think Amit we would have any sense of the way that you are asking. We have bagged a few couple of orders in the last one to two years. We have highlighted to you a couple of large orders that we have won - the FGD one as well as the sulphur recovery block order that we had won, so I think a couple of orders are there which are large in the Rs. 500 crores to Rs. 1,000 crores range which we have deployed in the last one to two years; however having said that in the last three quarters you would notice that we have not reported any large orders of that size - neither in FGD nor in the other businesses. So, I think you should note the large order businesses are obviously with the execution coming down, and our orders of the regular sizes are the ones which we will be executing going ahead.

Amit Anwani: Sure my last question is on the order pipeline. We mentioned that there is some moderation seen on the refineries in kind of large orders. On the other hand we are seeing the oil and gas companies continuously doing capex, so any specific thing you would like highlight why we are seeing the pipeline moderating on the oil and gas segment?

Ashish Bhandari: Could you repeat. I think I lost you at the end. You talked about oil and gas and refinery.

Amit Anwani: Just wanted to understand why are we seeing moderate order pipeline?

Ashish Bhandari: Completely you can take a look - India Reliance stopped announcing any new projects on oil and gas and refining for all practical and it is not that we are not doing. We do a lot of service work. We do a lot of smaller - which are upgradation, brownfield projects, and service opportunities. We do have lot of that. What has stopped is the new refineries so India announced the HRRL Refinery, which is the one in Barmer in Rajasthan and after that there has not been any new refinery announcement. There are talks that the Bina refinery will start again, and whenever the projects come for Bina refinery - if and when they come, we will show that in our pipeline again but it is completely driven by a cycle. When Covid was going on, lot of the backlog on those large projects was accumulating. In the second year of Covid, a lot of those projects got released and closed out, but now we do not see as much new activity. I think if we wait a couple of years, the new activity will come back. I do understand like Nayara is planning a big investment. HMEL is planning a big investment. The Bina refinery is looking to get accelerated again but they are not in the next 12 months. So, I think the action may move 12 months plus from now.

Amit Anwani: Sure last question if I may squeeze in. On the MOUs which we used to talk about I think last year with power roll on solar films and air independent propulsion system for submarines - any update you would like to share on this?

Ashish Bhandari: I think power roll was a very, very small MOU and that was 15 to 18 months ago. I do not think while we look to watch that space closely, I do not think there is anything imminent that can come from that. The independent air propulsion systems are something that we continue to work closely with the navy on. We expect continuous order supply from the navy for these systems. It has been very tough to understand that when the navy comes in and says look I have got these 100 units of this that I need, why would they not place orders and we have been having a tough time running the plant just waiting on orders from the navy because it just goes through this very difficult ordering cycle within. So we have reached the point that we have said we cannot run losses anymore, and we will only execute even a single order if we have visibility into a continuous long term order book from navy. We are very hopeful of making this come through because we have worked for years on this, and there is nobody else who can do this in India or even otherwise. So we are very hopeful that we will reach a point of consensus. We are close, but we are not there yet, so that is on that second one. What else did we announce as MOUs?

Amit Anwani: I think that is about it Sir.

Ashish Bhandari: So otherwise, I think we are quite active on many of the waste to energy things that we announced and the EverEnviro one that we announced. There are quite a few others that we continue to be extremely active on.

Amit Anwani: Thank you very much Sir.

Moderator: Thank you. That was the last question. I would now like to hand it over to Ms. Bhoomika for closing comments.

Bhoomika: I would like to thank Mr. Bhandari and Mr. Arunachalam for answering all the queries and giving us an opportunity to host the call as also all the participants. Sir wishing you all the very best. Any closing remarks from your end?

Ashish Bhandari: Nothing from our side. Thank you very much for your time.

Moderator: Thank you Sir. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.