
Thermax expects FY 2010 nos to be lower - Mr Unnikrishnan

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Thermax has reported its second quarter results for FY10. Its Q2 net profit went down at INR 54.1 crore as compared to INR 57 crore. Net sales declined to INR 667.8 crore from INR 790.7 crore.

Mr MS Unnikrishnan CMD of Thermax in an interview with CNBC TV18 spoke about the results and his outlook for the company. Here is a verbatim transcript of the exclusive interview with Mr MS Unnikrishnan on CNBC-TV18.

Q. Where has the pressure come this time around, where are you seeing the dip segmentally?

A - That was anticipated. If we look at between Q1 and Q2, we were 25% for Q1 in comparison to the previous year. It has improved in Q2 to -16% and I am expecting it to be rising up. Capital equipment industry should be treated slightly differently than the conventional, looking at our business. All the difficulties that was faced in Q3 that is Oct-Nov-Dec quarter when the entire world collapsed is the time when we didn't have orders coming in, because we have a delayed delivery period. All the orders picked up in Q3 would have actually hit in the last and current quarters. Our order bookings have improved substantially and order book position has also improved. Despite the reduction of about 14.5% on the topline our PAT level is maintained at -5 which is an improvement in the operational efficiency of the company.

Q. There seems to be a little bit of a concern on your order book. How much of an improvement have you seen and where does your order backlog stand as of now?

A - The group has got INR 5,060 crore of orders. Thermax Ltd is INR 4603 crore as against INR 4071 crore in the last quarter end. It is an improvement of about INR 600 crore in one quarter.

Q. Your environmental segment is seeing a little bit of pressure. How do you plan to combat that?

A - The environmental segment certainly has a reduction in order intake as well as also on the revenue recognition side because the energy numbers have started increasing already. The environment normally follows later. There is sufficient activity currently going on in the municipal segment for the sewage treatment plants. On air pollution control also we have declared an order which we picked up of USD 20 million from Egypt. There is a couple more in the pipeline for finalisation going forward.

Environmental expenses normally come down when there is an economic difficulty. Pollution control becomes the last of the priorities for the industry when you normally have a difficult year of evaluation. But things are improving on that account also.

We have done two more tie-ups with Wehrle of Germany and second with GE for membranes to be distributed in India. So all put together going forward it is a positive sign for the environmental segment also.

Q. What percentage impact do you expect to see due to lower raw material costs going forward and what can we expect as far as your profits are concerned going into the next couple of quarters? Do you see it move higher from here on?

A - Raw material costs are expected to go up. It is stable right now but in the last quarter there had been one increase in steel prices. We are certainly expecting that as the market and demand picks up, the companies will increase their prices. But we are not going to be impacted by that because for carried forward orders, the order backlog at this point of time, we are fairly well covered for the forward raw material. So whenever the price increases happen, we will try our level best to pass it on to the market also. There is pressure but there is nothing substantial to worry about.

(Sourced from CNBC-TV18)

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