



October 4, 2010

ICRA reaffirms LAA+ and A1+ ratings to bank facilities of Thermax Limited, rated amount enhanced

ICRA has reaffirmed LAA+ (pronounced as L double A plus) rating assigned to the fund based facility aggregating to Rs. 250 crore¹ and A1+ (pronounced as A one plus) rating to the non fund based facility aggregating to Rs. 4450 crore (enhanced from Rs. 2000 crore) of Thermax Limited[†]. The long term rating carries a 'stable' outlook.

The ratings continue to reflect the company's strong market position in the energy segment business; currently strong order book position and a very comfortable financial risk profile. The company derives sustainable competitive strengths in its main business segments, energy and environment, from its technological strengths; established track record and the ability to offer turnkey solutions, as reflected in its healthy closing order-book position of about Rs. 6331 crore as on June 30, 2010. Also, with the technology license agreement for utility range of boilers in place with Babcock & Wilcox, USA in March 2008 followed by incorporation of JV² with Babcock & Wilcox, USA in March 2010 for domestic manufacture of super-critical boilers, the company is now expected to benefit from favourable demand potential for utility-scale power plants. While the company's business prospects over the long term are exposed to the cyclical nature inherent in the key user industries, the risks are partially mitigated by its diversified customer and product profile; entry into utility range of boilers as well as initiatives undertaken to expand the solutions in the environment segment such as the Joint Venture route and technical license agreements with leading technology companies. As for the environment segment, the company's entry to provide solutions for the environment segment is less cyclical, thereby relatively insulating it from business cycles. ICRA notes that the company's ability to win large-sized orders (that is, for utility-scale power plants) and execute the same in a timely manner and within the budgeted costs will be critical to its profitability, given the competitive pressures from established companies and also the 'fixed price' nature of such contracts. ICRA has, however, drawn comfort from the company's comfortable financial risk profile at present, as reflected in its zero-debt status and an excellent financial flexibility arising out of unutilised bank limits and liquid investments of Rs. 900 crore as on March 31, 2010.

Company Profile

Promoted by R.D. Aga in 1980, Thermax Limited is involved in the business of providing equipment and services solutions in energy systems comprising boilers, heaters, chillers and captive power plants and environment-friendly systems comprising air pollution control, water and waste treatment solutions and speciality chemicals. The company's key strengths lie in providing turnkey solutions for captive power plants and boilers for industrial customers across sectors such as iron & steel, cement, textiles, pharmaceuticals and refineries. The company's manufacturing facilities for packaged boilers and heaters and cooling systems are located at Pimpri-Chinchwad near Pune. Its manufacturing facility for utility range of boilers and heaters is located at Savli in Vadodara. The facility to manufacture speciality chemicals is at Khopoli near Pune in Maharashtra and that for absorption chillers is in China. With its research & development centre located at Chinchwad and design engineering offices across metropolitan cities in India, the total number of permanent employees on the rolls of the company as on March 31, 2010 is 3631.

September 2010

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² In this JV, the company holds 51% and balance 49% is held by the technology licensor, Babcock & Wilcox, USA.

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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