October 03, 2025

TEMA India Private Limited: Ratings reaffirmed with change in outlook to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Cash credit	52.00	52.00	[ICRA]A- (Positive); reaffirmed with change in outlook to Positive from Stable
Long term/Short term – Non-fund based - Others	589.00	589.00	[ICRA]A- (Positive)/ [ICRA]A2+; reaffirmed with change in outlook to Positive from Stable
Short term – Non-fund based - Derivative limit	9.00	9.00	[ICRA]A2+; reaffirmed
Total	**650.00**	**650.00**	

**Instrument details are provided in Annexure I*

Rationale

The change in the outlook to Positive factors in TEMA India Private Limited's (TIPL or company) sustained healthy operating margins, supported by an improved scale and the execution of margin-accretive orders. The revenues grew by 34% to Rs. 533 crore in FY2025 from ~Rs. 398 crore in FY2024 and the profitability improved to 23.4% during the same period from 22.3% in FY2024. ICRA expects the revenue growth and profitability to remain healthy, going forward, given the current outstanding order book and a strong pipeline of orders.

The ratings also factor in a healthy financial risk profile with comfortable capital structure and coverage metrics. TIPL's gearing was 0.05 times as on March 31,2025. The capital structure remains comfortable with interest coverage of 11.2 times and total debt/OPBDITA of 0.1 times in FY2025. The leverage and coverage metrics are also expected to stay comfortable, going forward. The company had an outstanding order book of Rs. 593.6 crore as on August 31, 2025, providing healthy revenue visibility for the near to medium term. TIPL has won orders from nuclear power plants and has a strong bid pipeline in these segments. These orders are expected to increase TIPL's penetration in the end-user segments as well as expand its product profile. The order book is moderately diversified with nuclear accounting for 40% followed by refining (both domestic & export) at 37%, chemical and fertilisers (domestic and export) 11%, defence 6%, FPSO 1% and others 4% of the order book as of August 31, 2025.

The ratings continue to factor in the company's established position as an equipment vendor of shell and tube heat exchangers, its reputed customer profile and the technical expertise of the promoter group. The ratings also consider the healthy demand prospects for heat exchangers and pressure vessels, primarily from the downstream oil and gas sector and FPSO vessels, though the geopolitical uncertainties remain moderately high.

The ratings remain constrained by the profitability being exposed to commodity prices as majority of the equipment supply contracts are fixed price in nature. The fluctuating international prices of raw materials like steel, inconel and titanium further exert pressure on the company's profitability. However, TIPL enters into raw material supply orders immediately after receiving the work orders to cover itself from any significant price fluctuation risk. Further, the orders in the nuclear segment have a price escalation clause, which provides some comfort. TIPL's revenue growth also remains linked to the capex plans of the end-user industries and any sluggishness in investments may moderate the company's order inflows. Nonetheless, the risks are mitigated to some extent by the company's track record of supplies to global oil and gas as well as chemical and fertiliser companies that partially insulate it from a slowdown in any particular geography or end-user segment. Also, the ratings factor in the working capital-intensive nature of the business.

Key rating drivers and their description

Credit strengths

Established position as equipment vendor for shell and tube heat exchangers – TIPL is an established equipment vendor and features in the approved vendor list of leading global EPC contractors. The company has a reputed customer profile and has established relationships with its key customers. The company has been supplying comprehensive technology-intensive tailormade products across multiple end-user industries, deploying diverse metallurgies (usage of materials such as inconel and titanium).

Healthy order book position – The company had a strong order book of Rs. 593.6 crore as on August 31, 2025, providing revenue visibility for the near to medium term. Besides, it has a strong bid pipeline. The current order book is moderately diversified with nuclear accounting for 40% of the orders as on August 31, 2025, followed by refining (both domestic & export) at 37%, chemical and fertilisers (domestic and export) 11%, defence 6%, FPSO 1% and others 4%. The company is focusing on diversifying its end-user industries, on the back of increasing opportunities in the global and domestic FPSO, nuclear, defence and clean/bio-fuel segments, along with its in-house R&D capabilities, growing market penetration and capabilities to deliver comprehensive high-tech tailormade products.

ICRA notes there has been a favourable shift in the quality of TIPL's order book with the recent orders from the nuclear sector where the equipment required to be supplied is different from the heat exchangers, thus diversifying its product profile. However, a timely execution remains critical as there are some orders from new business segments the company has started catering to.

Improved financial risk profile with comfortable capital structure – The revenues witnessed healthy growth in FY2025 and the profitability improved to 23.4% from 22.3% in FY2024, owing to the increased scale and a higher mix of margin-accretive orders. TIPL has a comfortable capital structure due to its low dependence on external borrowings, which are largely working capital in nature. The gearing was 0.05 times as on March 31, 2025. In FY2025, the coverage indicators improved with an interest coverage of 11.2 times and TD/OPBDITA of 0.1 times compared with 7.6 times and 0.2 times, respectively, in FY2024.

The advances from customers were at ~Rs. 177 crore as on March 31, 2025 against ~Rs. 194 crore as of March 2024. The advances are expected to reduce, going forward. TIPL is expected to generate stable cash flows in the coming years as the revenue scales up with the increasing order book. The expected revenue growth, supported by a favourable order mix, may keep the company's incremental reliance on debt under check and its capitalisation and coverage metrics may improve.

Healthy demand prospects – The demand prospects for the company's primary product, i.e., heat exchangers, are driven by planned capacity expansions in the chemical, fertiliser and downstream oil and gas sectors (including FPSO and biofuels). In addition, the diversification into other verticals such as orders from the nuclear sector for titanium and stainless steel frames, and special distillation columns, augurs well for its business prospects. ICRA notes that TIPL holds an India patent for the shrink ring technology, which plays a critical role in withstanding extreme pressures and temperatures, crucial for refining renewable fuels.

Well-positioned to cater to expanding global opportunities - TEMA is now catering to diverse end-use industries such as refineries, LNG, FPSO, biofuels, petrochem, specialty chemicals, fertilisers, thermal and nuclear power. The company's products entail critical technology, which, coupled with the ability to offer competitive pricing, help to balance the export and domestic orders. Further, better payment terms in the export orders, such as higher customer advances and nil/lower retention money, and a meaningful capex recovery in the global market are supporting the order book. Hence, the order book is expected to be skewed towards exports with emerging opportunities in the clean fuel, waste-to-energy and FPSO segments. In the domestic market, TIPL is likely to benefit from the tailwinds in the Indian nuclear and chemical industries. The implementation of stricter emission standards has led to refinery upgrades in the US, Canada and APAC. Also, implementation of higher fuel standards in India and China will potentially lead to higher order inflows over the medium term.

Credit challenges

Profitability exposed to volatility in prices of key raw materials and intense competition – Raw material cost forms ~60% of TIPL's operating income. Hence, any adverse fluctuation in the cost of raw materials would impact the company's operating profitability as its equipment supply contracts are fixed price in nature. The company makes efforts to enter into back-to-back fixed-price contracts for major raw materials owing to a long manufacturing cycle. The contracts are typically inked within one to two months from the award of an order, which partly mitigates the raw material price risk. Further, the orders are generally awarded by the target clientele through an open tendering process. The process equipment industry is highly fragmented, which exposes the company to intense competition from domestic and international players and may induce pricing pressures.

Lumpiness in revenues and order bookings as these are dependent on capex cycle of end-user industries – The company's order book and, in turn, the revenue growth depends on the capex plans of the power, nuclear, fertiliser and oil and gas sectors, which are its key demand drivers. Any slowdown in investments by these sectors directly impacts TIPL's order booking, as had been the case between FY2018 and FY2022, wherein the order inflow was range-bound. However, it witnessed a significant uptick in FY2023 but moderated in FY2024 (increased order inflow expected in FY2025). The current diversified order book along with the increased focus in the chemicals, nuclear and the renewable power segments and the technology tie-ups partially mitigate this risk.

Working capital-intensive operations – The business is working capital-intensive in nature. However, the customer advances supported TIPL's working capital cycle in the last two years. The inventory levels have been historically high owing to the lengthy order execution cycle, which entails multiple inspections at various stages of execution. Any elongation in the receivable period or a further inventory build-up may strain the working capital profile.

Liquidity position: Adequate

The liquidity position is likely to remain adequate with expected healthy cash flow from operations and minimal debt repayment obligations. As on March 31, 2025, the company maintained liquid investments and free cash and bank balances of ~Rs. 105 crore. Additionally, sanctioned credit limits of Rs. 52.5 crore remained unutilised as on March 31, 2025. The company has capex plans of ~Rs. 35.00 crore in FY2026, which are expected to be funded majorly through lease financing.

Rating sensitivities

Positive factors - The ratings may be upgraded if there is a significant improvement in the company's scale while maintaining healthy profitability, debt protection metrics and liquidity position on a sustained basis.

Negative factors – The pressure on ratings could arise in case of slow execution of projects in hand that inhibits growth in scale of operations and deterioration in profitability and/or weak order book addition. Higher working capital intensity of operations which adversely impacts the liquidity position could also be a negative trigger. Further, deterioration in interest coverage to below 4.0 times on a sustained basis can lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

TEMA India Private Limited (TIPL) was promoted by three techno-entrepreneurs - Mr. Haresh K. Sippy, Mr. Chetan Doshi and Mr. K. M. Balasara - in 1984. The company is involved in the designing and manufacturing/fabrication of shell and tube heat exchangers. The shell and tube heat exchangers are widely used in oil and gas refineries, petrochemical complexes, power stations and other process industries. TIPL began its operations as a small workshop and has steadily grown into an organisation with engineering and fabrication expertise in the field of heat exchangers, supplying to leading engineering procurement construction (EPC) contractors such as Novargi Engineering Pvt Ltd., Bechtel, Toyo Engineering, Flour Daniel, Technip Energies, KBR, and Engineers India Ltd.

Key financial indicators (audited)

TIPL Standalone	FY2024	FY2025
Operating income	398.0	533.1
PAT	52.4	78.2
OPBDIT/OI	22.3%	23.4%
PAT/OI	13.2%	14.7%
Total outside liabilities/Tangible net worth (times)	2.0	1.1
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	7.6	11.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortization

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Oct 03, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based-Cash credit	Long term	52.00	[ICRA]A-(Positive)	Aug 26, 2024	[ICRA]A-(Stable)	Jun 13, 2023	[ICRA]BBB+(Stable)	Aug 12, 2022	[ICRA]BBB(Positive)
				Jan 09, 2025	[ICRA]A-(Stable)	-	-	-	-
Non-fund based-Others	Long term/Short term	589.00	[ICRA]A-(Positive)/[ICRA]A2+	Aug 26, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Jun 13, 2023	[ICRA]BBB+(Stable)/[ICRA]A2	Aug 12, 2022	[ICRA]BBB(Positive)/[ICRA]A3+
				Jan 09, 2025	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-
Non-fund based-Others	Short term	9.00	[ICRA]A2+	Aug 26, 2024	[ICRA]A2+	Jun 13, 2023	[ICRA]A2	-	-
				Jan 09, 2025	[ICRA]A2+	-	-	-	-
Unallocated	Long term/Short term	-	-	Aug 26, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Jun 13, 2023	[ICRA]BBB+(Stable)/[ICRA]A2	Aug 12, 2022	[ICRA]BBB(Positive)/[ICRA]A3+
				-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Cash credit	Simple
Long term/Short term – Non-fund based - Others	Very Simple
Short term – Non-fund based - Derivative limit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based limits	-	-	-	52.00	[ICRA]A- (Positive)
NA	Non-fund based limits	-	-	-	589.00	[ICRA]A- (Positive)/ [ICRA]A2+
NA	Short term – Non-fund based - Derivative limit	-	-	-	9.00	[ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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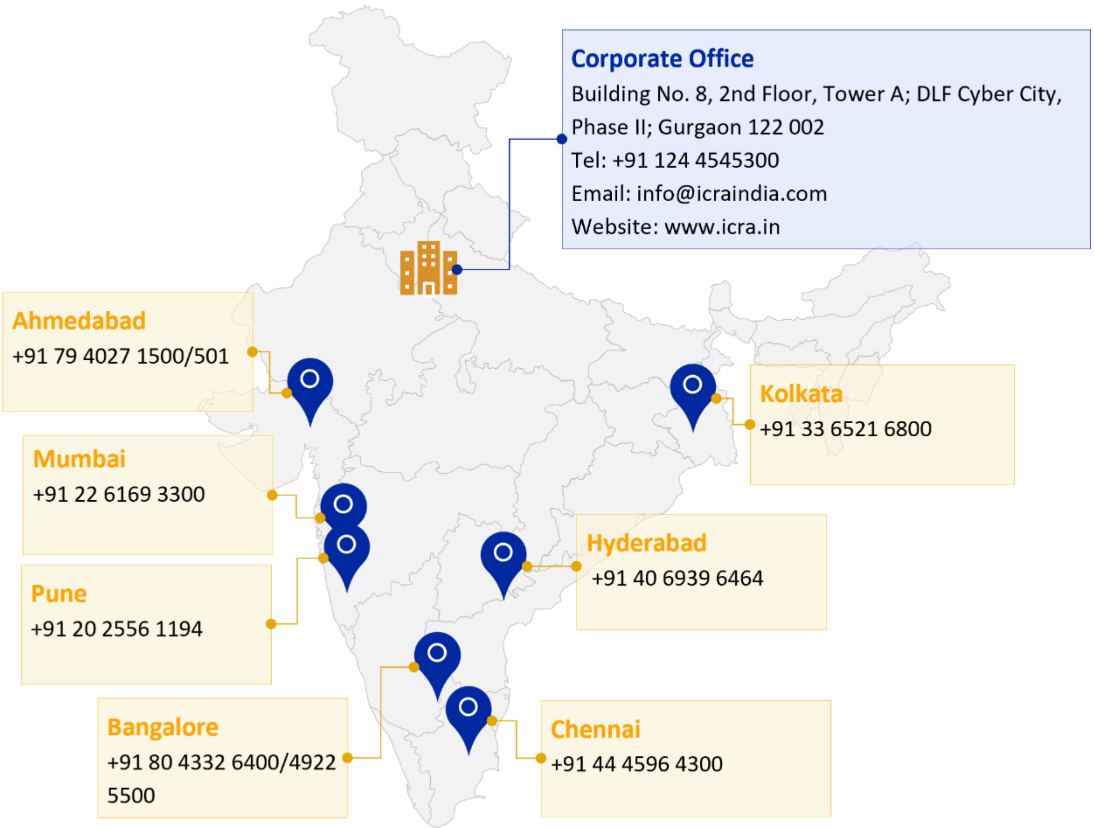

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