

## Thermax Limited

Instrument	Amount	Rating
Fund-Based Limits (Cash Credit)	Rs. 250 crore	[ICRA]AA+ (stable) reaffirmed
Long Term Non-Fund Based Limits (Bank Guarantee & Letter of Credit) #	Rs. 4450 crore,	[ICRA]AA+ (stable) reaffirmed
Short Term Non-Fund Based Limits (Bank Guarantee & Letter of Credit)#	(Rs. 4450 crore)	[ICRA]A1+ reaffirmed

# - The non fund based facilities are interchangeable between short term and long term as such the total utilization shall not exceed Rs. 4450 crore.

ICRA has reaffirmed the [ICRA]AA+ (pronounced ICRA double A plus) rating to Rs. 250 crore Cash Credit facility and Rs. 4450 crore long term non fund based facilities of Thermax Limited (Thermax) . The outlook on the long term rating is stable. ICRA has also reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) ratings to Rs. 4450 crore short term non fund based facilities of Thermax. The non fund based facilities are interchangeable between short term and long term as such the total utilization shall not exceed Rs. 4450 crore.

The ratings continue to reflect strong market position of the company in the energy equipment business as one of the leading players in providing turnkey solutions for boilers, heaters, chillers and captive power plants in the domestic business. The company continues to derive strengths from technological superiority, established track record and ability to offer turnkey solutions. While domestic business environment has remained subdued with continuing slowdown in industrial & project capital expenditure, the company has been increasing its focus towards international business in regions such as Africa, South East Asia and Middle East. This in turn is also evident from the mix of 38% and 32% of the orders from international business within the overall order-book position as on Sep'15 and fresh order intake in H1 FY 2016 respectively. The company's order book position as on Sep'15 stood at 4006 Cr which is ~20% lower as compared to previous year, also due to absence of large sized orders during the same period. Nonetheless, business risk profile of the company continues to remain strong as a result of its diversified client profile across industries and geographies as well as wide product portfolio. ICRA notes that the company's ability to win large orders and execute the same in a timely manner and within the budgeted costs will be critical to its profitability, given the increasing competitive pressures from established companies and also the 'fixed price' nature of such contracts. The company's financial risk profile on consolidated level has weakened in FY 2015 mainly due to underperformance of Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES), which has set up a green-field supercritical boiler manufacturing plant and it does not have any sizeable orders in hand at present. Further, performance of the group was negatively affected by cost incurred on closing the business of Omnicel Kessel, Germany during FY 2015.

ICRA however continues to draw comfort from the company's comfortable financial risk profile at standalone level arising from a conservative capital structure, healthy return indicators as well as excellent financial flexibility also arising from its sizeable cash balances and liquid investments.

### Company Profile

Thermax Limited (TL), promoted by R.D. Aga in 1980, is involved in the business of providing equipments 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 specialty chemicals. Historically, the company's key strengths had been in providing turnkey solutions for captive/co-generation power plants upto 50 MW and large capacity boilers for captive/industrial customers across sectors such as iron & steel, cement, textiles, pharma, refinery and the like. Subsequently, the company made a foray & set up a manufacturing facility at Vadodara, Gujarat during FY 2009 for sub-critical & utility range of boilers for power plants. The company's manufacturing facilities for packaged boilers and heaters and cooling systems are located

\* For complete rating scale and definitions, please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



at Chinchwad, near Pune, utility range of boilers and heater manufacturing facility at Savli in Vadodara, speciality chemicals is at Paudh, Khopoli, near Pune in Maharashtra and that for absorption chillers in China. The research & development centre located at Chinchwad while design engineering offices across the metro cities in India. As on 31<sup>st</sup> March 2015, total number of permanent employees on the rolls of the company is 4027.

#### **Recent Results**

Thermax has reported an operating profit before depreciation, interest, amortization and tax (OPBDITA) of Rs. 190.6 crore in H1 FY 2016 on an operating income of Rs. 2050.1 crore. The company reported profit after tax (PAT) of Rs. 126.5 crore during the same period.

**January 2016**

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