

THERMAX LIMITED



THERMAX

Company Background

Thermax was incorporated in 1966 through a technical collaboration with Wanson, a Belgium company manufacturing coil-type boilers. The company offers products and services in the areas of heating, cooling, waste heat recovery, captive power, water treatment and recycling, waste management and performance chemicals. It has technology partnerships with leading companies such as Babcock & Wilcox, USA, the Kawasaki Thermal Engineering Company, Japan, and Bloom Engineering, Germany.

In 2005-06, the company was restructured into three business groups – Cooling and Heating, Chemicals and Water, and Projects – to achieve synergies in related businesses. It was also among the 20 Indian companies featured in Forbes list of 'Asia's best under a billion' companies.

Thermax has five manufacturing locations in India and a widespread network of dealers and franchisees across many countries. For 2005-06, it had revenues of EUR 272.78 million, with a profit after tax of EUR 22.90 million.

Thermax in the EU

Thermax in the UK

Thermax entered the EU by establishing subsidiaries in the UK. These subsidiaries were set up to enable business with countries where direct export was not possible because of country-specific entry barriers. It also assisted in gaining a

foothold in the shell boilers product category, particularly in the Western European market.

Thermax has two subsidiaries in the UK:

- Thermax Europe Ltd.
- ME Engineering

Thermax Europe Ltd.

It was established in 1996 as a wholly owned subsidiary of Thermax Limited India. The company provides integrated cooling and heating solutions to its clients. Its heating division has a wide product range that includes thermal oil heaters, steam boilers and hot water generators. Since April 2006, the subsidiary has been given the charge of handling the packaged boiler business in the EU countries and the UK. The company has a widespread dealer network in the EU. It generated revenues of EUR 2.59 million in 2005-06.

The company's main product line is absorption chillers. This technology is used to generate chilled water from hot water coming from the cogeneration plant. Thermax is one of the few companies in the world with this superior technology. Since, EU is a signatory to the Kyoto Protocol; it is bound by the agreement to reduce carbon emissions. High efficiency cogeneration plant has been identified as one of the technologies to help EU countries to reduce the emissions. Thermax, through this technology, is playing a vital role in two important issues concerning the EU – energy efficiency and environmental issues (carbon emission). It has over 250 installations across the EU, sold through a network of distributors in the UK, Germany, Spain, Italy,

Hungary, Sweden, Denmark, Luxembourg, Portugal, the Netherlands and Switzerland.

From 2006, the shell boiler business which was previously dealt through ME engineering has been transferred to Thermax Europe and the company is expecting to have a combined turnover of EUR 6-7 million.

ME Engineering

It was acquired by Thermax Limited India in 2000. The company provides solutions in the field of energy-related engineering and undertakes the management of projects related to the energy sector. It also caters to sectors such as combined heat and power cooling, power, chemical, refinery, process, and renewable energy industries. Some of its key clients include Rolls Royce, Solar, Samsung and AMEC. The company has doubled its revenues in the last five years.

Thermax in Other European Countries

Thermax has also entered into long-term agreements with leading OEMs and packagers in the EU to push sales of thermal oil heaters and shell boilers in Western Europe. The company has a widespread reach in the EU through dealer networks in the following countries:

- Portugal
- Spain
- Italy
- Belgium
- Germany
- Denmark
- Sweden
- Finland

Factors for Success

Market Penetration

The company has country-specific business models. In order to overcome entry barriers in the EU, it acquired companies and also set up subsidiaries.

Thermax India has leveraged its resources by combining its downstream expertise in oil and gas with the upstream know-how of its subsidiary, ME Engineering, in the UK. This has enabled it to effectively target the oil and gas industry.

Focus on Quality

The company has maintained a high level of quality, which is reflected in the international quality certifications it has been awarded, including ISO 9001, 9002, 14001 and the new European pressure directive. It also has its own testing facilities for raw materials as well as finished products.

Competitive Solutions

Thermax is a diversified manufacturer of energy equipment and environmental systems. The company is a market leader in boilers and absorption coolers. It is one of the few companies in the world that offers integrated equipments and services in energy.

Some of the key initiatives undertaken by Thermax that have helped in improving the company's competitiveness are as follows:

- Cost reduction measures
- Global sourcing
- Upgrade of IT systems
- Business process improvements
- Knowledge management
- R&D investments of approximately EUR 12.42-16.56 million

Its joint ventures and strategic alliances with global technology leaders, such as Wartsila in Europe, are helping the company to upgrade its technology as well as penetrate the EU market further.

Future Plans

Focussed Approach

Thermax wants to adopt a focussed approach across its EU operations to reduce overall costs

and improve quality. The company is planning to introduce chillers that can deliver lower temperature water for industrial and food industry. This will further open the market in a segment that has been non-existent till now. It is also exploring the possibility of finding new application and product in the efficient burning of bio fuels – an emerging area in the EU.

Operational Excellence

Thermax is planning to invest in its existing facilities to achieve operational excellence. The UK being an important market for the company, it aims to modernise its UK operations. This initiative is expected to have a direct impact on cost, quality, and lead-time and on-time performance.

Future Investments

Thermax is planning to increase its production capacity by investing in the following two areas:

- Research and Development
- Market Development

These investments will enable it to provide better technology products to its European clients.

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