



India

HOLD (previously ADD)

Consensus ratings*: Buy 10 Hold 8 Sell 8

Current price:	Rs4,609
Target price: ▲	Rs4,770
Previous target:	Rs3,675
Up/downside:	3.5%
InCred Research / Consensus:	35.9%
Reuters:	THMX.NS
Bloomberg:	TMX IN
Market cap:	US\$6,575m Rs549,221m
Average daily turnover:	US\$6.3m Rs529.8m
Current shares o/s:	112.6m
Free float:	38.0%

*Source: Bloomberg

Key changes in this note

- For FY25F/26F, we raise revenue estimates by 5-13%.
- For FY25F/26F, we raise PAT estimates by 2-19%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.4	37.1	94.8
Relative (%)	3.5	35.3	66.1

Major shareholders	% held
Promoters	62.0
Kotak Mutual Fund	7.0
SBI Mutual Fund	2.5

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Thermax Ltd**Margin expansion continues; downgrade to HOLD**

- 4QFY24 EBITDA beat InCred estimate (10%) and consensus estimate (14%). The EBITDA margin improved by 123bp YoY and 182bp QoQ to 9.9%.
- Order inflow was up 2% YoY at Rs23.1bn while the order book stood at Rs101bn, up 3.7% YoY. Thermax expects significant inflow in coming quarters.
- The stock rallied 40% in the last three months. It trades above 2+SD currently. We downgrade our rating on Thermax to HOLD with a higher TP of Rs4,770.

Healthy EBITDA beat in 4QFY24

Thermax delivered a healthy 4QFY24 EBITDA beat on InCred estimate (10%) and consensus estimate (14%) led by a higher margin across segments while PAT was largely in line with the estimates. The EBITDA margin improved by 123bp YoY and 182bp QoQ to 9.9%. EBITDA came in at Rs2.7bn, up 37% YoY (+46% QoQ). Revenue grew 20% YoY (19% QoQ) to Rs27.6bn, 1.4% below our estimate and 2.3% above consensus estimate. Revenue in industrial products grew by 23% YoY to Rs12.1bn while industrial infrastructure business grew by 17% YoY to Rs13.6bn. The green solutions business saw a positive uptick of 72% YoY at Rs1.5bn while the chemicals business recorded a decline of 8%.

Order inflow to pick up in coming quarters

Order inflow was up 2% YoY at Rs23.1bn while the order book stood at Rs101bn, up 3.7% YoY. The company expects significant inflow in the coming quarters, on which it has been working for some time and is now reaching the final stage. The chemical business is likely to witness an uptick from 1QFY25F. The orders for the industrial products and green solutions segments also faced some delay in finalizing, with some also getting deferred. We expect the order inflow to clock a 24% CAGR over the next two years, mainly led by the green solutions and industrial products segments. BioCNG is close to stabilizing its plants. Slower inflow of new orders for rice straw-based plants. This appears to be an industry-wide problem and management expects the challenges to be resolved soon.

Downgrade to HOLD on rich valuation

The capex momentum, especially in the water and environmental space, augurs well for Thermax. The company has been most successful in green projects, zero liquid discharge, etc. It is focusing on digital transformation and cross-sales across products with distributors and channel partners, which is likely to drive order inflow growth in the coming quarters. For FY25F/26F, we raise revenue estimates by 5-13%, factoring in the healthy order inflow coupled with strong execution while raising PAT estimates by 2-19% factoring in higher margin in FY26F. Thermax reported strong margin expansion and beat on EBITDA, but the stock rallied 90%+ in the last 12 months and 40% in the last three months alone. It trades above 2+SD currently and so we have downgraded our rating on Thermax to HOLD (from ADD) with a higher target price of Rs4,770 (from Rs3,675 earlier), valuing the stock at 50x FY26F earnings (from 46x). Upside risks: Healthy execution with significant margin expansion. Downside risks: Delay in order execution & lower margins.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	60,640	80,898	93,235	115,736	142,823
Operating EBITDA (Rsm)	4,213	5,975	7,973	10,424	13,944
Net Profit (Rsm)	3,121	4,771	5,353	8,033	10,742
Core EPS (Rs)	27.7	42.4	50.8	71.3	95.4
Core EPS Growth	26.9%	52.9%	19.8%	40.5%	33.7%
FD Core P/E (x)	166.30	108.79	90.79	64.61	48.32
DPS (Rs)	7.0	9.1	9.6	10.0	10.0
Dividend Yield	0.15%	0.20%	0.21%	0.22%	0.22%
EV/EBITDA (x)	121.78	86.33	65.45	49.79	36.92
P/FCFE (x)	(763.56)	178.18	(170.14)	191.68	136.33
Net Gearing	(17.1%)	(8.3%)	6.3%	(0.1%)	(7.0%)
P/BV (x)	14.86	13.42	11.69	10.15	8.55
ROE	9.3%	13.0%	13.8%	16.8%	19.2%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY24 conference-call highlights

- **Overview:** Thermax delivered a healthy performance across sectors. Growth was mainly led by the industrial products segment, with increased revenue and improved margins. The industrial infrastructure segment's profitability for the year was impacted due to reduced margin on projects and muted order execution. Order bookings for the industrial products and green solutions segments also faced some delay in finalizing with some orders getting deferred as well. Management mentioned that large orders were muted and there was a slowdown in sugar and steel sectors.
- Higher EBIT margin and growth witnessed in industrial products and green solutions business. The EBIT margin of the industrial products segment jumped 105bp YoY to 11.7%. Green solutions business saw a 731bp YoY improvement in the EBIT margin to 9.4%. EBIT of the industrial infrastructure and chemical segments were largely flat. Reported PAT stood at Rs1.87bn, up 20% YoY and 31% QoQ.
- **Segments:**
 - **Industrial products:** The company installed a 250klld ETP in East Asia, commissioned a double effect steam-fired vapour absorption chiller for the textile industry in the SAARC region and dispatched the first electric thermic fluid heater. Moreover, the segment commissioned an electrostatic precipitator for a DRI kiln and waste heat recovery boiler.
 - **Industrial Infrastructure:** Commissioned a high-capacity CFBC boiler for a steel manufacturer, inaugurated a FGD unit, and won orders for two waste heat recovery boilers from a cement manufacturer. The bio-CNG sector and the FlexiSource multi-fuel solution could reduce CO2 emission by 90,000+t annually.
 - **Green Solutions:** The company commissioned a 33MW solar power project in Tamil Nadu, the second green steam supply for a confectionery MNC, and support for a pharmaceutical major's transition to biomass. The segment emphasizes the company's efforts in reducing CO2 emissions and promoting sustainable energy solutions.
 - **Chemical:** The segment focuses on profit improvement in water treatment chemicals, breakthroughs in new polymer applications, and growth in channel business (+14% YoY). Strategic tie-ups and a healthy order pipeline for construction chemicals aided growth in the segment.
- Management said that for BioCNG, the company is close to stabilizing the plants. Slower in taking new orders for rice straw-based plants. This appears to be an industry-wide problem and management is confident that challenges can be resolved. Accepting more rice straw orders depends on the ability to work through current challenges, like getting necessary permissions and expenses management.
- The Edge Life digital platform has made considerable progress and is now expanding to several products. Moreover, management said that Edge Rack has not performed as well as anticipated. Despite receiving positive responses, the truck application faced challenges due to leaks in the truck cabins when installing air-conditioning systems. Retrofitting systems into truck cabins has not yielded the expected results, as these cabins were not originally designed for such installations. On the hydrogen front, the company will give further leads in the coming quarters.
- ~Rs6bn worth of revenue from FGD.
- The company expects significant inflow in the coming quarters, on which it has been working for some time and is now reaching the conclusion stage.
- The chemical business is likely to witness an uptick from 1QFY25F. In the past one year, the company completed the majority acquisition of TSA process equipment, facilitating its entry into ultrapure water for the pharmaceutical,

food, and semiconductor industries. Anticipating continued growth in the water sector, the company aims to build on its strong performance. The water business operates under the company's industrial products division, while the chemical business functions as a separate vertical. Despite potential areas of overlap, the company manages these businesses independently.

Figure 1: Quarterly results review

Rs m	4QFY24	4QFY23	YoY	3QFY24	QoQ	FY24	FY23	YoY (%)
Total Revenue	27,637	23,108	19.6%	23,244	18.9%	93,235	80,898	15.2
Raw Material Costs	15,736	12,767	23.3%	12,880	22.2%	52,196	46,247	12.9%
Employee Costs	3,162	2,655	19.1%	2,920	8.3%	11,483	9,542	20.3%
Other Expenses	6,007	5,688	5.6%	5,569	7.9%	21,582	19,134	12.8%
Total Expenditure	24,905	21,109	18.0%	21,369	16.5%	85,261	74,923	13.8%
EBIDTA	2,732	1,999	36.6%	1,874	45.7%	7,974	5,976	33.4%
Depreciation	499	294	69.4%	358	39.2%	1,481	1,169	26.7%
EBIT	2,233	1,705	31.0%	1,516	47.3%	6,493	4,807	35.1%
Interest	278	139	99.8%	266	4.5%	876	376	133.0%
Other Income	553	575	-3.9%	584	-5.4%	2,326	1,602	45.2%
Extraordinary Income	-	-	-	1,261	-100.0%	1,261	0	-
PBT	2,507	2,140	17.1%	3,095	-19.0%	8,698	6,033	44.2%
Total Tax	633	581	8.8%	721	-12.2%	2,258	1,524	48.2%
Reported PAT	1,874	1,562	20.0%	2,371	-20.9%	6,430	4,507	42.7%
Adj. PAT	1,876	1,562	20.1%	1,425	31.7%	5,991	4,509	32.9%
Total comp. income	1,876	1,562	20.1%	1,425	31.7%	5,991	4,509	32.9%
EPS (Rs)	16.7	13.9	20.1%	12.7	31.7%	53.2	40.0	32.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin Analysis	4QFY24	4QFY23	YoY (bp)	3QFY24	QoQ (bp)	FY24	FY23	YoY (bp)
EBITDA Margin	9.9%	8.7%	123	8.1%	182	8.6%	7.4%	117
EBIT Margin	8.1%	7.4%	70	6.5%	156	2.8%	2.5%	31
NPM	6.8%	6.8%	2	10.2%	-342	56.5%	50.4%	617
Effective Tax Rate (%)	25.2%	27.2%	-192	23.3%	194	4.1%	2.0%	209
Gross Margin	43.1%	44.8%	-169	44.6%	-153	44.0%	42.8%	118
Cost Analysis (% of Sales)								
Raw Material	56.9%	55.2%	169	55.4%	153	56.0%	57.2%	-118
Employee Costs	11.4%	11.5%	(4)	12.6%	-112	12.3%	11.8%	52
Other Expenses	21.7%	24.6%	(288)	24.0%	-223	23.1%	23.7%	-50

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Order details

Orders (Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Order Inflow	23,090	22,540	2.4%	25,060	-7.9%	87,830	94,080	(6.6)
Order Book	1,01,110	97,520	3.7%	1,07,160	-5.6%	97,520	88,110	10.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Segment revenue and EBIT performance

Segmental Revenue	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Industrial Products	12,074	9,806	23.1%	10,226	18.1%	40,552	25,757	57.4
Industrial Infra	13,565	11,602	16.9%	10,974	23.6%	44,552	29,879	49.1
Green Solution	1,458	850	71.5%	1,235	18.1%	5,071	2,168	133.9
Chemicals	1,541	1,679	-8.2%	1,606	-4.0%	6,634	5,385	23.2
Total	28,638	23,936	19.6%	24,041	19.1%	96,808	63,189	53.2
EBIT	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Industrial Products	1,407	1,040	35.3%	1,015	38.7%	3,970	1,815	118.7
Industrial Infra	825	719	14.7%	389	112.0%	2,089	1,310	59.5
Green Solution	137	17	684.5%	133	2.6%	449	161	179.1
Chemicals	296	324	-8.5%	331	-10.5%	1,238	624	98.4
Total	2,665	2,100	26.9%	1,537	73.4%	7,746	3,910	98.1
EBIT Margin	4QFY24	4QFY23	YoY (bp)	3QFY24	QoQ (bp)	FY24	FY23	YoY (bp)
Industrial Products	11.7%	10.6%	105	9.9%	173	9.8%	7.0%	274
Industrial Infra	6.1%	6.2%	-12	3.5%	254	4.7%	4.4%	30
Green Solution	9.4%	2.0%	731	10.8%	-142	8.9%	7.4%	144
Chemicals	19.2%	19.3%	-6	20.6%	-138	18.7%	11.6%	707
Total	9.3%	8.8%	53	6.4%	291	8.0%	6.2%	181

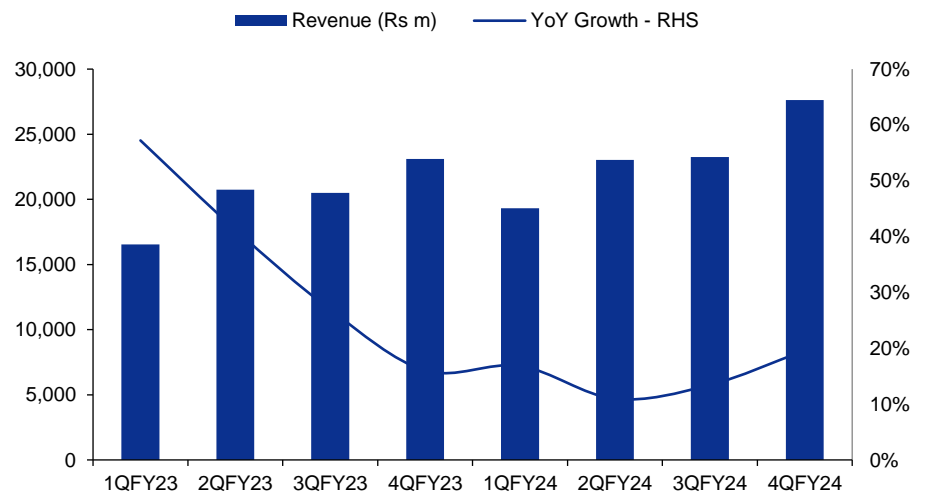
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Key revisions in our earnings estimates

(Rs m)	New Estimates		Old Estimates		Change	
	2025F	2026F	2025F	2026F	2025F	2026F
Revenue	1,15,736	1,42,823	1,09,796	1,26,356	5.4%	13.0%
EBITDA	10,424	13,944	9,843	11,093	5.9%	25.7%
Core PAT	8,034	10,743	7,880	8,997	2.0%	19.4%

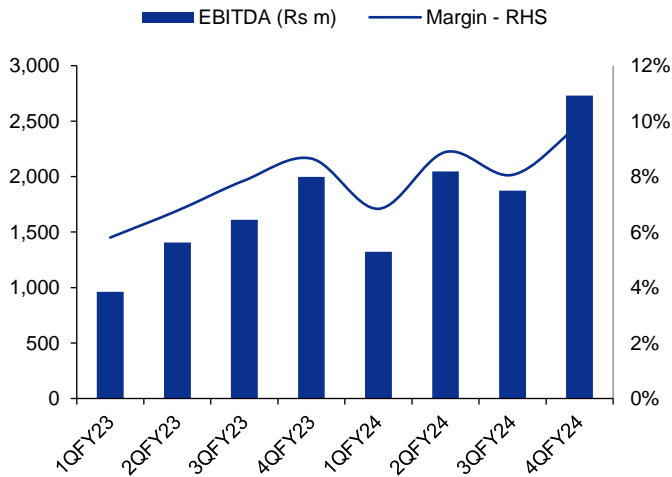
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: Quarterly revenue trend



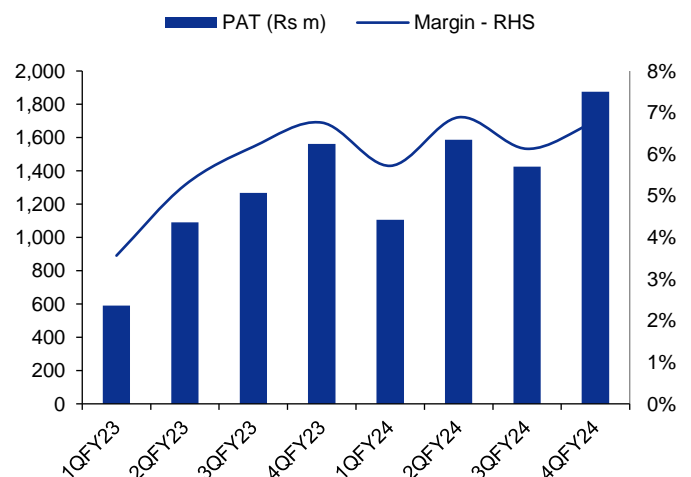
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly EBITDA trend



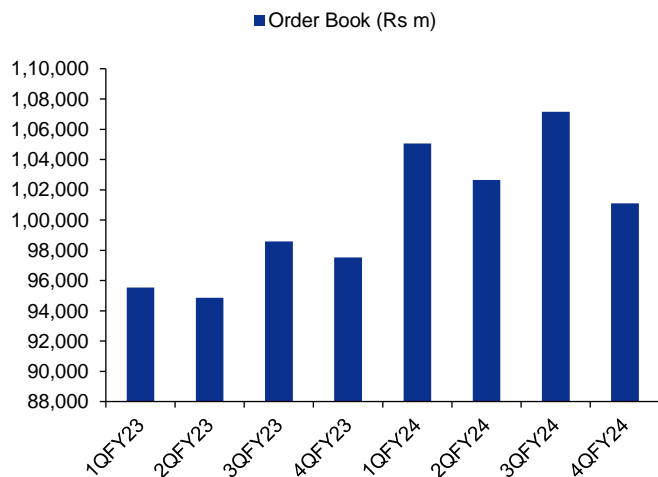
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly PAT trend



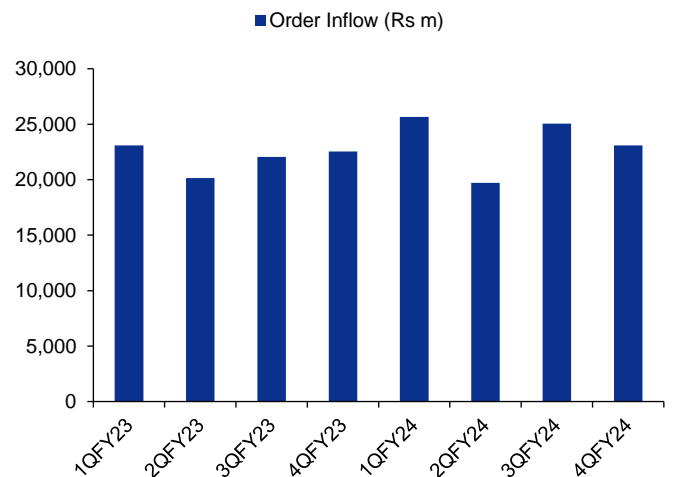
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Order pipeline



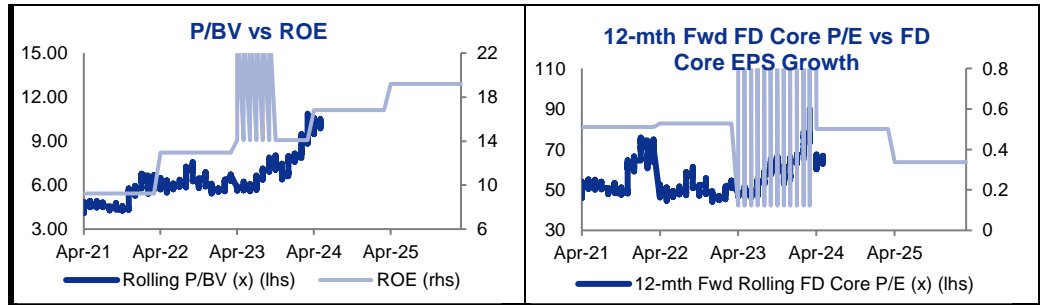
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Quarterly order inflow trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	61,283	80,898	93,235	115,736	142,823
Gross Profit	26,433	34,651	41,039	50,785	62,671
Operating EBITDA	4,213	5,975	7,973	10,424	13,944
Depreciation And Amortisation	(1,132)	(1,169)	(1,481)	(1,577)	(1,802)
Operating EBIT	3,081	4,807	6,493	8,846	12,141
Financial Income/(Expense)	(252)	(376)	(876)	(857)	(872)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,270	1,602	2,326	2,582	2,865
Profit Before Tax (pre-EI)	4,099	6,032	7,942	10,570	14,134
Exceptional Items			(506)		
Pre-tax Profit	4,099	6,032	7,436	10,570	14,134
Taxation	(978)	(1,259)	(2,083)	(2,537)	(3,392)
Exceptional Income - post-tax					
Profit After Tax	3,121	4,774	5,353	8,033	10,742
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax		(2)			
Other Adjustments - post-tax					
Net Profit	3,121	4,771	5,353	8,033	10,742
Recurring Net Profit	3,121	4,771	5,717	8,033	10,742
Fully Diluted Recurring Net Profit	3,121	4,771	5,717	8,033	10,742

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	4,213	5,975	7,973	10,424	13,944
Cash Flow from Invt. & Assoc.	(114)	58	724	147	191
Change In Working Capital	(5)	(1,006)	(4,196)	454	(1,232)
(Incr)/Decr in Total Provisions	50				
Other Non-Cash (Income)/Expense	1,132	1,169	1,481	1,577	1,802
Other Operating Cashflow	(1,151)	(1,226)	(1,450)	(1,724)	(1,993)
Net Interest (Paid)/Received	(252)	(376)	(876)	(857)	(872)
Tax Paid	(1,030)	(1,259)	(2,083)	(2,537)	(3,392)
Cashflow From Operations	2,844	3,335	1,574	7,484	8,447
Capex	(838)	(5,071)	(8,771)	(4,475)	(4,528)
Disposals Of FAs/subsidiaries	(11,961)				
Acq. Of Subsidiaries/investments		(1,128)	(1,758)	(1,397)	(1,509)
Other Investing Cashflow	8,648	1,602	2,326	2,582	2,865
Cash Flow From Investing	(4,151)	(4,597)	(8,203)	(3,291)	(3,171)
Debt Raised/(repaid)	627	4,175	3,578	(1,485)	(1,469)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(788)	(1,021)	(1,081)	(1,126)	(1,126)
Preferred Dividends					
Other Financing Cashflow	(45)				
Cash Flow From Financing	(206)	3,154	2,497	(2,611)	(2,595)
Total Cash Generated	(1,513)	1,892	(4,132)	1,582	2,682
Free Cashflow To Equity	(680)	2,913	(3,051)	2,708	3,808
Free Cashflow To Firm	(1,055)	(886)	(5,753)	5,050	6,149

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	9,536	11,316	9,753	12,003	15,557
Total Debtors	15,972	18,766	22,671	31,074	38,347
Inventories	7,270	7,556	7,649	12,049	14,869
Total Other Current Assets	13,375	14,745	18,412	26,952	33,260
Total Current Assets	46,153	52,382	58,485	82,079	102,034
Fixed Assets	12,391	17,019	24,309	27,207	29,932
Total Investments	14,765	15,893	17,651	19,048	20,556
Intangible Assets					
Total Other Non-Current Assets	1,271	1,057	(474)	(474)	(474)
Total Non-current Assets	28,427	33,969	41,486	45,781	50,014
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	15,074	15,286	15,329	25,367	31,304
Other Current Liabilities	21,027	24,258	27,684	39,444	48,676
Total Current Liabilities	36,101	39,544	43,013	64,811	79,980
Total Long-term Debt	3,554	8,105	12,560	11,932	11,335
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	3,554	8,105	12,560	11,932	11,335
Total Provisions					
Total Liabilities	39,655	47,650	55,573	76,743	91,315
Shareholders Equity	34,925	38,681	44,398	51,117	60,733
Minority Interests					
Total Equity	34,925	38,681	44,398	51,117	60,733

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	28.7%	33.4%	15.2%	24.1%	23.4%
Operating EBITDA Growth	18.6%	41.8%	33.4%	30.7%	33.8%
Operating EBITDA Margin	6.9%	7.4%	8.6%	9.0%	9.8%
Net Cash Per Share (Rs)	53.11	28.51	(24.92)	0.64	37.49
BVPS (Rs)	310.13	343.48	394.25	453.91	539.30
Gross Interest Cover	12.24	12.79	7.41	10.32	13.92
Effective Tax Rate	23.9%	20.9%	28.0%	24.0%	24.0%
Net Dividend Payout Ratio	25.3%	21.4%	18.4%	14.0%	10.5%
Accounts Receivables Days	87.41	78.37	81.11	84.75	88.71
Inventory Days	59.27	58.51	53.16	55.35	61.29
Accounts Payables Days	140.26	119.81	107.04	114.35	129.03
ROIC (%)	15.9%	17.9%	16.0%	20.2%	24.7%
ROCE (%)	8.3%	11.3%	12.5%	14.7%	18.0%
Return On Average Assets	4.7%	6.3%	7.0%	7.6%	8.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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