

May 26, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,559		1,008	
Sales (Rs. m)	59,567	73,293	60,670	72,616
% Chng.	(1.8)	0.9		
EBITDA (Rs. m)	5,072	6,240	5,129	6,139
% Chng.	(1.1)	1.6		
EPS (Rs.)	32.1	41.0	32.7	40.3
% Chng.	(1.7)	1.8		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	57,313	47,913	59,567	73,293
EBITDA (Rs. m)	4,062	3,552	5,072	6,240
Margin (%)	7.1	7.4	8.5	8.5
PAT (Rs. m)	2,125	2,591	3,616	4,621
EPS (Rs.)	18.9	23.0	32.1	41.0
Gr. (%)	(48.8)	22.0	39.6	27.8
DPS (Rs.)	4.6	5.6	7.8	9.9
Yield (%)	0.3	0.4	0.5	0.7
RoE (%)	7.0	8.3	10.7	12.5
RoCE (%)	8.9	7.1	10.3	12.1
EV/Sales (x)	2.7	3.1	2.5	2.0
EV/EBITDA (x)	37.7	41.2	29.2	23.8
PE (x)	77.1	63.2	45.3	35.5
P/BV (x)	5.4	5.0	4.6	4.2

Key Data

THMX.BO | TMX IN

52-W High / Low	Rs.1,578 / Rs.702
Sensex / Nifty	51,018 / 15,301
Market Cap	Rs.173bn/ \$ 2,382m
Shares Outstanding	119m
3M Avg. Daily Value	Rs.183.32m

Shareholding Pattern (%)

Promoter's	67.47
Foreign	12.45
Domestic Institution	14.60
Public & Others	5.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.1	71.0	104.9
Relative	(2.2)	48.3	22.9

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Strong execution

Quick Pointers

- Despite pandemic, OI came in healthy at Rs47.8bn in FY21, driven by recovery in capex cycle.
- Management indicated traction around enquiries for big ticket orders from Oil & gas, Chemical and FGD.

Thermax Ltd (TMX) reported a health quarterly performance led by execution pickup across verticals and recovery in industrial activity. Revenue across Energy/ Environment/ Chemical segments grew by 11.8%/ 51.6%/ 24.0% YoY. Despite steep increase in raw material prices, gross margins came in healthy at 48%, led by change in revenue mix. Further order inflows continued its momentum with TMX securing projects worth ~Rs15bn in Q4FY21, owing to huge traction seen in Energy segment. OB also stands comfortable at Rs52bn (1.1x TTM revenues) providing healthy revenue visibility. Management indicated good traction in order inflows from sectors such as Cement, Steel, Refinery, Chemical, Pharma and F&B which would be key growth drivers going ahead.

We believe TMX is well capitalized to revive in the long term given 1) its strong balance sheet (Cash of Rs19.4bn as on FY21), 2) prudent working capital management and 3) expected recovery in capex. In the near term, we expect business operations both domestic and international to remain under pressure, owing to second wave of Covid. We have marginally revised our estimates upwards by 1.8% in FY23 and maintain our Accumulate rating on the stock with revised TP of Rs1,559 (earlier TP was Rs1,008) valuing the stock at 38x FY23 earning estimate.

- Execution momentum continues across all verticals:** Consol sales reported a healthy growth of 10% YoY to ~Rs15.7bn (PLe ~Rs19.2bn) led by growth across all segments. EBITDA came in at Rs1.4bn, (PLe ~Rs1.7bn) with EBITDA margins expanding by 406bps at 8.9% vs 4.8% in 4QFY20 with better gross margins and lower other expense (26.4% of sales). PBT came in at Rs1.4bn vs Rs586mn in Q4FY21 on account of 16.7% YoY rise in income and lower depreciation expense declined 6.4% YoY. Adj. PAT came in at Rs1.1bn (in-line with our estimate of Rs1.1bn). The effective tax rate came in at 23.5% in 4QFY21.
- Strong OI in 4Q owing to broad based Industrial recovery:** OI for the quarter grew 57% at Rs15.0bn where Energy segment grew 71% YoY on account of strong traction in boiler business from waste heat recovery, biomass and green technology orders. Further Environment and Chemical segment OI grew 22% and 13% respectively. OI comprises majority of chemical and cement orders followed by refinery, metals, F&B, chemicals and power. Enquiry for big ticket order from oil & gas, chemical and power segment is witnessing pickup.

Exhibit 1: Healthy gross margins at 48% boost profitability

Y/e March (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	13,230	6,649	11,412	14,106	15,745	19.0	11.6	47,913	57,313	(16.4)
Total Revenues	13,230	6,649	11,412	14,106	15,745	19.0	11.6	47,913	57,313	(16.4)
Expenditure	12,594	6,763	10,619	12,630	14,349	13.9	13.6	44,361	53,251	(16.7)
<i>as % of sales</i>	<i>95.2</i>	<i>101.7</i>	<i>93.0</i>	<i>89.5</i>	<i>91.1</i>			<i>92.6</i>	<i>92.9</i>	
Consumption of RM	6,733	3,343	6,309	7,519	8,215	22.0	9.3	25,386	30,857	(17.7)
<i>as % of sales</i>	<i>50.9</i>	<i>50.3</i>	<i>55.3</i>	<i>53.3</i>	<i>52.2</i>			<i>53.0</i>	<i>53.8</i>	
Employee Cost	1,972	1,824	1,890	1,901	1,973	0.1	3.8	7,588	7,990	(5.0)
<i>as % of sales</i>	<i>14.9</i>	<i>27.4</i>	<i>16.6</i>	<i>13.5</i>	<i>12.5</i>			<i>15.8</i>	<i>13.9</i>	
Other expenditure	3,889	1,597	2,420	3,210	4,160	7.0	29.6	11,387	14,404	(20.9)
<i>as % of sales</i>	<i>29.4</i>	<i>24.0</i>	<i>21.2</i>	<i>22.8</i>	<i>26.4</i>			<i>23.8</i>	<i>25.1</i>	
EBITDA	636	(114)	793	1,476	1,397	119.7	(5.4)	3,552	4,062	(12.6)
Depreciation	308	280	287	291	288	(6.4)	(0.9)	1,146	1,166	(1.8)
EBIT	328	(394)	507	1,185	1,109	238.0	(6.5)	2,406	2,896	(16.9)
Other Income	307	209	228	282	358	16.7	26.9	1,077	1,000	7.7
Interest	49	40	47	57	63	28.6	11.5	206	150	37.4
PBT	586	(225)	687	1,411	1,404	139.6	(0.5)	3,277	3,745	(12.5)
Total Tax	196	(72)	129	300	330	68.8	10.3	686	1,621	(57.7)
Adjusted PAT	390	(153)	559	1,111	1,074	175.0	(3.4)	2,591	2,125	22.0
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	390	(153)	559	1,111	1,074	175.0	(3.4)	2,591	2,125	22.0
Extra ordinary items	-	-	(247)	(279)	-	-	-	(525)	-	-
Reported PAT	390	(153)	312	833	1,074	175.0	28.9	2,066	2,125	(2.8)
Adjusted EPS	3.5	(1.4)	2.8	7.4	9.5	175.0	28.9	28.5	35.8	(20.3)
Margins (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	bps	bps	FY21	FY20	bps
EBIDTA	4.8	-1.7	7.0	10.5	8.9	406	(159)	7.4	7.1	33
EBIT	2.5	-5.9	4.4	8.4	7.0	456	(136)	5.0	5.1	(3)
EBT	4.4	-3.4	6.0	10.0	8.9	449	(109)	6.8	6.5	31
PAT	3.0	-2.3	2.7	5.9	6.8	387	92	4.3	3.7	60
Effective Tax rate	33.4	32.1	18.7	21.2	23.5	(987)	230	20.9	43.3	(2,234)

Source: Company, PL

Conference Call Highlights:

- Management indicated all the plant were operational, though utilization level were lower on account of second wave of Covid-19.
- During the quarter company witnessed an impact to the tune of Rs100mn on account of increase in raw material cost specially from steel and aluminum.
- **OI:** Order inflow grew 57% to Rs15bn during the quarter, despite absence of big ticket order. Ordering activity from Tier 2-3 market specially from F&B, chemical and textile witnessed slowdown and is expected to be muted till end of Q1FY21. Management indicated enquiry for big ticket order from oil & gas, chemical and power segment is witnessing pickup.
- **Energy:** Most of orders booked in 4Q were less than Rs1bn. Segment witnessed traction from waste-to-heat recovery and biomass power plant. It bagged the first order for boiler from Turkey during the quarter. Won order for 31MW energy plant from MDF manufacturer.
- **Environment:** FGD revenue for FY21 stood at Rs1bn. Management highlighted that there are no large FGD orders from domestic market. Segment received first order for Flue Gas Desulphurisation system from a leading sugar refinery in Saudi Arabia. It also received first-of-its-kind air pollution control equipment orders for fuels such as lignin and biofuel from oil & gas sector in India.
- **Chemical:** Specialty resins grew 25.4% in the quarter on account of strong demand from USA and Europe markets. Management indicated specialty chemical to be fastest growing segment in long run. Segment bagged new and repeat orders from Indian metal, steel and refinery majors for performance chemicals. Received brand approval to supply construction chemical for government infrastructure project in Gujarat.
- **Overseas Subsidiaries:** Management indicated execution in Danstoker and Indonesian plant during the quarter was challenging due to second wave of Covid. In Indonesian market, short term focus will be to provide quality product to customer despite lowered margins.
- **Outlook:** Management remained cautious going ahead, considering impact of second wave of Covid and increasing raw material cost.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	57,313	47,913	59,567	73,293
YoY gr. (%)	(4.0)	(16.4)	24.3	23.0
Cost of Goods Sold	30,857	25,386	31,264	38,469
Gross Profit	26,456	22,526	28,303	34,824
Margin (%)	46.2	47.0	47.5	47.5
Employee Cost	7,990	7,588	8,339	10,261
Other Expenses	5,736	4,775	6,672	8,209
EBITDA	4,062	3,552	5,072	6,240
YoY gr. (%)	(11.2)	(12.6)	42.8	23.0
Margin (%)	7.1	7.4	8.5	8.5
Depreciation and Amortization	1,166	1,146	1,277	1,381
EBIT	2,896	2,406	3,795	4,859
Margin (%)	5.1	5.0	6.4	6.6
Net Interest	150	206	217	228
Other Income	1,000	1,077	1,251	1,539
Profit Before Tax	3,745	2,752	4,829	6,171
Margin (%)	6.5	5.7	8.1	8.4
Total Tax	1,621	686	1,213	1,550
Effective tax rate (%)	43.3	24.9	25.1	25.1
Profit after tax	2,125	2,066	3,616	4,621
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,125	2,591	3,616	4,621
YoY gr. (%)	(48.8)	22.0	39.6	27.8
Margin (%)	3.7	5.4	6.1	6.3
Extra Ord. Income / (Exp)	-	(525)	-	-
Reported PAT	2,125	2,066	3,616	4,621
YoY gr. (%)	(34.7)	(2.8)	75.0	27.8
Margin (%)	3.7	4.3	6.1	6.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,125	2,066	3,616	4,621
Equity Shares O/s (m)	113	113	113	113
EPS (Rs)	18.9	23.0	32.1	41.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	19,215	20,214	22,014	23,814
Tangibles	19,215	20,214	22,014	23,814
Intangibles	-	-	-	-
Acc: Dep / Amortization	6,967	8,113	9,390	10,771
Tangibles	6,967	8,113	9,390	10,771
Intangibles	-	-	-	-
Net fixed assets	12,248	12,101	12,624	13,043
Tangibles	12,248	12,101	12,624	13,043
Intangibles	-	-	-	-
Capital Work In Progress	1,135	530	530	530
Goodwill	-	-	-	-
Non-Current Investments	1,759	2,598	3,255	4,271
Net Deferred tax assets	1,510	1,540	1,540	1,540
Other Non-Current Assets	2,170	2,556	2,681	3,298
Current Assets				
Investments	8,161	1,153	1,153	1,153
Inventories	4,546	4,047	5,712	7,028
Trade receivables	14,785	13,380	14,688	18,072
Cash & Bank Balance	4,761	19,392	17,650	17,074
Other Current Assets	3,978	3,830	4,765	5,863
Total Assets	58,005	63,458	68,002	76,416
Equity				
Equity Share Capital	225	225	225	225
Other Equity	30,054	32,289	35,030	38,532
Total Networkth	30,279	32,514	35,255	38,757
Non-Current Liabilities				
Long Term borrowings	1,782	222	233	244
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	334	2,829	2,818	2,806
Trade payables	10,000	11,710	12,240	15,060
Other current liabilities	17,121	17,725	18,997	21,088
Total Equity & Liabilities	58,005	63,458	68,002	76,416

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	3,745	2,752	4,829	6,171
Add. Depreciation	1,036	1,017	1,277	1,381
Add. Interest	86	118	217	228
Less Financial Other Income	1,000	1,077	1,251	1,539
Add. Other	(517)	12	(1,251)	(1,539)
Op. profit before WC changes	4,350	3,899	5,072	6,240
Net Changes-WC	218	4,734	(3,357)	(2,973)
Direct tax	1,313	938	1,213	1,550
Net cash from Op. activities	3,256	7,695	501	1,717
Capital expenditures	(1,937)	(13,130)	(1,800)	(1,800)
Interest / Dividend Income	238	266	1,251	1,539
Others	14	6,507	(603)	(686)
Net Cash from Inv. activities	(1,685)	(6,357)	(1,152)	(947)
Issue of share cap. / premium	-	-	-	-
Debt changes	(310)	947	-	-
Dividend paid	(1,901)	-	(875)	(1,118)
Interest paid	(85)	(118)	(217)	(228)
Others	(28)	(56)	-	-
Net cash from Fin. activities	(2,325)	772	(1,092)	(1,346)
Net change in cash	(754)	2,110	(1,742)	(576)
Free Cash Flow	2,776	6,861	(1,299)	(83)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	18.9	23.0	32.1	41.0
CEPS	29.2	33.2	43.5	53.3
BVPS	268.9	288.8	313.1	344.2
FCF	24.7	60.9	(11.5)	(0.7)
DPS	4.6	5.6	7.8	9.9
Return Ratio(%)				
RoCE	8.9	7.1	10.3	12.1
ROIC	8.4	13.4	15.7	16.7
RoE	7.0	8.3	10.7	12.5
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.4)	(0.4)
Net Working Capital (Days)	59	44	50	50
Valuation(x)				
PER	77.1	63.2	45.3	35.5
P/B	5.4	5.0	4.6	4.2
P/CEPS	49.8	43.8	33.5	27.3
EV/EBITDA	37.7	41.2	29.2	23.8
EV/Sales	2.7	3.1	2.5	2.0
Dividend Yield (%)	0.3	0.4	0.5	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	6,649	11,412	14,106	15,745
YoY gr. (%)	(52.2)	(28.9)	-	19.0
Raw Material Expenses	3,343	6,309	7,519	8,215
Gross Profit	3,307	5,103	6,587	7,530
Margin (%)	49.7	44.7	46.7	47.8
EBITDA	(114)	793	1,476	1,397
YoY gr. (%)	(111.5)	(39.1)	30.4	119.7
Margin (%)	(1.7)	7.0	10.5	8.9
Depreciation / Depletion	280	287	291	288
EBIT	(394)	507	1,185	1,109
Margin (%)	(5.9)	4.4	8.4	7.0
Net Interest	40	47	57	63
Other Income	209	228	282	358
Profit before Tax	(225)	441	1,132	1,404
Margin (%)	(3.4)	3.9	8.0	8.9
Total Tax	(72)	129	300	330
Effective tax rate (%)	32.1	29.1	26.5	23.5
Profit after Tax	(153)	312	833	1,074
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(153)	559	1,111	1,074
YoY gr. (%)	(124.3)	117.5	30.8	175.0
Margin (%)	(2.3)	4.9	7.9	6.8
Extra Ord. Income / (Exp)	-	(247)	(279)	-
Reported PAT	(153)	312	833	1,074
YoY gr. (%)	(124.3)	21.6	(2.0)	175.0
Margin (%)	(2.3)	2.7	5.9	6.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(153)	312	833	1,074
Avg. Shares O/s (m)	113	113	113	113
EPS (Rs)	(1.4)	5.0	9.9	9.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	Accumulate	1,008	1,275
2	04-Feb-21	Accumulate	1,008	1,207
3	08-Jan-21	Accumulate	798	980
4	05-Nov-20	Accumulate	798	790
5	08-Oct-20	Accumulate	798	719
6	13-Aug-20	Accumulate	798	751
7	08-Jul-20	Accumulate	798	760
8	19-Jun-20	Accumulate	798	752

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	543	373
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	546	879
10	Engineers India	BUY	115	76
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	157	108
14	ITD Cementation India	BUY	97	76
15	J.Kumar Infraprojects	BUY	260	183
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	383
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	78
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	1,856	1,786
25	Thermax	Accumulate	1,008	1,275
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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