

Retail Equity Research  
**Thermax Limited**  
Capital Goods

BSE CODE : 500411      NSE CODE: THERMAX  
BLOOMBERG CODE: TMX:IN      SENSEX : 82,555

**SELL**

12Months Investment Period      Rating as per Mid Cap

**CMP Rs. 4,384 TARGET Rs. 3,968 RETURN -10%**   
(Closing: 03-09-2024)

KEY CHANGES:      TARGET       RATING       EARNINGS 

**Depleting order book remains a concern...**

Thermax Ltd (TMX) is a leading energy and environment solutions provider. They offer integrated, innovative solutions in the areas of heating, cooling, power, water & waste management, air pollution control and chemicals.

- TMX reported in-line revenue growth of 13% YoY in Q1FY25, led by the industrial product (15% YoY) and green solutions (54% YoY).
- However, EBITDA margin declined by 38% YoY to 6.5% owing to one time provisions for industrial infra segment of Rs 73cr due to increased project costs.
- The order inflows were flat, impacted by elections and partly by the slowdown in ethanol based orders. The depleting order book (1.1x TTM revenue) may impact the revenue visibility for the coming quarters.
- The company expects traction in new orders with the order finalisations in sectors like power, steel, chemical, and biofuel.
- We reduce FY25 earnings estimate by 4.4% due absence of large orders and margin pressure.
- Due to expensive valuation and weak order inflow growth, we maintain our SELL rating with a TP of Rs3,968 based on a P/E of 50x on FY26 EPS.

**Muted order inflows...**

In Q1FY25, total order inflows was flat at Rs 2,569cr, owing to general election and partly by the slowdown in ethanol based orders. Due to the absence of large orders, the order book growth was muted at 2% YoY to Rs10,681cr, which is 1.1x TTM revenue. We expect the depleting order book remains a concern for the revenue visibility for the coming quarters. The order inflow of industrial products, green solutions, and chemicals grew by 6%, 19%, and 36%, respectively, while industrial infra segment witnessed a de-growth of 12% YoY.

**Cost overruns impacting project works**

TMX has taken one-time provision of Rs.73cr across multiple projects due to cost overruns in the FGD orders, bio CNG due to being unable to stabilise the standard output, floods in Chennai solar projects, and difficulty in getting labour for civil work in the Sulphur recovery plant. The company is looking for prospects of thermal power orders in H2FY25, while the management wishes to bid for only the boiler part, excluding the civil work.

**In-line execution...**

In Q1FY25, TMX reported a revenue growth of 13% YoY to Rs. 2,184cr, aided by strong execution in the industrial product segment (15% YoY), and Green solutions (54% YoY). However, EBITDA declined by 38bps YoY to 6.5% due to one time provision of Rs73cr across multiple projects. Adj. PAT de-grew by -1 largely on account of higher interest costs by 106% YoY and surge in tax expenses by 65% YoY.

**Valuations**

The current higher valuation and an incremental increase in debt will impact profitability in the coming quarters. Further, the absence of large orders may impact the execution in the coming quarters. We reduce our FY25 EPS estimate by 4.4%, and maintain our rating to SELL. We value TMX at a P/E of 50x on FY26 EPS, with a TP of Rs 3,968.

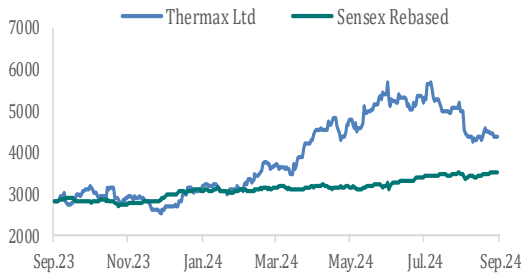
**Company Data**

Market Cap (cr)	₹ 52,240
Enterprise Value (cr)	₹ 53,051
Outstanding Shares (cr)	12
Free Float	38%
Dividend Yield	0.3%
52 week high	₹ 5,835
52 week low	₹ 2,500
6m average volume (cr)	0.01
Beta	0.7
Face value	₹ 2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	62.0	62.0	62.0
FII's	12.0	12.2	15.2
MFs/Insti	15.9	15.8	12.9
Public	10.1	9.9	10.0
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-17%	19%	56%
Absolute Sensex	15%	12%	26%
Relative Return*	-32%	7%	30%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	9,323	10,786	12,631
Growth (%)	15.2	15.7	17.1
EBITDA	797	971	1,263
EBITDA Margin(%)	8.6	9.0	10.0
PAT Adj.	719	717	944
Growth (%)	59.5	-0.3	31.7
Adj.EPS	54.0	60.1	79.2
Growth (%)	59.5	-0.3	31.7
P/E	72.7	72.9	55.3
P/B	11.9	10.4	8.9
EV/EBITDA	67.1	55.2	42.4
ROE (%)	17.3	15.1	17.3
D/E	0.8	0.3	0.2

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## Quarterly Financials (Consolidated)

### Profit & Loss

(Rs cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	2,184	1,933	13.0	2,764	-21.0
EBITDA	141	132	6.8	273	-48.3
EBITDA margins (%)	6.5	6.8	-38bps	10	-342bps
Depreciation	36	29	22.6	50	-27.8
EBIT	105	103	2.3	223	-52.9
Interest	27	13	105.5	28	-1.2
Other Income	84	53	58.5	55	52.2
Exceptional Items	-	0	-	0	-
PBT	162	92	76.1	251	-35.5
Tax	52	32	64.6	63	-18.0
Reported PAT	109	60	82.5	188	-41.7
Adjustments	-	51	-	0	-
Adj PAT	109	111	-1.0	188	-41.7
No. of Shares	12	12	-	12	-
EPS (Rs)	9	9	-1.0	16	-41.7

### Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	10,681	12,332	10,786	12,631	1.0	2.4
EBITDA	1,015	1,196	971	1,263	-4.3	5.6
Margins (%)	9.50	9.70	9.00	10.00	-50bps	30bps
Adj. PAT	749	903	717	944	-4.4	4.6
EPS	62.9	75.8	60.1	79.2	-4.4	4.6

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	6,128	8,090	9,323	10,786	12,631
% change	27.9	32.0	15.2	15.7	17.1
EBITDA	421	598	797	971	1,263
% change	18.6	41.8	33.4	21.7	30.1
Depreciation	113	117	148	133	137
EBIT	308	481	649	837	1126
Interest	25	38	88	125	108
Other Income	127	160	233	250	257
PBT	410	603	870	962	1,276
% change	49.0	47.2	44.2	10.6	32.6
Tax	98	152	226	245	332
Tax Rate (%)	23.9	25.3	26.0	25.5	26.0
Reported PAT	312	451	643	717	944
Adj*	0	0	75	0	0
Adj PAT	312	451	719	717	944
% change	20.5	44.3	59.5	-0.3	31.7
No. of shares (cr)	12	12	12	12	12
Adj EPS (Rs.)	26	38	54	60	79
% change	20.5	44.3	59.5	-0.3	31.7
DPS (Rs.)	8.4	8.7	8.8	9.0	9.0

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	311	453	487	769	481
Accounts Receivable	1,699	1,877	2,267	2,541	2,942
Inventories	727	756	765	984	1,136
Other Cur. Assets	2,638	3,715	3,688	4,876	5,710
Investments	710	233	402	602	783
Gross Fixed Assets	1,822	2,042	2,262	2,482	2,702
Net Fixed Assets	1,154	1,216	1,874	1,275	1,377
CWIP	44	434	519	200	150
Intangible Assets	41	32	37	38	39
Def. Tax (Net)	127	106	96	94	92
Other Assets	-	8	-	8	8
Total Assets	7,458	8,836	10,141	11,397	12,728
Current Liabilities	3,371	3,913	4,097	4,592	5,206
Provisions	239	242	348	369	381
Debt Funds	355	811	1,256	1,386	1,256
Other Liabilities	-	-	-	-	-
Equity Capital	23	23	23	23	23
Reserves & Surplus	3,470	3,848	4,417	5,027	5,863
Shareholder's Fund	3,492	3,870	4,440	5,049	5,886
Total Liabilities	7,458	8,836	10,141	11,397	12,728
BVPS (Rs.)	293	325	373	424	494

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	523	720	1,018	1,095	1,412
Non-cash adj.	-46	-93	-129	-118	-222
Changes in W.C	95	-738	-81	-1,168	-763
C.F. Operation	445	-272	575	-441	171
Capital exp.	44	630	315	-89	180
Change in inv.	-591	477	-168	-201	-181
Other invest.CF	0	0	0	0	0
C.F - Investment	-420	1269	377	-40	257
Issue of equity	0	0	0	0	0
Issue/repay debt	50	455	445	130	-130
Dividends paid	-100	-104	-105	-107	-107
Other finance.CF	-101	-1169	0	-305	-370
C.F - Finance	-176	-855	253	-408	-715
Chg. in cash	-150	142	1205	-889	-288
Closing cash	311	453	1,658	769	481

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	6.9	7.4	8.6	9.0	10.0
EBIT margin (%)	5.0	5.9	7.0	7.8	8.9
Net profit mgn.(%)	5.1	5.6	7.7	6.6	7.5
ROE (%)	9.3	12.2	17.3	15.1	17.3
ROCE (%)	7.5	9.0	9.5	8.7	11.5
W.C & Liquidity					
Receivables (days)	92.6	80.7	81.1	81.4	79.2
Inventory (days)	59.3	58.5	53.2	53.3	56.0
Payables (days)	136.0	119.0	102.1	88.1	86.0
Current ratio (x)	1.5	1.6	1.6	1.9	1.8
Quick ratio (x)	0.6	0.6	0.7	0.6	0.6
Turnover & Leverage					
Gross asset T.O (x)	3.4	4.2	4.3	4.5	4.9
Total asset T.O (x)	0.9	1.0	1.0	1.0	1.0
Int. coverage ratio (x)	12.2	12.8	7.4	6.7	10.5
Adj. debt/equity (x)	0.1	0.2	0.8	0.3	0.2
Valuation					
EV/Sales (x)	8.6	6.6	5.7	5.0	4.2
EV/EBITDA (x)	124.8	88.8	67.1	55.2	42.4
P/E (x)	167.3	115.9	72.7	72.9	55.3
P/BV (x)	15.1	13.6	11.9	10.4	8.9

Recommendation summary (last 3 Years)



Dates	Rating	Target
17-Aug-20	Accumulate	820
09-Feb-21	Hold	1,206
27-May-21	Reduce	1,299
15-Nov-21	Accumulate	1,695
11-Feb-22	Sell	1,700
01-Sep-22	Reduce	2,178
18-Nov-22	Reduce	1,911
15-Feb-23	Sell	1,806
21-Jun-23	Sell	2,113
01-Dec-23	Accumulate	2,913
05-Jun-24	Sell	4,546
04-Sep-24	Sell	3,968

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

**Definition:**

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

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