

Retail Equity Research  
**Thermax Limited**  
Capital Goods

**SELL**

BSE CODE : 500411      NSE CODE: THERMAX  
BLOOMBERG CODE: TMX:IN      SENSEX : 72,079

12Months Investment Period      Rating as per Mid Cap  
**CMP Rs. 5,277 TARGET Rs. 4,546 RETURN - 14%** ↓  
(Closing: 04-06-2024)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↓

**EARNINGS** ↓

**Expensive valuation a near term deterrent...**

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 19.6% YoY in Q4FY24, led by the industrial segment (23% YoY) and infra segments (17% YoY), green solutions (72% YoY) and chemical segments, which witnessed de-growth.**
- **EBITDA grew by 37% YoY and the margin improved by 123 bps YoY to 9.9% in Q4FY24. Better product mix and moderation of other expenses by 288bps YoY (as a % to revenue) aid the margin.**
- **The order book grew by 4% YoY in FY24, owing to a 7% YoY increase in new orders. A delay in order finalisation in sugar and steel due to the election impacted the inflows in FY24.**
- **The company expects traction in new order in bio-fuel, ethanol, and thermal power in FY25.**
- **However, an increase in debt of 55% YoY in FY24 will impact profitability and the balance sheet. Accordingly, we reduce FY25/FY26 EPS estimates by 2% and 1%, respectively.**
- **Due to expensive valuation and weak order inflow growth, we revise our rating to SELL with a TP of Rs4,546 based on a P/E of 60x on FY26 EPS.**

**Delay in finalisation of orders impacted the order book...**

In Q4FY24, total order inflow registered a muted growth of 2% YoY to Rs2,309cr, largely on account of the delay in the finalization of orders due to the election. TMX missed large orders from sugar, steel, and other sectors due to the deferment of decisions on account of the general election. The total order book grew by 4% YoY to Rs10,111cr, which is 1.1x FY24 revenue, providing visibility for the coming quarters. The order book of industrial products, green solutions, and chemicals grew by 23.2%, 60.4%, and 26.6%, respectively. The order book for industrial infra de-grew by 10% YoY in FY24. The management expects a good order pipeline for products like Thermotron, FlexiSource boilers, waste to energy, heat pumps, T-HVAC (thermal heating, ventilation, and Air Conditioning) systems.

**In-line execution in Q4FY24...**

In Q4FY24, TMX reported a revenue growth of 19.6% YoY to Rs. 2,764cr, aided by strong execution in the industrial product segment (23.1% YoY), Green solutions (71.5% YoY), and Industrial infra (16.9% YoY). The chemical segment witnessed a de-growth of -8.2% YoY. TMX is targeting Rs600cr of revenue from FGD orders in FY25 with a better margin compared to 4.7% in FY24. The management expects execution to pick up in FY25, aided by strong orders and TMX's continued investments in solar and biomass-to-hydrogen businesses. However, we largely maintain our FY25/FY26 revenue estimate.

**Higher interest cost impacted the earnings...**

In Q4FY24, EBITDA improved by 123bps YoY to 9.9% due to a better product mix and ease in input costs. Interest costs increased by 100% YoY in Q4FY24 due to a surge in borrowings, which restricted the PAT growth to 20% YoY to Rs188cr.

**Valuations**

The current higher valuation and an incremental increase in debt in FY24 will impact profitability in the coming quarters. Therefore, we reduce our FY25/FY26 EPS estimate by 2.5%/1.2% respectively, and change our rating to SELL. We value TMX at a P/E of 60x on FY26 EPS, with a TP of Rs 4,546.

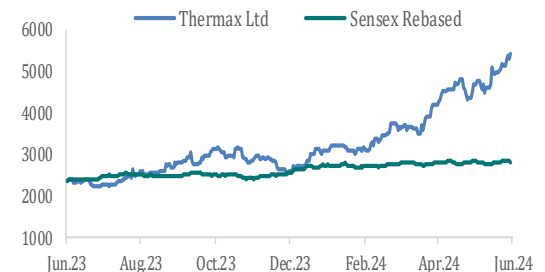
**Company Data**

Market Cap (cr)	₹ 62,869
Enterprise Value (cr)	₹ 63,680
Outstanding Shares (cr)	12
Free Float	38%
Dividend Yield	0.4%
52 week high	₹ 5,698
52 week low	₹ 2,193
6m average volume (cr)	0.01
Beta	0.7
Face value	₹ 2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	62.0	62.0	62.0
FII's	12.5	12.0	12.2
MFs/Insti	15.5	15.9	15.8
Public	10.0	10.1	9.9
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	48%	107%	128%
Absolute Sensex	0%	10%	18%
Relative Return*	47%	97%	110%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	9,323	10,681	12,332
Growth (%)	15.2	14.6	15.5
EBITDA	797	1,015	1,196
EBITDA Margin(%)	8.6	9.5	9.7
PAT Adj.	719	749	903
Growth (%)	59.5	4.3	20.5
Adj.EPS	54.0	62.9	75.8
Growth (%)	59.5	4.3	20.5
P/E	87.5	83.9	69.6
P/B	14.3	12.5	10.8
EV/EBITDA	80.4	63.3	53.6
ROE (%)	17.3	15.7	16.5
D/E	0.8	0.3	0.2

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Research Analyst

## Quarterly Financials (Consolidated)

### Profit & Loss

(Rs cr)	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
<b>Sales</b>	<b>2,764</b>	<b>2,311</b>	19.6	<b>2,324</b>	18.9	<b>9,323</b>	<b>8,090</b>	15.2
<b>EBITDA</b>	<b>273</b>	<b>200</b>	36.6	<b>187</b>	45.7	<b>797</b>	<b>598</b>	33.4
EBITDA margins (%)	9.9	8.7	123bps	8	182bps	8.6	7.4	117bps
Depreciation	50	29	69.4	36	39.2	148	117	26.7
<b>EBIT</b>	<b>223</b>	<b>170</b>	31.0	<b>152</b>	47.3	<b>649</b>	<b>481</b>	35.1
Interest	28	14	99.8	27	4.5	88	38	133.0
Other Income	55	57	-3.9	58	-5.4	233	160	45.2
Exceptional Items	-	0	-	0	-	75	0	-
<b>PBT</b>	<b>251</b>	<b>214</b>	17.1	<b>309</b>	-19.0	<b>870</b>	<b>603</b>	44.2
Tax	63	58	8.8	72	-12.2	226	152	48.2
<b>Reported PAT</b>	<b>188</b>	<b>156</b>	20.1	<b>237</b>	-20.9	<b>643</b>	<b>451</b>	42.7
Adjustments	-	-	-	0	-	-75.5	-	-
<b>Adj PAT</b>	<b>188</b>	<b>156</b>	20.1	<b>111</b>	69.1	<b>568</b>	<b>451</b>	26.0
No. of Shares	12	12	-	12	-	12	12	-
<b>EPS (Rs)</b>	<b>16</b>	<b>13</b>	20.1	<b>9</b>	69.1	<b>48</b>	<b>38</b>	26.0

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	10,626	12,186	10,681	12,332	0.5	1.2
EBITDA	967	1,145	1,015	1,196	4.9	4.5
Margins (%)	9.10	9.40	9.50	9.70	0.40	10bps
Adj. PAT	768	913	749	903	-2.4	-1.1
EPS	64.5	76.7	62.9	75.8	-2.5	-1.2

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	6,128	8,090	9,323	10,681	12,332
% change	27.9	32.0	15.2	14.6	15.5
EBITDA	421	598	797	1,015	1,196
% change	18.6	41.8	33.4	27.2	17.9
Depreciation	113	117	148	133	137
EBIT	308	481	649	881	1,059
Interest	25	38	88	125	108
Other Income	127	160	233	250	260
PBT	410	603	870	1,006	1,212
% change	49.0	47.2	44.2	15.6	20.5
Tax	98	152	226	256	309
Tax Rate (%)	23.9	25.3	26.0	25.5	25.5
Reported PAT	312	451	643	749	903
Adj*	0	0	75	0	0
Adj PAT	312	451	719	749	903
% change	20.5	44.3	59.5	4.3	20.5
No. of shares (cr)	12	12	12	12	12
Adj EPS (Rs.)	26	38	54	63	76
% change	20.5	44.3	59.5	4.3	20.5
DPS (Rs.)	8.4	8.7	8.8	9.0	9.0

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	523	720	1,018	1,139	1,349
Non-cash adj.	-46	-93	-129	-129	-199
Changes in W.C	95	-738	-81	-1,167	-643
C.F. Operation	445	-272	575	-407	246
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	260
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	-855	-209
Closing cash	311	453	1,658	803	594

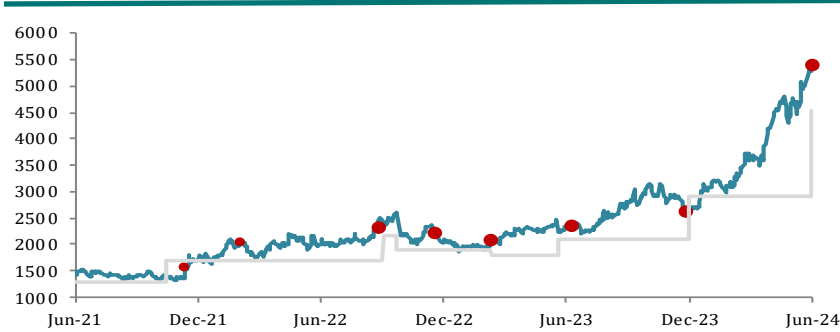
### BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	311	453	487	803	594
Accounts Receivable	1,699	1,877	2,267	2,517	2,872
Inventories	727	756	765	966	1,115
Other Cur. Assets	2,638	3,715	3,688	4,828	5,575
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
<b>Total Assets</b>	<b>7,458</b>	<b>8,836</b>	<b>10,141</b>	<b>11,340</b>	<b>12,615</b>
Current Liabilities	3,371	3,913	4,097	4,506	5,110
Provisions	239	242	348	366	372
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	5,059	5,855
Shareholder's Fund	3,492	3,870	4,440	5,082	5,877
<b>Total Liabilities</b>	<b>7,458</b>	<b>8,836</b>	<b>10,141</b>	<b>11,340</b>	<b>12,615</b>
<b>BVPS (Rs.)</b>	<b>293</b>	<b>325</b>	<b>373</b>	<b>426</b>	<b>493</b>

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	6.9	7.4	8.6	9.5	9.7
EBIT margin (%)	5.0	5.9	7.0	8.3	8.6
Net profit mgn.(%)	5.1	5.6	7.7	7.0	7.3
ROE (%)	9.3	12.2	17.3	15.7	16.5
ROCE (%)	7.5	9.0	9.5	9.0	11.1
<b>W.C &amp; Liquidity</b>					
Receivables (days)	92.6	80.7	81.1	81.7	79.7
Inventory (days)	59.3	58.5	53.2	53.8	56.0
Payables (days)	136.0	119.0	102.1	88.9	86.0
Current ratio (x)	1.5	1.6	1.6	1.9	1.9
Quick ratio (x)	0.6	0.6	0.7	0.6	0.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.4	4.2	4.3	4.5	4.8
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	7.0	9.8
Adj. debt/equity (x)	0.1	0.2	0.8	0.3	0.2
<b>Valuation</b>					
EV/Sales (x)	10.3	7.9	6.9	6.0	5.2
EV/EBITDA (x)	150.0	106.6	80.4	63.3	53.6
P/E (x)	201.3	139.5	87.5	83.9	69.6
P/BV (x)	18.2	16.4	14.3	12.5	10.8

## 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

Source: Bloomberg, Geojit Research.

## Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	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.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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