PL Capital
PRABHUDAS LILLADHER

Thermax (TMX IN)

Rating: HOLD | CMP: Rs3,330 | TP: Rs3,633

September 12, 2025

Visit Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	3,633		3,633	
Sales (Rs. m)	1,16,077	1,30,915	1,16,077	1,30,915
% Chng.	-	-		
EBITDA (Rs. m)	10,447	12,437	10,447	12,437
% Chng.	-	-		
EPS (Rs.)	65.8	74.5	65.8	74.5
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	93,235	1,03,887	1,16,077	1,30,915
EBITDA (Rs. m)	7,974	9,078	10,447	12,437
Margin (%)	*8.6*	*8.7*	*9.0*	*9.5*
PAT (Rs. m)	5,894	6,345	7,836	8,880
EPS (Rs.)	49.5	53.2	65.8	74.5
Gr. (%)	*30.8*	*7.6*	*23.5*	*13.3*
DPS (Rs.)	12.0	12.0	19.7	22.4
Yield (%)	*0.4*	*0.4*	*0.6*	*0.7*
RoE (%)	*14.2*	*13.5*	*14.9*	*15.0*
RoCE (%)	*12.5*	*12.1*	*11.7*	*11.4*
EV/Sales (x)	4.1	3.7	3.3	3.0
EV/EBITDA (x)	48.4	42.5	36.9	31.1
PE (x)	67.3	62.5	50.6	44.7
P/BV (x)	8.9	8.0	7.1	6.4

Key Data	THMX.BO | TMX IN
52-W High / Low	Rs.5,721 / Rs.2,930
Sensex / Nifty	81,549 / 25,006
Market Cap	Rs.397bn/ $ 4,486m
Shares Outstanding	119m
3M Avg. Daily Value	Rs.1045.88m

Shareholding Pattern (%)

Promoter's	61.99
Foreign	16.02
Domestic Institution	11.74
Public & Others	10.25
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.7	1.7	(25.5)
Relative	0.5	(7.6)	(25.5)

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Industrial Infra rebound on cards

We visited Thermax's Water & Waste Solutions plant in Pune and engaged with top management to discuss the financial and operational performance along with future growth and profitability outlook. The management remains optimistic with a minimum of ~10-11% revenue growth CAGR over the next five years with better margins supported by better execution in H2FY26. Company's exposure to the USA tariffs remain below ~1% as the Chemical business is exempt. Emerging segments, including Green Hydrogen, Green Ammonia, and Sustainable Aviation Fuel (SAF), are expected to provide new avenues of growth for Industrial Infra and Industrial Products. Despite the slower than anticipated expansion of Chemicals business, it is expected to sustainably grow driven by company's foray into specialty chemicals. The management aims to achieve 1 GW operational capacity in Green Solutions, post which may dilute its stake. Management remains risk averse with selective order booking (orders below Rs5.0bn) and focus on core capability building for long-term sustainable growth.

Execution challenges will remain a key monitorable in the short term. However, in the long term, TMX is well placed to gain from increasing thrust on energy transition & de-carbonization led by its 1) sustainable green industrial solutions in bioenergy, heating & cooling, chemicals and water, 2) technical expertise, and 3) prudent working capital management. The stock is currently trading at PE of 50.6x/44.7x on FY26/27E. We maintain our 'Hold' rating valuing the core business at a PE of 40x Mar'27E (same as earlier) arriving at a SoTP-derived TP of Rs3,633 (same as earlier).

Key takeaways from the plant visit

- The plant specializes in manufacturing water treatment systems **which form ~20% of the Industrial Products business** with capacities ranging from **1 kiloliter per day (KLD) to 1 million liters per day (MLD).**

- The large plants are also categorized as projects instead of products which go into Industrial Infra segment.

- The plant **currently manufactures 3–4 vessels per day** while operating on a single shift. Depending on demand, **production can be scaled up to ~8 vessels per day by adding a second shift**. As a result, the plant is presently **operating at less than 50% capacity utilization**.

- **Average ticket size of Thermax's water treatment plant is ~Rs40-50mn** while the completely **integrated system of capacity 1 MLD can range up to ~Rs100mn** with an execution period of 5 months.

- Thermax's total investment in this manufacturing facility stood at **~Rs170mn for civil work and ~Rs100 for plant machinery.**

- Thermax also offers small **plug-and-play** water treatment plants whose **average ticket size is ~Rs5.5mn.** Some of the small-scale plants includes **E series RO** (200-3000 liters per hour (LPH)), **CuBe** STP (10-50 KLD), **atoM** STP (10-50 KLD).
- Such plants primarily serve process industries such as food processing, pharma, pulp & paper, brewery, cement, steel, textiles etc.

Vessel Fabrication: Process, Precision, and Production Scale

The systems are built around two main components: vessels and reverse osmosis (RO) units. Vessels are cylindrical structures filled with filtration media such as sand, anthracite, or activated carbon (depending on effluent type) to remove larger contaminants before RO treatment.

Vessel Fabrication Process

- **Sheet Preparation:** Iron sheets are plasma-cut and rolled into vessel shells and dish ends.
- **Automated Welding:** Shells and ends are joined using robotic welding (supplied by ESAB India) for precision.
- **Component Integration:** Nozzles and brackets are fitted manually.
- **Surface Treatment:** Micro-blasting with fine abrasives ensures cleaning, deburring, and surface refinement.
- **Quality Assurance:** Vessels undergo hydraulic pressure testing at 6 bar to confirm integrity.

Assembly and Integration of RO Units

The fabricated vessels are integrated with in-house manufactured pressure tubes and externally sourced membranes, mounted on vendor-supplied skids.

- **Pressure Tubes:** Withstand high pressures, protect membranes, and direct water flow.
- **RO Membranes:** Semi-permeable barriers that reject salts, metals, organics, and pathogens, removing 95–99% of dissolved solids.

This integration ensures deep purification with a recovery rate of ~95%, which Thermax is working to improve to 96–97%. **The company's key value addition lies in design and engineering of filtration media and membrane selection.**

Packing and Warehouse Management

Finished systems are packed and stored in Thermax's warehouse, which combines automation with manual management.

- **Automated Section:** Vertically stacked storage units (70 crates each, ~400 kg capacity) enhance efficiency and accuracy; three such systems were installed at ~Rs10mn.

- **Manual Section:** Established with ~Rs9mn investment, it stores raw materials and bought-out components for easy segregation and handling.

Key takeaways from the management interaction

- **Management expectations:** The management continue to remain optimistic and expect at least ~10-11% growth CAGR for next 5 years with better margins. The monsoons in the country led to delays in the execution during Q1. However, H2FY26 is expected to perform better.

- **USA tariffs:** Thermax has exposure to the USA via its cooling business and chemicals business. **The Chemicals business has been exempted from the** reciprocal tariffs due to their applications in water treatment. Meanwhile, some impact is expected on its cooling business. **The USA forms part of ~2% of Thermax's consolidated revenue hence the impacted business is less than ~1% of the revenue.**

- **Bio-CNG order book of ~Rs2.5bn:** Thermax's Bio-CNG projects are yet to be delivered and ~Rs2.5bn remains on its book. This backlog is expected to be cleared in FY26. The feed stock for the Bio-CNG plants still has 30-40% moisture which significantly affects the yield of the plants. Hence, management has started committing lower yields and has not booked any big order in this space for last year.

- **FGD to be delivered by FY27:** Thermax still has nearly ~Rs4.5bn of legacy order book of FGD project. It plans to clear ~Rs3.5bn in FY26 with remaining ~Rs1.0bn to be delivered in FY27.

- **New opportunities:** Green hydrogen and ammonia are gaining strong traction in India, supported by government tenders and globally competitive pricing. With its HydrogenPro tie-up and localized value creation, Thermax is well-positioned to benefit, alongside emerging opportunities in SAF and carbon capture.

- **Chemicals slower than expected:** The expansion of the chemical business has been slower than anticipated. However, with company's foray into specialty chemicals, such as flooring and construction chemicals, management aims to grow sustainably in the long run. The company has also invested in a new Chemical plant along with quarterly investment of ~Rs30-40mn for capability development.

- **Green Solutions:** Thermax's current green asset capacity is ~300MW which they aim to grow to 1GW in few years at a total investment of ~Rs10bn. Post achievement of 1GW capacity, the company will explore the options to onboard a partner and dilute its stake in the Green Solutions business.

- **Exports:** Company is investing and expanding its presence in different geographies while also improving its presence in focus geographies such as South-East Asia, Middle East, Africa, Sri-Lanka and Bangladesh. Among the focus geographies, Middle East remains the fastest growing. The geographical expansion to take place for its industrial infra, products and chemicals business while the green solutions to solely focus on domestic market.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**93,235**	**1,03,887**	**1,16,077**	**1,30,915**
YoY gr. (%)	*15.2*	*11.4*	*11.7*	*12.8*
Cost of Goods Sold	52,196	58,135	64,539	72,134
Gross Profit	41,039	45,752	51,538	58,781
Margin (%)	*44.0*	*44.0*	*44.4*	*44.9*
Employee Cost	11,483	12,689	14,045	15,841
Other Expenses	7,704	8,589	10,331	11,651
EBITDA	**7,974**	**9,078**	**10,447**	**12,437**
YoY gr. (%)	*33.4*	*13.8*	*15.1*	*19.0*
Margin (%)	*8.6*	*8.7*	*9.0*	*9.5*
Depreciation and Amortization	1,481	1,585	1,770	2,265
EBIT	**6,493**	**7,493**	**8,677**	**10,172**
Margin (%)	*7.0*	*7.2*	*7.5*	*7.8*
Net Interest	876	1,168	1,234	1,695
Other Income	2,326	2,522	3,076	3,443
Profit Before Tax	**8,698**	**8,847**	**10,519**	**11,920**
Margin (%)	*9.3*	*8.5*	*9.1*	*9.1*
Total Tax	2,258	2,578	2,682	3,040
Effective tax rate (%)	*26.0*	*29.1*	*25.5*	*25.5*
Profit after tax	**6,440**	**6,269**	**7,836**	**8,880**
Minority interest	(21)	(78)	-	-
Share Profit from Associate	(8)	(2)	-	-
Adjusted PAT	**5,894**	**6,345**	**7,836**	**8,880**
YoY gr. (%)	*30.8*	*7.6*	*23.5*	*13.3*
Margin (%)	*6.3*	*6.1*	*6.8*	*6.8*
Extra Ord. Income / (Exp)	559	-	-	-
Reported PAT	**6,453**	**6,345**	**7,836**	**8,880**
YoY gr. (%)	*43.2*	*(1.7)*	*23.5*	*13.3*
Margin (%)	*6.9*	*6.1*	*6.8*	*6.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,453	6,345	7,836	8,880
Equity Shares O/s (m)	**119**	**119**	**119**	**119**
EPS (Rs)	**49.5**	**53.2**	**65.8**	**74.5**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**28,885**	**37,480**	**45,704**	**56,388**
Tangibles	28,885	37,480	45,704	56,388
Intangibles	-	-	-	-
Acc: Dep / Amortization	**10,140**	**11,328**	**13,099**	**15,364**
Tangibles	10,140	11,328	13,099	15,364
Intangibles	-	-	-	-
Net fixed assets	**18,745**	**26,152**	**32,606**	**41,024**
Tangibles	18,745	26,152	32,606	41,024
Intangibles	-	-	-	-
Capital Work In Progress	5,564	7,533	8,309	9,125
Goodwill	-	-	-	-
Non-Current Investments	6,409	6,794	6,014	9,224
Net Deferred tax assets	963	1,243	1,243	1,243
Other Non-Current Assets	3,740	3,660	4,063	4,582
Current Assets				
Investments	13,635	15,679	16,679	17,679
Inventories	7,649	7,203	7,632	8,608
Trade receivables	22,671	25,654	27,986	31,563
Cash & Bank Balance	9,753	12,085	19,843	26,604
Other Current Assets	6,641	6,476	6,965	7,855
Total Assets	**1,00,445**	**1,19,376**	**1,37,676**	**1,64,420**
Equity				
Equity Share Capital	225	225	225	225
Other Equity	44,173	49,144	55,550	62,079
Total Networth	**44,398**	**49,369**	**55,775**	**62,305**
Non-Current Liabilities				
Long Term borrowings	8,059	11,804	19,123	26,211
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,715	5,373	6,553	8,466
Trade payables	15,810	17,510	19,717	22,238
Other current liabilities	28,425	36,508	37,750	46,445
Total Equity & Liabilities	**1,00,445**	**1,19,376**	**1,37,676**	**1,64,420**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	8,698	8,847	10,519	11,920
Add. Depreciation	1,481	1,585	1,770	2,265
Add. Interest	837	1,411	1,234	1,695
Less Financial Other Income	2,326	2,522	3,076	3,443
Add. Other	(1,919)	(1,000)	(3,076)	(3,443)
Op. profit before WC changes	9,096	10,844	10,447	12,437
Net Changes-WC	(4,760)	1,289	2,885	4,298
Direct tax	1,863	1,861	2,682	3,040
Net cash from Op. activities	**2,473**	**10,272**	**10,649**	**13,695**
Capital expenditures	(7,220)	(9,002)	(9,000)	(11,500)
Interest / Dividend Income	872	638	3,076	3,443
Others	1,257	(4,042)	(2,747)	(3,832)
Net Cash from Invt. activities	**(5,092)**	**(12,406)**	**(8,671)**	**(11,889)**
Issue of share cap. / premium	-	-	-	-
Debt changes	4,306	4,336	8,500	9,000
Dividend paid	(1,128)	(1,352)	(1,430)	(2,351)
Interest paid	(821)	(1,758)	(1,234)	(1,695)
Others	496	9	-	-
Net cash from Fin. activities	**2,854**	**1,236**	**5,836**	**4,954**
Net change in cash	**235**	**(898)**	**7,815**	**6,761**
Free Cash Flow	(5,966)	1,245	1,649	2,195

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	**25,460**	**25,078**	**30,849**	**20,944**
YoY gr. (%)	*10.6*	*7.9*	*11.6*	*(4.1)*
Raw Material Expenses	14,405	13,995	17,448	10,604
Gross Profit	11,055	11,083	13,401	10,340
Margin (%)	*43.4*	*44.2*	*43.4*	*49.4*
EBITDA	**2,124**	**1,890**	**2,997**	**1,693**
YoY gr. (%)	*3.8*	*0.8*	*9.7*	*19.9*
Margin (%)	*8.3*	*7.5*	*9.7*	*8.1*
Depreciation / Depletion	421	351	453	489
EBIT	**1,703**	**1,539**	**2,543**	**1,204**
Margin (%)	*6.7*	*6.1*	*8.2*	*5.7*
Net Interest	294	287	313	302
Other Income	598	315	769	656
Profit before Tax	**2,663**	**1,568**	**2,999**	**2,117**
Margin (%)	*10.5*	*6.3*	*9.7*	*10.1*
Total Tax	683	425	951	600
Effective tax rate (%)	*25.6*	*27.1*	*31.7*	*28.4*
Profit after Tax	**1,980**	**1,142**	**2,048**	**1,516**
Minority interest	10	(22)	(2)	(9)
Share Profit from Associates	-	(5)	7	(2)
Adjusted PAT	**1,505**	**1,159**	**2,057**	**1,128**
YoY gr. (%)	*(4.6)*	*(19.3)*	*9.7*	*(2.6)*
Margin (%)	*5.9*	*4.6*	*6.7*	*5.4*
Extra Ord. Income / (Exp)	465	-	-	396
Reported PAT	**1,970**	**1,159**	**2,057**	**1,524**
YoY gr. (%)	*24.9*	*(51.1)*	*9.7*	*31.6*
Margin (%)	*7.7*	*4.6*	*6.7*	*7.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,970**	**1,159**	**2,057**	**1,524**
Avg. Shares O/s (m)	119	119	119	119
EPS (Rs)	**12.6**	**9.7**	**17.3**	**9.5**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	49.5	53.2	65.8	74.5
CEPS	61.9	66.5	80.6	93.5
BVPS	372.6	414.3	468.1	522.9
FCF	(50.1)	10.4	13.8	18.4
DPS	12.0	12.0	19.7	22.4
Return Ratio(%)				
RoCE	12.5	12.1	11.7	11.4
ROIC	16.8	15.6	17.2	16.9
RoE	14.2	13.5	14.9	15.0
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	57	54	50	50
Valuation(x)				
PER	67.3	62.5	50.6	44.7
P/B	8.9	8.0	7.1	6.4
P/CEPS	53.8	50.0	41.3	35.6
EV/EBITDA	48.4	42.5	36.9	31.1
EV/Sales	4.1	3.7	3.3	3.0
Dividend Yield (%)	0.4	0.4	0.6	0.7

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Aug-25	Hold	3,633	3,779
2	09-Jul-25	Accumulate	3,629	3,435
3	13-May-25	Accumulate	3,629	3,297
4	09-Apr-25	Accumulate	3,456	3,222
5	07-Feb-25	Accumulate	3,857	3,385
6	09-Jan-25	Reduce	4,275	3,982
7	15-Nov-24	Reduce	4,275	5,004
8	07-Oct-24	Reduce	4,186	5,193

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,600	5,093
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,079
4	Bharat Electronics	Hold	374	387
5	BHEL	Hold	215	228
6	Carborundum Universal	Hold	835	841
7	Cummins India	Hold	3,895	3,807
8	Elgi Equipments	Accumulate	559	500
9	Engineers India	BUY	245	191
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Hold	402	423
13	Hindustan Aeronautics	BUY	5,500	4,409
14	Ingersoll-Rand (India)	BUY	4,335	3,602
15	Kalpataru Projects International	Accumulate	1,366	1,184
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	Hold	393	414
20	Siemens	Accumulate	3,431	3,115
21	Thermax	Hold	3,633	3,779
22	Triveni Turbine	BUY	650	530
23	Voltamp Transformers	BUY	10,285	8,892

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

ANALYST CERTIFICATION

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