

## Execution improving gradually...

**About the stock:** Thermax Ltd (Thermax) offers integrated solutions in the areas of energy and environment – heating, cooling, power, water & waste management, air pollution control and chemicals.

- It operates in four key segments Industrial Infra (~48% of revenue), Industrial Products (~38%), Green Solutions (~7%) and Chemicals segment (~7%)

**Q3FY26 performance:** Thermax reported its Q3FY26 results, with consolidated revenue increasing 4% YoY to ₹2,635 crore, led by healthy execution momentum in the Industrial Products segment, partially offset by execution phasing in Industrial Infra and Green Solutions. EBITDA margin improved by 219 bps to 9.7% YoY, whereas PAT rose sharply by 80% YoY to ₹205 crore, supported by one-time exceptional gain. Order inflows remained robust at ₹3,080 crore (+34% YoY), driving the order book to ₹12,641 crore (+11% YoY).

### Investment Rationale

- Order book-led revenue visibility with improving execution mix:** Thermax's consolidated order book stood at ₹12,641 crore (+11% YoY), supported by strong inflows in Industrial Products and Industrial Infra, including large export-led refinery and petrochemical orders (Dangote). This provides medium-term revenue visibility, while improving execution in Industrial Infra has already driven a recovery in EBIT margins to ~6.3% in Q3FY26 (vs ~0.1% YoY), reflecting recovery from prior cost overruns and better execution, improving the quality of backlog-led earnings.
- Emerging data centre demand and energy-transition projects add medium-term margin upside:** Thermax has successfully secured two marquee data center cooling orders in Q3FY26, including one from a leading US data center customer described as one of the largest cooling orders in company history. The opportunity is driven by Thermax's unique proprietary IP that is best-in-class globally for specific cooling applications, providing strong competitive moats with competition largely limited to China. Alongside this, Green Solutions and Industrial Products continue to benefit from emission control, waste-to-energy, and clean energy projects. At the consolidated level, EBITDA margin expanded by ~219 bps YoY to ~9.7% in Q3FY26, indicating early operating leverage, even as some segments face product-mix and input-cost pressures.

### Rating and Target Price

- We like Thermax for its discipline in picking profitable orders, close tab on working capital management, cash flow generation. Over all we expect revenues and PAT to grow at a CAGR of 13.9% and 15.1% over FY25-FY28E. Thus, we upgrade our rating from HOLD to **BUY** at 40x FY28E EPS to ₹3400 per share.



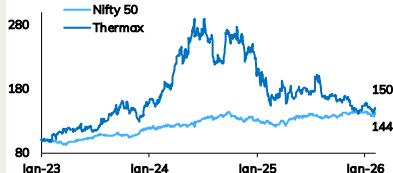
### Particulars

Particular	Rs. (in crore)
Market Capitalization	34,826.0
Total Debt (H1FY26)	1,758.0
Cash and Inv (H1FY26)	1,293.9
Enterprise Value	35,290.1
52 week H/L (Rs.)	4092/2743
Equity capital	22.5
Face value (Rs.)	2.0

### Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	62.0	62.0	62.0	62.0
FII	15.9	16.0	13.4	12.4
DII	12.3	11.7	14.0	14.8
Others	9.9	10.2	10.6	10.6

### Price Chart



### Key risks

- Lower than expected order inflows
- More negative surprises/setbacks

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### Key Financial Summary

Particulars (Rs. in crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY28E)
Net Sales	8,089.8	9,323.5	10,388.7	13.3%	10,849.0	13,437.0	15,341.4	13.9%
EBITDA	597.6	797.4	907.8	23.3%	992.9	1,363.1	1,569.6	20.0%
EBITDA Margin (%)	7.4	8.6	8.7		9.2	10.1	10.2	
Net Profit	440.1	638.7	627.6	19.4%	565.1	833.0	955.7	15.1%
EPS (Rs.)	39.1	56.7	55.7		46.8	74.0	84.9	
P/E (x)	74.6	51.4	52.3		62.4	39.4	34.4	
RoNW (%)	11.4	13.1	12.7		10.6	13.8	14.0	
RoCE (%)	13.7	15.4	15.0		14.0	15.9	16.5	

## Key results and earnings call highlights:

- Consolidated revenue declined 4% YoY in Q3FY26 to ₹2634 crore, driven by strong execution in Industrial Products (+ 18% YoY). On a segmental basis Revenue from Industrial Products (48% of revenue mix) and Chemicals business (7.5%) grew at 18% and 4.5% YoY whereas Industrial Infra (38%) and Green Solutions (6.1%) declined 9.4% and 13.5% YoY respectively.
- At the segment level, Industrial Products margins softened to 9.3% (vs 11.1% YoY) due to an adverse product mix and higher commodity costs, though rising exposure to data centres and emission-control solutions offers a structural margin opportunity over time. In contrast, Industrial Infra margins improved sharply to 6.3% (vs ~0.1% YoY), supported by increased operational efficiency and export-led refinery orders, indicating operating leverage as project mix normalises. Chemicals margins moderated to 4.6%, reflecting fixed costs from new capacities and mix changes, which are likely to weigh on near-term profitability until utilisation ramps up.
- Management expects chemical segment to improve from current 4-5% segmental margins toward double-digit profitability and 13-14% EBITDA for next year, though still below the previous 17% profitability level. Q4 FY26 expected to show volume recovery with some North America market share losses starting to reverse, driven by regaining long-term customers.
- Industrial products EBITDA has not grown despite strong top-line growth, with profitability currently below 10%. Underperformance driven by product mix where the most profitable heating product line grew slower than clean air products. Management expects Q4FY26 revenue growth to improve profitability, though unlikely to reach last year's levels due to unfavorable product mix persisting.
- Domestic order inflows experienced slowness due to: (i) ethanol market experiencing significant slowdown with many projects facing difficult financial closures company has four orders with handshakes but not booked due to financial closure concerns, and (ii) selective approach in industrial infrastructure projects where company chose to pass on opportunities given strong overall pipeline and focus on quality.
- Copper and steel prices are currently rising, creating slight negative pressure on business of the company, marking first commodity pressure seen in last couple of years. Management noted if commodity situation worsens from current levels, impact could become substantial.
- TBWES order book reached approximately ₹2,700-2,800 crores YTD, with 9MFY26 already matching or exceeding last year's full-year performance. Strong Q4FY26 pipeline remains with management highlighting potential capacity constraints given current order run-rate.
- Company secured two significant data center cooling orders in Q3FY26, one domestic and one international (marquee US data center customer). Management expects to discuss increasing capacity and Capex investments for cooling business in coming year, though keeping product details confidential for competitive reasons.

## Financial Summary

### Exhibit 1: Profit and loss statement

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	₹ crore
<b>Total op. Income</b>	<b>9,323.5</b>	<b>10,388.7</b>	<b>10,849.0</b>	<b>13,437.0</b>	<b>15,341.4</b>	
Growth (%)	11.4	4.4	23.9	14.2		
Raw Material Expenses	5,219.6	5,813.5	5,733.4	7,423.0	8,470.6	
Employee Expenses	1,148.3	954.2	1,148.3	1,268.9	1,424.7	
Other Op. Expenses	2,158.2	1,913.4	2,158.2	2,398.5	2,698.0	
Admin. Expenses	0.0	0.0	0.0	0.0	0.0	
Other expenses	0.0	0.0	0.0	0.0	0.0	
Total Op. Expenditure	8,526.1	8,681.1	9,039.9	11,090.4	12,593.3	
<b>EBITDA</b>	<b>797.4</b>	<b>907.8</b>	<b>992.9</b>	<b>1,363.1</b>	<b>1,569.6</b>	
Growth (%)	13.8	9.4	37.3	15.1		
Depreciation	148.1	158.5	270.6	304.4	335.8	
Interest	87.6	116.8	121.6	98.0	96.2	
Other Income	232.6	252.2	258.8	165.0	165.0	
PBT	869.8	884.7	800.8	1,125.7	1,302.5	
Others	0.0	0.0	0.0	0.0	0.0	
Total Tax	225.8	257.8	274.3	292.7	346.8	
<b>PAT</b>	<b>638.7</b>	<b>627.6</b>	<b>526.5</b>	<b>833.0</b>	<b>955.7</b>	
Growth (%)	-1.7	-16.1	58.2	14.7		
<b>EPS (Rs.)</b>	<b>56.7</b>	<b>55.7</b>	<b>46.8</b>	<b>74.0</b>	<b>84.9</b>	

Source: Company, ICICI Direct Research

### Exhibit 2: Cash flows statement

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	₹ crore
Profit after Tax	638.7	627.6	526.5	833.0	955.7	
Add: Depreciation	148.1	158.5	270.6	304.4	335.8	
(Inc)/dec in Current Assets	-334.2	-942.8	1,653.7	-4,181.8	1,813.6	
Inc/(dec) in CL and Provisions	237.7	844.4	-1,545.4	3,379.9	-1,788.3	
<b>CF from operating activities</b>	<b>690.3</b>	<b>687.7</b>	<b>905.3</b>	<b>335.5</b>	<b>1,316.9</b>	
(Inc)/dec in Investments	-165.7	261.6	-20.0	-20.0	-20.0	
(Inc)/dec in Fixed Assets	-897.1	-1,096.1	-110.0	-520.0	-520.0	
Others	0.0	0.0	0.0	0.0	0.0	
<b>CF from investing activities</b>	<b>-1,035.0</b>	<b>-1,063.5</b>	<b>-270.9</b>	<b>-526.8</b>	<b>-674.4</b>	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	445.4	437.4	-30.0	-30.0	-30.0	
Dividend paid & dividend tax	-112.7	-135.2	-135.1	-135.1	-135.1	
Inc/(dec) in Sec. premium	1.4	5.8	0.0	0.0	0.0	
Others	0.0	0.0	0.0	0.0	0.0	
<b>CF from financing activities</b>	<b>378.5</b>	<b>306.9</b>	<b>-165.1</b>	<b>-165.1</b>	<b>-165.1</b>	
Net Cash flow	33.8	-68.9	469.3	-356.4	477.4	
Opening Cash	453.4	487.1	418.2	887.5	531.1	
<b>Closing Cash</b>	<b>487.1</b>	<b>418.2</b>	<b>887.5</b>	<b>531.1</b>	<b>1,008.5</b>	

Source: Company, ICICI Direct Research

### Exhibit 3: Balance sheet

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	₹ crore
<b>Liabilities</b>						
Equity Capital	22.5	22.5	22.5	22.5	22.5	
Reserve and Surplus	4,417.8	4,914.9	5,306.3	6,004.1	6,824.7	
Total Shareholders funds	4,440.3	4,937.4	5,328.8	6,026.7	6,847.2	
Total Debt	1,256.0	1,693.3	1,663.3	1,633.3	1,603.3	
Deferred Tax Liability	12.3	30.0	30.0	30.0	30.0	
Minority Interest / Others	0.0	0.0	0.0	0.0	0.0	
<b>Total Liabilities</b>	<b>5,894.7</b>	<b>6,935.2</b>	<b>7,321.3</b>	<b>8,014.2</b>	<b>8,829.8</b>	
<b>Assets</b>						
Gross Block	2,888.5	3,748.0	4,333.9	4,833.9	5,333.9	
Less: Acc Depreciation	1,014.0	1,132.8	1,379.6	1,659.5	1,969.9	
Net Block	1,874.5	2,615.2	2,954.3	3,174.4	3,364.0	
Capital WIP	519.4	560.8	75.0	75.0	75.0	
Total Fixed Assets	2,393.8	3,176.0	3,029.3	3,249.4	3,439.0	
Investments	382.6	121.0	141.0	161.0	181.0	
Inventory	764.9	720.3	765.9	1,074.8	1,026.7	
Debtors	2,116.4	2,417.5	2,585.9	3,239.6	3,698.8	
Loans and Advances	1.1	1.3	22.6	7.0	26.8	
Other Current Assets	1,226.8	1,460.5	926.3	2,029.8	1,345.3	
Cash	487.1	418.2	887.5	531.1	1,008.5	
<b>Total Current Assets</b>	<b>4,596.4</b>	<b>5,017.7</b>	<b>5,188.2</b>	<b>6,882.3</b>	<b>7,106.1</b>	
Creditors	1,532.9	1,696.6	2,021.2	2,392.9	2,732.0	
Provisions	305.3	374.1	446.7	528.8	603.8	
<b>Total Current Liabilities</b>	<b>4,258.9</b>	<b>5,103.3</b>	<b>3,557.9</b>	<b>6,937.8</b>	<b>5,149.5</b>	
Net Current Assets	2,189.7	2,219.2	2,580.2	3,025.8	3,477.8	
Others Assets	0.0	0.0	0.0	0.0	0.0	
<b>Application of funds</b>	<b>5,894.7</b>	<b>6,935.2</b>	<b>7,321.4</b>	<b>8,014.3</b>	<b>8,829.8</b>	

Source: Company, ICICI Direct Research

### Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	
<b>Per share data (Rs.)</b>						
EPS	56.7	55.7	46.8	74.0	84.9	
Cash EPS	69.9	69.8	70.8	101.0	114.7	
BV	394.3	438.5	473.2	535.2	608.1	
DPS	10.0	12.0	12.0	12.0	12.0	
Cash Per Share	43.3	37.1	78.8	47.2	89.6	
<b>Operating Ratios (%)</b>						
EBITDA Margin	8.6	8.7	9.2	10.1	10.2	
PBT / Total Operating income	9.3	8.5	7.4	8.4	8.5	
PAT Margin	6.3	6.0	5.2	6.2	6.2	
Inventory days	29.9	25.3	25.8	29.2	24.4	
Debtor days	82.9	84.9	87.0	88.0	88.0	
Creditor days	60.0	59.6	68.0	65.0	65.0	
<b>Return Ratios (%)</b>						
RoE	13.1	12.7	10.6	13.8	14.0	
RoCE	15.4	15.0	14.0	15.9	16.5	
RoIC	30.8	33.6	18.8	38.5	27.5	
<b>Valuation Ratios (x)</b>						
P/E	51.4	52.3	62.4	39.4	34.4	
EV / EBITDA	42.1	37.6	33.9	24.9	21.3	
EV / Net Sales	3.6	3.3	3.1	2.5	2.2	
Market Cap / Sales	3.5	3.2	3.0	2.4	2.1	
Price to Book Value	7.4	6.7	6.2	5.4	4.8	
<b>Solvency Ratios</b>						
Debt/EBITDA	1.6	1.9	1.7	1.2	1.0	
Debt / Equity	0.3	0.3	0.3	0.3	0.2	
Current Ratio	1.0	0.9	1.2	0.9	1.2	
Quick Ratio	0.8	0.8	1.0	0.8	1.0	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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