

Thermax (TMX) - BUY

Company Update

Current Market Price (CMP)

Rs.3023

Fair Value (FV)

Rs.3575

Rationale:

- Thermax is benefitting from scale-up in existing businesses, geographical expansion and entry into new businesses.
- Margin improvement appears imminent due to reduction in share of troubled orders, rebound in chemical business and positive mix effects in the product segment.
- Appears attractively valued on trailing earnings, assuming normalized margin.
- The recent price correction provides an attractive entry.
- We upgrade the stock to BUY (from ADD) with an unchanged FV of Rs3,575.

👍 Positives:

- Scale-up of existing businesses and entry into new growth markets bode well.
- A large order win in Q3 has boosted the case for year-end backlog up by 15% yoy, boosting growth visibility.
- Management has guided for a 20% yoy growth in ordering for FY26, aligned to H1FY26 run-rate.
- New growth markets include datacenters, entry into O&G in the Middle East and HRSG prospects for gas-to-power (Middle East).
- Irritants to margin in their final stages; margin-accretive mix effects on the anvil.
- Investments in solar captive should moderate over the next two years.

👎 Negatives:

- 5% of backlog, weak on profitability.

(HRSG: Heat Recovery Steam Generator, O&G: Oil & Gas)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months