

Thermax (TMX) - BUY

Q3FY26 Result Update

Current Market Price (CMP)

Rs.3108

Fair Value (FV)

Rs.3375

Rationale:

- TMX results were a 1%/16% beat on revenues/EBITDA, mainly led by the projects segment.
- Recovery in project margin entuses, other parts still volatile.
- Select misses in domestic ordering in the project and weak execution/margin in the Products business are areas where it anticipates recovery from Q4.
- Prospects pipelines continue to see improvement with in-roads being made into data center with new IP-led products.
- We trim estimates by 4-5% and revise FV to Rs3,375 (from Rs3,575) valued at 37x.

👍 Positives:

- EBITDA beat of 16%, led by better-than-expected margins.
- Margin beat came entirely from the industrial infra segment.
- Reported PAT was 40% higher on exceptional item.
- Subsequent projects won in the international market have margins much higher than the 8-10% EBIT guidance for the overall projects business.
- Management guided for a better Q4, ahead with double-digit yoy growth.
- Data center offerings widen portfolio, green solutions at inflection point.
- Management has guided for 20% yoy growth in ordering for FY26 (9MFY26 tracking at Rs9400cr)

👎 Negatives:

- Green Solution & Chemical segment were weak on both counts of execution & margins.

(EBITDA: Earnings before interest, tax, depreciation & amortization, PAT: Profit After Tax, IP: Intellectual Property)



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