# Shubh Nivesh

CMP: ₹4308 | Target ₹ 5140 (19%) | Target Period: 12 months

**BUY**

August 3, 2026

## Legacy issues near end; growth drivers intact...

**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 (~%47 of revenue), Industrial Products (~40%), Green Solutions (~6%) and Chemicals segment (~7%)

**Investment Rationale:**

- **Near-term challenges largely legacy-driven; execution and profitability expected to improve from H2FY27:** Thermax reported a weak Q1FY27 due to a ₹91 crore provision on a legacy government EPC project, around ₹300 crore of shipment delays (mainly exports), commodity cost inflation, and losses in FEPL and Bio-CNG. However, management reiterated that these are legacy issues rather than structural business weaknesses. The problematic ₹1,200 crore government project is in its final phase with only ~26% execution pending, while the remaining government/PSU exposure in the order book has reduced to below 5% (₹300–400 crore). The company has exited bidding for low-margin, high-risk government EPC projects and expects the current fiscal year to mark the end of these legacy issues. With a strong and profitable backlog, management expects two to three quarters with revenue above ₹3,000 crore, driving operating leverage and better margins from Q2/Q3 onwards.
- **Healthy order pipeline and data centre opportunities support medium-term growth:** Despite a weak Q1FY27, management remains confident of exceeding order inflows of ~₹14000 crore in FY27, supported by a robust domestic and international pipeline across TBWES, industrial products, chemicals, water and clean energy businesses. The data centre business is emerging as a key long-term growth driver, with ~₹400 crore US data-centre order backlog expected to be executed over the next few quarters. Management expects two additional US cooling order wins in Q3/Q4FY27. Thermax's differentiated cooling technology, along with its capabilities in boilers, water treatment and specialty chemicals, positions it well to benefit from rising global data-centre investments. However, timely execution of the large order backlog, conversion of the strong order pipeline into revenues, and sustained margin improvement remain key monitorable over the coming quarters.

**Rating and Target Price:** We expect revenues and PAT to grow at CAGR of 20.7% and 17.3% over FY26-FY28E. We recommend **BUY** on THERMAX with a target price of **₹5140** per share (**based on 55x FY28E EPS).**

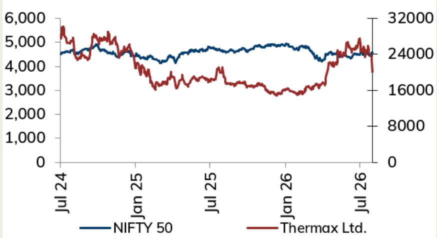
### Particulars

| Particulars | Rs. (in crore) |
|---|---|
| Market Capitalization | 45,047 |
| Total Debt (FY26) | 2,288.0 |
| Cash and Inv. (FY26) | 1,191 |
| Enterprise Value | 46,144 |
| 52-week H/L (Rs.) | 5278/2743 |
| Equity capital | 22.5 |
| Face value (Rs.) | 2.0 |

### Shareholding pattern

| % | Sep-25 | Dec-25 | Mar-26 | Jun-26 |
|---|---|---|---|---|
| Promoter | 62.0 | 62.0 | 62.0 | 62.0 |
| FII | 13.4 | 12.4 | 11.3 | 11.5 |
| DII | 14.0 | 14.8 | 15.5 | 15.2 |
| Others | 10.6 | 10.6 | 11.3 | 11.3 |

### Price Chart




### Key risks

(i) Lower than expected order inflows

(ii) Commodity price volatility/ delay in execution

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### Key Financial Summary

| Particulars (Rs. in crore) | FY24 | FY25 | FY26 | 2 Year CAGR (FY24-FY26) | FY27E | FY28E | 2 Year CAGR (FY26-FY28E) |
|---|---|---|---|---|---|---|---|
| Net Sales | 9,323.5 | 10,388.7 | 10,686.8 | 7.1% | 12,113.8 | 15,571.6 | 20.7% |
| EBITDA | 797.4 | 907.8 | 1,026.2 | 13.4% | 964.6 | 1,635.3 | 26.2% |
| EBITDA Margin (%) | 8.6 | 8.7 | 9.6 | | 8.0 | 10.5 | |
| Net Profit | 638.7 | 627.6 | 764.1 | 9.4% | 599.0 | 1,052.3 | 17.3% |
| EPS (Rs.) | 56.7 | 55.7 | 64.0 | | 53.2 | 93.4 | |
| P/ E (x) | 76.0 | 77.3 | 67.3 | | 81.0 | 46.1 | |
| RoNW (%) | 13.1 | 12.7 | 13.8 | | 10.0 | 15.2 | |
| RoCE (%) | 15.4 | 15.0 | 13.7 | | 11.6 | 17.2 | |

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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