

Thermax Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs1088	Rs1019	Rs1230	13%	BUY	Rs130

About the Company:

Thermax Group (USD750mn) company provides a range of engineering solutions majorly to the energy and environment sectors. Thermax Limited (Thermax) is based in Pune and has seven manufacturing facilities in India and internationally has presence in China (absorption Chiller), Denmark, Germany and a recently set up facility in Indonesia. The company with its subsidiaries offers integrated innovative solutions in the areas of heating, cooling, power, water & waste management, air pollution control and chemicals to different sectors such as oil & gas, cement, metals, Pharma and food processing to mention a few.

Results Declared:

- The net sales for the quarter under review came in at Rs14,366mn as compared to Rs11,170mn, growth of 28.6%. This was mainly led by the strong order carry forward.
- EBITDA margins declined to 7.5% from 8.5% in the same quarter last year
- There is an exceptional item of Rs875mn pertaining to the impairment of goodwill related to the stepdown subsidiary, Thermax Denmark ApS and recognition of deferred tax assets of Rs940mn relating to brought forward losses of its subsidiary, Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES).
- The net profit grew by 28.1% to Rs750mn in quarter ending December 2018 as compared to Rs586mn in the same quarter last year
- EPS for the quarter stood at Rs6.6
- Subsequent to the acquisition of the remaining shares in TBWES on July 19, 2018, the Board of Directors have approved the transfer of Boiler & Heater (B&H) business of Thermax Limited to TBWES through slump sale, subject to the approval of shareholders. Consequently, the results of B&H business have been classified as discontinued operations in the standalone financial statements. However, this will not impact the consolidated group accounts.

Conference Call Highlights:

- As on Dec 31, 2018, Thermax Group had an order balance of Rs6,475cr (Rs.5,556cr) up 16.5%. Order booking for the quarter, at the consolidated level, was marginally up at Rs1,480cr (Rs1,413cr) due to on-going sluggishness in new investments in several sectors of the economy.
- Thermax's facility at Sri City for manufacturing absorption chillers was formally inaugurated on January 31, 2019 and has commenced commercial production.
- There was not that great contribution from the domestic market but encouraging international pick up was seen during the quarter.
- Increase in RM/sales is attributed to pricing pressure on order finalization, and also as the passing on to customers was not upto the requisite
- The Indonesia facility has received different orders from various companies, which is encouraging. Also there was a repeat order received as well.
- There have been many orders received from South East Asia for the company
- The positive was the small and medium sized orders received which indicated the channel management effectiveness of the company (includes segments like food processing, Sponge iron, FMCG, Sugar refinery, chemical industry and paper industry to mention a few)
- The liquidity condition in terms of credits/ advances and repayments has improved from the previous quarter.
- In terms of the prospects for the other industries: Steel industry would take 4-5 quarters to ramp up on the capacity expansion; Oil & Gas: H2FY20 tenders should start; Fertilizer a laggard for at-least a year; No major expansions from Power; Cement is in happy situation although slow on expansion.
- The management has indicated of maintaining 9% Ebitda margins provided the commodities do not vary much in FY20

Financials (Consolidated):

Result Update (Q3FY2019)								
Q3FY19 Result (Rs mn)	Dec-18	Dec-17	y-o-y	Sept-18	q-o-q	9MFY19	9MFY18	y-o-y
Total Income	14,366	11,170	28.6%	14,276	0.6%	38,995	30,219	29.0%
EBITDA	1,073	955	12.4%	1,100	(2.5%)	2,867	2,628	9.1%
Other Income	313	238	31.5%	356	(11.9%)	979	714	37.1%
Interest	36	25	45.6%	39	(7.2%)	108	92	18.0%
Depreciation	230	208	10.6%	235	(2.1%)	674	585	15.1%
Exceptional Items	(875)	-	-	-	-	(875)	-	-
Share of P/(L) of JV	(7)	3		(3)		(7)	(80)	
Tax	(512)	378	-	434	-	197	1,031	(80.9%)
Net Profit	750	586	28.1%	745	0.7%	1,985	1,554	27.7%

Outlook and Recommendations:

The company has reported decent set of numbers on the consolidated front with a slight dip in the margins. The order book stands healthy giving visibility for the coming quarters. We maintain a positive outlook on the company and continue with our Buy recommendation on the stock with a target price of Rs1230 over a 12 months perspective.

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