



**“Thermax Limited
Q1 FY '26 Earnings Conference Call”
August 01, 2025**



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**MODERATOR: MS. BHOO MIKA NAIR – DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Thermax Q1 FY '26 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair. Thank you and over to you, ma'am.

Bhoomika Nair: Thanks. Good morning, everyone, and a warm welcome to the Q1 FY '26 Earnings Call of Thermax Limited. We have the management being represented by Mr. Ashish Bhandari, Managing Director and CEO; and Mr. Rajendran Arunachalam, Group CFO and Executive Vice President.

At this point, I hand over the floor to Mr. Bhandari for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

Ashish Bhandari: Good morning, and a very warm welcome to everyone that's attending the call. It's a pleasure to be hosting you to share the results of our quarter 1 performance. You would have all seen the press release, the headlines. The top items to consider - first is revenue flat, which is negative 2%, which is different from our performance over the last three years. It's the first quarter where quarter-on-quarter, our numbers are slightly down.

Second is the order book, which is up by 7% and so the guidance, what should we expect for the year as a whole. And third is the jump in profitability, the reasons behind and the underlying strength of the business. So if I take the 3 things one after the other. Revenue, as you know, we had a reasonable Q4, which we had predicted as well that we would like to cross INR 3,000 crores in Q4 last year.

As we started this year, we had a good backlog, but the backlog for conversion for Q1 was of the order of about INR 2,400 crores. We did relatively lower than that because we had a few project pushouts where customers did not pick up equipment. And this was slightly more than what we would have predicted, or more than slightly more than what we would have predicted.

Some of the reasons that I've heard from customers relate to project sites running slow, rains have come in early. So I could not finish my civil in time, so I can't pick up your equipment, etcetera.

Overall, no red flags, very little relating to do with customers not having money to pay or the project being cancelled or anything. The impact is temporary. As the revenue clears, we will actually be able to deliver reasonably on the bottom line as well. That's the first point. On orders, growth of 7%, below our expectations and especially all across, actually, the orders.

I don't see a particular red flag. Again, we are predicting a good Q2 on Industrial Products mainly heating, which is the core part of Industrial Products, the most profitable part, to come back stronger in Q2. We have a reasonable pipeline to account for that.

The slowdown on the heating side has largely been driven by the ethanol sector and sugar and distilleries, where there is a big pipeline, but the financial closure of the projects is taking time, and we don't book the order until the financial closure happens and we get the LC payment or a significant upfront payment at which time we recognise those as orders. So we have got multiple handshakes, but not enough closures that we would like.

That in July started to get better, and we expect, in that sense, a reasonable Q2 as well. Even on Industrial Infra, we expect a good Q2. Q1 was okay. I've been saying for some time that we would expect to see big projects starting to come in. I think Q2 will be that time where you should see a reasonable bump on our orders.

Yes, Q2 and at least if not Q2, one particular order where we have shaken hands in first week of October, so this is a time frame where things will happen. In Chemicals, that's where I have a slight concern. We have added quite a bit of capacity. We have added capability, a bunch of stuff to build out our growth. And that is partly the reason why our profitability in Q1 came down.

And during our discussion, we can talk about this at longer length. Chemicals, some parts we will recover from quickly. But U.S., we do have an exposure to on the Chemicals side, which we will have to understand how to work through and sort that out. The expectation in many circles is that the tariff issue will get sorted in relatively quickly. But if it does not, then on our Chemicals side, we would have a bit of an impact to our Chemicals business.

Even otherwise, we have got a lot of growth expectations, and we just need to make sure that we deliver on that growth, which we did not in Q1. Okay. Broadly, these were the big things I wanted to start with. We've covered revenues. We have covered - on the profit side, we've been saying it for some time - there was, of course, a big INR 56 crores impact from incentives that we received from the government.

But even if I leave those aside, we have about 1.2% improvement in margins, which is entirely driven by basically not having as much bad stuff as we did last year. Industrial Products, which is where margins came down, but you can see revenue also came down. And Industrial Products now has a reasonably big backlog.

As that backlog gets delivered in the rest of the year, we'll pick up on profitability as well. So with that as the headline messaging, we have got a lot to share on new products, hydrogen, even some of the updates on Chemicals that we are doing all across, which I hope to answer from the Q&A that we get into.

So with that preamble, let's just jump into the questions and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. We take the first question from the line of Ravi Swaninathan from Avendus Spark.

Ravi Swaminathan:

My first question is with respect to the large orders which are there in the pipeline. Say -- take a 2 - 3 year kind of a view from the major sectors like steel, cement, oil and gas, and thermal power, how do you see the traction from end customer-driven capex recovery?

And a subpart to this question is, how is the pricing of key products like boilers, etcetera, moving? Are they stable? Or is there an improvement or a decline based on competition and supply? So if you can give your thoughts on these?

Ashish Bhandari:

So first, overall pipeline, as I've been saying for a couple of quarters, inquiry pipeline is robust. And in some sectors, some of the highest that I have seen. On top of the sectors that you have talked about, I would add power, which, until a year ago, was not in the scheme of discussion. Today, there is a fair bit of pipeline that we have that is comprised of power and even thermal power.

And these are not just large projects, these are even kind of 200 - 300 medium projects that we talk about -- in megawatts, which ultimately result in a relatively large boiler order for us. Those are also in the discussion. And I would add international to this as well, where also there is a pipeline. As I look at the future forecast, tough to see four years down the road. I can only see the next 12 to 18 months, and some of the sectors are cyclical.

Refining and petrochemical, as an example, is cyclical. Right now, we don't see too many projects that will go in for finalisation in the next couple of quarters. But there are projects that are developing where the inquiry cycle has started and the ordering may happen in Q4 and the next year and beyond. So there's always stuff that is going on. Cement, continuous set of projects, new things.

Steel, there is a reasonable pipeline. Some of our win rates in steel have been below what we would like. We would like to see that get better also. Overall, don't see a concern on a pipeline of projects.

And international also, Middle East, we are starting to do better and better. Africa -- even Latin America now, we have a developing pipeline of projects. Which is more than what it was previously, Southeast Asia as well.

To your second point on pricing, pricing is stable. It is competitive. On the equipment side, when we do things in Industrial Infra, for example, where we sell large boilers, etcetera, our equipment margins continue to be of the order of 5% - 7%. It's services that we are able to pull the profitability up.

That remains. On the other side, commodity prices have been very stable and potentially slightly going down also in the environment that we have. Certainly, in the last couple of days, steel has been stable, but copper and some of the other commodities have trended downwards.

So I would say stable is a better way for me to put it instead of saying it's going down or something like that. I hope I answered your question. Waste to Energy is one more emerging segment, Waste to Energy and the whole kind of sugar distillery space are also relevant markets for Industrial Infra going forward.

- Ravi Swaminathan:** Understood, sir. From an order inflow growth perspective, last 2 - 3 years, it has been in the high single-digit kind of range. Can it -- with these kind of robust ordering pipeline being there, can the trajectory move into mid-teen kind of order inflow growth?
- Ashish Bhandari:** I certainly expect that. I think if you take a look in the last couple of years, in particular, Industrial Infra is where we had taken a step back saying that the kinds of projects we lose money on, we didn't want to do that. So we took a step back from large government projects, FGD projects. And I've been saying even before some of the news on FGD came out that in our estimate, we don't have any FGD projects.
- And so in the other parts of the business, including in Industrial Products, we have been delivering double-digit growth, and that is made up of, I guess, what I call internally as good calories. And now even on Industrial Infra, now that the pipeline is developing on what is reasonably good calories, I do think -- and with international also coming in, across the Board, I would expect double-digit growth.
- Ravi Swaminathan:** Understood. And my second question...
- Ashish Bhandari:** If I may just take a break. You can come back because we typically take only one question. We have taken two. I'm sure your question will get asked by somebody else. But at the end of the hour, if it's not and we have time, I'll take your question again, sir. Thank you.
- Next question, please.
- Moderator:** The next question is from the line of Mohit Kumar from ICICI Securities.
- Mohit Kumar:** My question is on the Chemicals business. I think in this quarter, the EBIT margin was pushed - declined steeply. I think you posted somewhere around 9.3% versus 17.8%. Can you please explain the weakness and how do you think about as we move forward? And any colour on the -- our dependence on export to the U.S.?
- Ashish Bhandari:** Okay. And a very pertinent question. The performance in our Chemicals business was below expectations. We had set and we expected a reduction, especially in Q1, where our new capacity in Jhagadia came online. The depreciation impact was there.
- Also for construction Chemicals, for flooring with Vebro, getting prepared for OCQ, even on the international side, adding small capacities in Indonesia, adding manpower in Southeast Asia for growth. We had added feet on the ground. We had added capex. So we had a cost impact that happened.
- Commensurate to that cost impact, we haven't delivered on the growth. And so that is clearly a problem that we had. We also had some onetime bit of impacts where certain deliveries just missed out and some of our specialty chemicals had some timing issues. And then there were some onetime gratuity-related costs this year, which was a double effect from a good guy on some reversals last year.

So there was about INR 4 crores - 5 crores of that impact, which will get cleared out. So in my mind, the margins will shift to about 12% - 13% in Q2. But that jump from 12% - 13% to 16% - 17%, which is where the direction and the guidance that we have given for a stable business, we need to work by delivering the growth.

And that is where my eyes would be, and I expect the team with everything that we have done to come back on delivering the growth. I was confident that we were still on the right track. The U.S. thing is a bit of a dampener. What we are seeing overall, not just U.S., but U.S. and Europe, very aggressive pricing from China.

And not only aggressive pricing from China, on top of that, seeing this impact of tariffs creates a bit of an issue, not as much for Q2. Because by the time some of the impact of the tariffs come, a lot of what we need to deliver, hopefully, will be out of the way. The way the tariffs are announced is that anything that is on the water by 7th of August is free of tariffs. It is after the 7th, anything that goes on the water and is not delivered until a particular date in October, all of that will get impacted.

So Q2, the impact is relatively less. But if this continues for longer, then there will be an impact on our Chemicals business. Too early to say how this will pan out. We just need to wait and watch just a little bit.

Mohit Kumar:

And how much was the U.S. export last year in the Chemicals?

Ashish Bhandari:

U.S. export was close to \$20 million, but not all of that, what we call out as U.S. exports is to U.S., some of it goes to Mexico, Latin America, etcetera. What was U.S. -- going to U.S. specifically for this year, according to our plan was about \$15 million. Sorry, just to -- it was just Chemicals? On top of that, we have our cooling products as well. If I combine both of them, our exposure to the U.S. is somewhere of the order of \$30 million.

Moderator:

The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.

Bhavin Vithlani:

Heartening to see the margin performance of the Industrial Infra piece, my compliments. So I have two questions while you have asked one. If you -- first is if you could talk in brief about the four sub-segment of the Industrial Products piece in terms of outlook, how do you see them moving forward? That's question one.

Second is actually a follow-up of what you just mentioned to the previous participant. Could you call out the underlying EBITDA margins in the Chemicals and what was the one-off because you mentioned significant increase in depreciation as one of the reasons? These are my two questions.

Ashish Bhandari:

Okay. I'll take the first one, and I'll take -- let Rajendran take the second one and give you some more insights into that. On the four parts of our Industrial Products business, Water and Enviro, which is where we do clean air and pollution control-related equipment, continue to grow. Water, in particular, with desalination, zero liquid discharge, both of these as product categories that we are working with and doing reasonably well on and having some elements of product differentiation also coming in. The pipeline is good, and we have been growing as well.

Cooling has got some amount of exports exposure. We have planned this year for a very high amount of growth. That growth we could not deliver in Q1 to the extent that we would like. But the pipeline still exists, and we are confident. And even on things like some of the newer products that we have released, even in Q2 and Q3, the pipeline is close to INR 100 crores, where our products are -- we think if the customer buys into the product methodology, then competition is relatively low.

And these are in many of the emerging sectors of data centres and the like. So those are also part of our customer base. But I would like to see that growth number coming in. Even on exports in -- like gas power is going up again in data centres in combining that with absorption chillers is one more interesting space that is emerging. So that leads the discussion on Heating, where Heating Q1 was not as good as we would like.

As I've shared before, the biggest sector was around the ethanol market, which slowed down quite considerably. But I think there are a lot of inquiries in the mix. We just need to see how these inquiries close financially. July was quite nice, and we are planning for a good Q2 overall. Overall, if I talk to the Industrial Products team, I have gone through very detailed reviews of the business pipeline, etcetera.

The trend that we have been on -- good, steady year-on-year growth, managing one slowdown on one side with a with a good thing showing up on the other. As I talk to our distributors, channel partners, international, I think that theme on steady growth continues. I don't see a particular concern around that.

And as that growth gets delivered, I think even the profitability numbers should come through like they did last year. So I hope I've given you some amount of insights without giving you very specific breakdowns on how are we seeing the four subparts of Industrial Products.

Even international, which we have added quite a bit of capability, our pipeline continues to get better within Industrial Products. I mean we would - I would like international to cross INR 1,000 crores in order book - exports from India on top of it, Danstoker and PTTI and some of the other businesses.

I'll pass it to Rajendran to share with you -- bit of the waterfall on the cooling, including depreciation, G&A increase. Those are the two big impacts on the cost increases.

Rajendran Arunachalam: Bhavin, so some of the expenses increase that happened in quarter 1 for us on the Chemicals business side is -- one - there has been the depreciation in the new plant.

Bhavin Vithlani: Sorry, if you could speak a little louder? Not very audible.

Rajendran Arunachalam: Okay. Is it better, Bhavin?

Bhavin Vithlani: Yes.

Rajendran Arunachalam: So some of the expenses increase that has happened in Q1 in our Chemicals business, I think as highlighted earlier, the depreciation on the new plant, plus the associated employee cost increase.

And we've had one-off expense item relating to a worker settlement that has hit our numbers, plus the annual inflationary expenses that happens in our general and administrative expenses. Those are the three bits that I would say has impacted our financial numbers.

Ashish Bhandari: Plus the headcount, etcetera, that we have added, which is part of G&A beyond just the salary increase.

Rajendran Arunachalam: Head growth.

Bhavin Vithlani: Head growth. Okay.

Rajendran Arunachalam: Overheads, plant.

Moderator: The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: My first question is already answered. My other question is regarding the international business. So, as we look through multiple segments and Chemicals, you yourself highlighted, the Chinese are very aggressive. But when we look at Industrial Infra and Industrial Products in the international market, how do you gauge our competitiveness?

How do you see our ability to generate decent margins in those geographies? If you could just talk about some of those qualitative points where we are confident that this business will be reasonably profitable? That will be very helpful.

Ashish Bhandari: So, from our current business that we do, the export portion where we make in India and we send it outside, whether it's Industrial Infra or Industrial Products, our margins are relatively the highest. If we put up a particular sized power plant in India, and I do that outside India on the project side, as an example -- when I do it outside India, I tend to make more money.

Similarly, if the same boiler that I provide in India or the same chiller, if I do it outside India, I tend to make more money -- both at a margin level and even at the PBT level. From our competitiveness basis, we tend to compete reasonably well.

The two parts to that answer is, first, in many of the products that we sell, if you take a look at water equipment, boilers, chillers, etcetera, many of them have the nature that you need to work with the customer to design the product or to understand the application and provide the right product for the application and then to be able to provide services, etcetera, around that.

When we are able to do that well, we are able to compete reasonably well. We see the Chinese, in particular, in Southeast Asia, in Middle East, relatively less, in Africa, relatively less. Southeast Asia where we see the Chinese the most. And in many cases, we compete head on.

And in cases, we lose as well in addition to some of the local competitors that we see as well. Where does growth come from over time? Growth comes from two parts. One, especially for the larger projects for Industrial Infra, we are qualified for at customers, especially for larger customers, especially in oil and gas and refining and petrochemical, where there are some of the largest projects. So, for example, over the last few years, we've been working, and we are now qualified at ADNOC.

So any time a project happens at ADNOC, then it provides Thermax opportunities to provide boilers and other equipment, boilers in particular, and some of those projects can get bigger. So in Middle East, as you look to get qualified customer-by-customer, then that pipeline develops.

We are not qualified at Aramco as an example. And we would like to check mark those boxes. When you do that, then your competition is more with European players, etcetera, where we can compete relatively well.

The second is for customers in many of our markets to get comfortable with Thermax -- in Southeast Asia -- where the shift to biomass is happening, where pollution norms are getting tougher, water norms are getting tougher. Thermax to establish the name takes some time.

So customers use the product, then the word of mouth gets out, you have to do showcase plants, showcase facilities. And as you continue to do those, you can continue to build a pipeline and win. So they're all like each year, you do something and then next year, you stand on the shoulders of where you finished the last year and you continue to do better. I hope I answered your question.

Pulkit Patni: Yes. Thank you for that.

Moderator: The next question is from the line of Amit Mahawar from UBS.

Amit Mahawar: My question is more on segment 2. I'm more sorted on segment 1. Segment 1, I think if you see last three years, commendable performance, growth, profitability and more to come. In segment 2, and I consider Babcock as a very -- the best part of that, which can easily be 2x business easily. And please correct me if I'm wrong, with a very significant margin delta from 8% level.

So in segment 2, some of the questions were around that, particularly on the power cycle in India and globally. What are the bottlenecks that you're facing right now? And maybe some portion you can cover on segment 2.

Ashish Bhandari: So the bottlenecks that we face are three bottlenecks. One is the highest end of the segment, which is the super critical, is a portion on how we want to look at that sector, and we have been very careful not to do something that may tomorrow look like one more FGD kind of project.

So we have stayed away from going into long multiyear projects with exposure to civil construction-related risks -- completely walked away. And in return, we have walked away from what was perhaps on the power side, the biggest piece of the pie.

So that portion-- we will still have a role to play, but how big remains to be seen. Certainly, won't be to the extent that BHEL, NTPC -- I mean, BHEL, L&T, etcetera, will do. The second part is thermal beyond supercritical, which is the AFPC piece and for captive. That portion, over the last year, has suddenly mushroomed and become bigger and bigger. And there, we will have a good role to play.

Because we know how to work this very well. Customers prefer Thermax to a large extent and are comfortable working on the project in a way that suits our strengths as well. So this particular portion I'm quite comfortable with.

International, also, in many, many markets, our competitiveness continues to improve. Newer segments like in Waste to Energy, etcetera, we continue to build our capability, continue to be leaders as well.

On the project side, which is the EPC portion -- there, in addition to some of the work that we are doing in power, we're really looking at advanced biofuels, ethanol, carbon capture -- those as emerging segments where we are building capability today, looking to do demonstration projects that are relatively worthwhile and then continue to work this for the next 2 - 3 years.

But I think by 2028, '29 - 2030, some of these sectors could be really big, and we want to be ready for when those sectors become really big. The pipeline overall in what you call out as a segment 2 is the biggest -- opportunity pipeline is the biggest that I have seen in the last four years, except for that one period in '22 - '23 when we took all these NRL and the FGD projects, which haven't panned out well.

So, we are very conscious on doing things that align with our strengths. And we will be aggressive as long as we are -- in spaces that we want to be aggressive in. So which is why I really like the backlog and the kinds of things we are developing now as examples of the kinds of things we want to do.

Amit, I hope I answered your question?

Amit Mahawar: Answered, Ashish. Can I ask one small or...

Ashish Bhandari: Sure.

Amit Mahawar: Thermax is a very organic company, and my observation, limited over the last 20 - 21 years is that the way bottom-up sales force, business heads, SBU heads have scaled up, that has been the core and strong strength of Thermax?

At the same time, do you think and are you confident that your salespeople who go out and bag large orders or medium-sized order for Thermax, do you think you are confident that the translation of orders across segments will happen, because the cycle seemingly in segments is not that bad. So thoughts on that, and that's it.

Ashish Bhandari: I think the organic team continues. Yes, it's the same team that is -- translates across. So in that sense, the DNA is similar. Many of the businesses have got legacy in leadership, which is very stable, very well established. We need hunger and we need aggressiveness on the ground, which I see plenty of signs all across. So, as an engine which is primed, I see no concerns at all across. Thanks.

Moderator: The next question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian:

Sir, post bio-CNG FGD challenges, how did our project evaluation process change in terms of stricter feasibility studies, risk sharing clauses? And secondly, we are heavily investing in R&D for heat pumps and ZLD, etcetera. So, when will these investments translate into commercialised products?

Ashish Bhandari:

So I'll take both questions. In terms of the process of understanding risk, understanding the projects is already in place. These are multiple discussions, including even in this particular Board meeting that we just concluded, we had again a review of all our lessons learned, looking at our projects with that sense of lessons learned.

And in the last year, we have actually not bid on -- if I add other segments also, several thousand crores worth of projects we haven't bid on. And even in cases that we bid upon for literally INR 1,000 crores of projects, we bid our best price, and we walked away when the margin stuff wasn't to our liking.

And certainly, projects around high civil construction, etcetera, and many of the larger projects, I myself am getting into very detailed reviews before we put in bids. So I think there is a very formal structure in place all across the Board. That does not mean that we will not take risk. We will take a risk. We will do those with eyes open, and we will share very clearly internally, and in some cases, externally, where we are taking risk here.

For example, in this last quarter, we have done our first win on -- in the ethanol space, where the margin is lower. It's not negative, but it's a less than INR 100 crores project, a single project, which we know we can execute within a very defined time line, and we took it with eyes wide open. The second part in terms of where is the R&D starting to make a difference? That is already happening. Yes?

So in heat pumps, as an example, both as hybrid heat pumps and heat pumps at higher temperatures, not just 50 - 60 degrees, 110-degree heat pumps and pretty quickly 120-degree heat pumps. 110 degrees already cleared first product in the market, working beautifully at customer sites.

120 degrees heat pump, which we would be completely unique in the Indian market, one unique potentially globally as well, product crossed R&D, product developed, out in the market, working with customers to get wins done. CLCT, the lower footprint CLCT, again, higher efficiency, lower footprint delivered to the market, already bidding for newer opportunities with the new technology. On ZLD, we are doing reasonably well.

Our big -- our new innovation on ZLD, which has lower footprint, lower energy usage, releases in this month -- in August. So that will then formally release, but we have been having some product releases in the past. Some of our bigger work, which is on the hydrogen side, carbon capture, and SAF, and advanced biofuels, they will take a couple of years before they start to show result back.

By the way, on electric boilers, we had started that 1.5 years ago with the idea that until '28-'29, we would be selling 2-3 units here and there. We are now selling 10-plus units a quarter, and the ramp-up was much faster than what we expected.

Just small examples of innovation that we are doing. The first Waste to Energy project that we did this year was also essentially on that whole FlexiSource and the Waste to Energy platform that we are talking about. So the win that we had. Actually, it was booked Q4 of last year, which is an INR 200-plus crores waste to energy project, a showcase project, which is again based on the capability that we think we have that is differentiating.

Moderator: The next question is from the line of Aditya Sahu from HDFC Securities.

Aditya Sahu: I just wanted to understand like if you could throw some light on the revenue that you're looking at, revenue EBITDA and the order inflows for FY '26?

Ashish Bhandari: Sorry, I lost the initial part. You're asking for an outlook on order inflow, etcetera, for FY '26?

Aditya Sahu: Yes. Revenue, EBITDA, order inflow?

Ashish Bhandari: In as many indirect ways as I can, reasonably bullish on the year. How bullish? Let's see in the Q2 and Q3 and share. Industrial Products continued steady growth, profitable growth. That is the trend that we would like to be on.

Chemicals, we are planning for a big growth where our plans were set for almost INR 225 crores, INR 250 crores a quarter kind of order book. We have started much below that number. So we should see a bump up in Q2 and a continued rise.

My concern is that the America tariff thing could be a little bit of a cloud around this whole growth bit, but we have got a lot of new things and a big chunk of our growth was not driven from the U.S., so the growth I expect. But our base business in the U.S., if that goes down, then that pulls some of the other business -- other numbers down as well. Industrial Infra, as we have been saying, we want good calories.

We have a good pipeline. Reasonable start in Q1, you would see. TBWES, which is clocking INR 600-plus crores without anything big. And as the big stuff comes in, we want that number to go up substantially. Similarly, Green Solutions, we expect a reasonable growth path for the year.

Aditya Sahu: And as you had highlighted earlier, on the export markets, the major ones that you are seeing are from Africa, Latin America, Southeast Asia, but these other regions, right, sir?

Ashish Bhandari: And yes. Basically, our fourth big market, what we call out is Bangladesh, Sri Lanka, but Bangladesh is extremely slow right now. Middle East is where we see the most amount of strength, and then Southeast Asia and Africa for large projects. We don't sell Industrial Products in Latin America. But for large projects, which is Industrial Infra, we do have a pipeline in Latin America as well.

Moderator: The next question is from the line of Amit Anwani from PL Capital.

Amit Anwani: So first question on the package scheme. So you have highlighted that INR 56 crores was accounted this year. Just wanted to understand this relates to which kind of packages and what

in future -- what's the amount which still can come. So, some understanding on this scheme and benefits to us in future quarters.

Ashish Bhandari: So this is for Maharashtra, where for a new plant setup, etcetera, there were credits that were -- that we qualified for. The first set, which took over a much longer period of time is we accounted for that last year in Q2. We're accounting for that in Q1 as well. For the next two years for sure, maybe a little bit beyond also, we will continue to get these credits, but won't be as big as what we have seen last year and this year.

Amit Anwani: Just a clarification, is this included in the INR 71 crores EBIT for the Infra segment?

Ashish Bhandari: This is included in the margins for that. Last year, we also had a bit of a tax -- direct tax refund that had come in, which also in our press release, we have shared. So it is -- the net impact is not exactly INR 56 crores at the Thermax level. Net impact is INR 29 crores.

Amit Anwani: And secondly, sir, on Green Solutions, if you could provide us more details with respect to -- we had a target of certain megawatts. And so what is the progress there? And what would be the investment in terms of debt/equity? And we talked about some projects getting stuck in the Green Solutions business. So if you could provide us more colour what is happening in this business?

Ashish Bhandari: So the projects that were getting stuck were two -- which are both in Tamil Nadu, which took much longer to conclude. And because of the rains we were expecting to finish them off by June. They are now going into early August and early September, but majority of it will become revenue generating in August. So that is the good part. In Tamil Nadu, we also had rains, which had caused flooding last year, where one particular asset had to get rerated, etcetera.

And we had a big insurance claim out there as well. That insurance claim got settled in Q1. The impact of that you will see in Q2. It's to our satisfaction is all that I would say. It is a note that we have added in our clarifications as well.

So, from an existing asset basis, we are happy now that in Q2, the chapters would be closed. All our assets would be stable and operating and running. And even the older projects, which we had delayed execution on will also be up and running. That leaves the newer projects, which we are executing now in Gujarat and Tamil Nadu and Andhra Pradesh. One is in Gujarat itself, and the next is ISTS.

The Gujarat project is practically sold out. We have acquired land moving aggressively. The project is looking very good and with a lot of emphasis on project execution. So we had taken a step back to make sure that whatever we took on now, we are taking it with a very sharp lens on execution and that we are confident that we would have.

For these projects, we have whatever numbers we had shared previously, we will -- INR 400 crores in equity and -- at a 30-70. So about INR 1,000 crores in debt is something that is planned for the projects that we plan to take on Gujarat and the ISTS projects in Andhra and Tamil Nadu. Okay. Anything else?

Amit Anwani: So with this what megawatt number we will reach this year?

- Ashish Bhandari:** So this year, I'll share the exact number. I think we'll cross 300 megawatts this year and another 300 plus, which would be in construction on these newer projects that we are taking on. Yes, 300 to 400. I'll come back on the exact number. Rajendran can share that number.
- Moderator:** The next question is from the line of Aditya Mongia from Kotak Securities.
- Aditya Mongia:** I will go ahead with my question, sir. The first one is to get a sense of relevance of new products as a proportion of the Industrial Products portfolio. And in my sense, it's like ZLD, heat pumps, electric boilers, energy management. These kinds of things that just started last three years. How much are they contributing to the Industrial Products portfolio today? And...
- Ashish Bhandari:** In our -- sorry, go ahead.
- Aditya Mongia:** And can these high-growth businesses make Industrial Products grow faster than the 15% CAGR that you envisaged for in the Infra segment?
- Ashish Bhandari:** So right now, I would say they account for about 20% of what we are doing. Can it account for a faster than 15% growth? I think possible. We just need a help from a stable economy as well.
- Right now, for a couple of quarters, it seems like the growth has been driven by new products, initiatives, etcetera. We would just want some of the sectors that have -- where we've gone down a couple of gears to ramp back up.
- And these are sectors like I talked about ethanol being a big part of it. I think if that happens, if on the export side, some of the pipeline that we are seeing, we can do that, definitely possible. I think the internal plan is for that kind of growth, if anything, slightly more bigger than that kind of growth. And Q2, I expect to see good signs.
- Aditya Mongia:** I'll go for the second question. This is on Chemicals. Maybe two parts to the question. First part, if you can just give us a sense that beyond growth, is even competition a hurdle to reach 15% margins? And allied part to the question that I had asked earlier, can Chemicals be the faster-growing segment amongst the three that you have over the next three years?
- Ashish Bhandari:** I think Chemicals should be the fastest-growing segment. That said, I like the growth story on all our segments, including Green Solutions. Chemicals, just the base that it is and the aspirations within the markets that it has, definitely has the potential to, and we are acting like it should be our fastest-growing segment.
- So previously, we had added capacity in Jhagadia, and we thought we would derate our plant in Paudh, even looking at potential other exit options. Right now, we are looking at can we use that capacity in Paudh for actually bringing some of our newer products into play.
- We have added international capability. We are investing quite heavily on R&D, newer molecules. And then, of course, the segments that we are entering, which is coating, sealants, construction chemicals, they're all big markets. There will all be some amount of competition. Of course, they will be competitive.

But in our Industrial Products and our Industrial Infra businesses, we are used to a lot more competition. These are relatively then more application-based selling. And once you agree on the application, it happens, then there are continuous sales. The customers will keep coming to you for that formulation and that chemical.

So that part we really like about the Chemicals business. That once you break through, that breakthrough tends to stay with you for a very long time.

Moderator: The next question is from the line of Anupam Goswami from SUD Life.

Anupam Goswami: Sir, for Industrial Infra segment, you mentioned about this FGD in Namami Gange expiring in FY '26. So what's the kind of growth after FY '26 we have equally compensating pipeline and the order win and new product offerings in that? That is my first question, sir.

Ashish Bhandari: Let me take just that question and come back to the second one. See, we have been saying this for some time. We understood that some of these projects and if I -- have been dampeners on our numbers. And on Industrial Infra, it is taking the good part of what we are doing in many cases. It is pulling that story down.

So if I look within Industrial Infra, you have got three bad things that are pulling down all the good stuff that is going on in many other parts. Those three things together account for about INR 700 crores of our remaining backlog and all of it, in that sense, in Industrial Infra.

By the way, I think even bio-CNG, which is TBSPL, is not -- while it won't be a bad story the way it was last year, it's still not completely out of the woods that it's producing high -- even high single-digit margins. We're still carrying that business in a way that it's not a drain, but it's certainly not accretive by any means.

But the drains -- the three projects that are drains are the INR 700 crores of which majority of it will get cleared this year. There will be about INR 200 crores, which will still step into Q1 of next year, at which point, I think we will say that most of this is in our rear view -- all of it is in our rear view mirror. What is filling this up is everything else that we have been working on. In TBWES, we've been focusing on Waste to Energy. We've been focusing on international.

IPP power projects are coming back up. We are increasing our competitiveness in cement, steel, all the other sectors. So, you will see this quarter, we did INR 600 crores without any single very large project, Q2 also, even without the large projects, we are confident we will cross INR 600 crores, good international pipeline. And as we see those large projects through IPP, a little bit of international, we can absolutely blow through that number and continue to grow.

On the project side, there are many projects, especially in distilleries, in sugar, where customers are coming to us. We are doing some adjacent projects on -- in steel, etcetera, where we have got good capability. We are doing international.

In Q1 of this year, we closed one international project for projects in the Middle East, which was largely driven by us supplying all the equipment on a project basis, but no civil, no construction,

everything shipping out of India as modules and going to the customer site. So, we are doing a lot of new things that are starting to grow seeds. Those seeds are coming through.

Anupam Goswami: Sir, just to clarify on this, we will maintain the run rate of this...

Ashish Bhandari: I've been very aggressive that our pipeline of -- inquiry pipeline is the highest. We -- for literally three quarters, we were doing nothing at all building pipeline of the kinds of things that we want to do. And that pipeline will now come through.

You will see even in Q1, while Industrial Products was slightly subdued, industrial projects -- I mean, Industrial Infra, we had reasonable growth, and that will now continue in Q2 and Q3 as well.

Anupam Goswami: Just one more...

Ashish Bhandari: And bullish on the year, yes, absolutely.

Anupam Goswami: About the Industrial Products, we've seen a margin dip to this. Where do we see the sustainable margin in this...

Ashish Bhandari: Completely driven by volume. You will see our volume in Q1 was below our revenue number last year. And some increases in base cost, but our backlog is quite good; that backlog will come through and the margin will also come through.

Moderator: The next question is from the line of Mohit Kumar from...

Ashish Bhandari: Is that the last question?

Moderator: Sorry, sir?

Ashish Bhandari: We'll take this as the last question?

Moderator: So we take the last question from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: I need a clarification on the FGD given that the government has stopped the FGD, the new installation. The notification, does it impact in any way our existing execution? Or have you heard anything from the customer?

Ashish Bhandari: We have clarified with our customers. We have clarified -- in the notification, none of the three projects that we are executing get covered, so in that sense -- and we have clarified with both the customers. They are all both going forward and would like to execute the projects at the earliest possible. No concern there.

The one little bit of concern that I had was, as I had said in FGD, we have got quite a bit of claims on our customers where we were expecting, as these projects complete, we would get into a phase where we could settle those claims and those would then become good guys for us for the future.

That process gets a little complicated because we still don't have clarity on how the CEA would look at those claims. No red flags right now, but that is one of the things that we are working towards and trying to get those answers from our customers and those clarifications and understandings.

So there is an increased dialogue with the customer, no slowdown on the projects themselves. But some things in the overall environment that are -- that slightly complicates matters. Done then?

Moderator: Yes.

Ashish Bhandari: All right. Thank you. Thank you very much to everyone for your patience for taking time to hear us out. And as always, we thank you for your interest in Thermax and for coming and asking questions in such large numbers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question. And I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Just thank you to all the participants and the management for giving us an opportunity to host the call again. Thank you very much, sir, and wish you all the best.

Ashish Bhandari: Thank you. Thanks, everyone. Bye.

Moderator: On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.