“Thermax Limited
Q4 FY‘25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Thermax Limited Q4 FY '25 Earnings Conference Call hosted by DAM Capital. 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 from DAM Capital. Thank you, and over to you, ma'am.

Bhoomika Nair: Thanks, Steve. Good morning, everyone. A warm welcome to the Q4 FY '25 Earnings Call of Thermax Limited. We have the management today being represented by Mr. Ashish Bhandari, Managing Director and CEO; and Mr. Rajendran Arunachalam, Group CFO and Executive Vice President. At this point, I'll hand over the floor to Mr. Bhandari for his initial remarks, post which we will open up the floor for Q&A. Thank you, and over to you, sir.

Ashish Bhandari: Thank you. Thank you very much to everyone who are on the call. I'll keep my opening remarks very brief because I expect that through the questions, we'll get to all the individual topics. We're starting a few minutes late. We'll extend it by that much time or even slightly more at the other end. The quarter that went by was quite eventful. The downsides were clearly the miss on orders relative to what was committed.

The bio-CNG hit, which is also something we'll get into more details on as we go through this today's call. The positive was our ability to deliver INR 3,000 crores in revenue, which I think I talked about in Q3 that I would just like to see consistency in operations. And with that consistency in operations, the bottom line, which we managed to deliver across all businesses, which means that despite taking a massive hit on the bio-CNG side, we were still able to deliver the profitability that we wanted to.

So with that, I'll take a step back and get you to ask questions, and we'll go down and share a fair bit of insight through this call. Thank you.

Moderator: Thank you very much. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: My first question is on the bio-CNG. Have you finished the execution on the bio-CNG project? And if yes, how has been the initial performance? And the related question is that on the industry, how do you see this industry order inflow outlook for CY -- for FY '26?

Ashish Bhandari: Okay. So I'll use this, maybe if it takes 10 minutes, then so be it, but it will be a longish answer. When in Q1, when we had taken the first significant hit on bio-CNG, we had said that we needed to do a lot of technology interventions. And with those interventions, we thought we would be able to reach the production that we expected.

So all of those technology interventions got done. We reached a particular point, which was of significant stability. But even with that stability, we were not able to meet some of our guarantee numbers, especially on the first set of projects that we had signed up for, which were the ones with EverEnviro, which is also our JV partner. So there, the gap was slightly bigger, but there was also a fair bit of both sides having their own points of view and a discussion that got complicated in that sense.

We have looked in the last quarter to come to an understanding on almost all topics of discussion between the two parties, and we are formalising that. Through that, what we have agreed upon is to think about these as stomachs. And if one stomach has to give you a certain production, digesters are essentially stomachs.

And with three digesters, we are able to give a certain production. What we have agreed to is whatever we are able to get from the three digesters, we will add one more digester, whatever that production is, our yield guarantees and everything have been agreed to at this lower number now. So not only do we now know what we need to implement, the technology risk in terms of reaching a particular number is also addressed.

And the cost of the digesters, all the paraphernalia, the additional equipment, etcetera, all of that is part of the number that we have taken. In Q4, not only did we take INR 66 crores as a technology hit, overall, the hit on bio-CNG was more than INR 85 crores. That represented some of the project delays, O&M cost management and taking and absorbing all of those other expenses as well and looking to turn the chapter on bio-CNG.

We still need to execute the -- this additional investment and all that, which we will do over the next seven months because to putting the digester and getting the plant to stable, it takes that long. But now we are not committing anything beyond what we have already delivered. So whatever we have delivered, that is all that we are committing. The industry as a whole is also going through similar realisations.

And Thermax, if anything, is at the leading edge of some of these capabilities. After a year of not taking any orders, very selectively, we will start taking bio-CNG orders. And even in Q1, we expect to take two orders on bio-CNG with a much more kind of reduced yield guarantees in line with what we are already delivering with our experience.

And I think some of these orders are planned with some of the biggest names in the country. So that is, if anything, a small validation that while Thermax has gone through this pain, we have learned a lot and what we have learned is of some value to others as well.

Overall, from an industry perspective, I think the economics for the industry are still marginal at best. It needs policy support and to make the industry happen because it is a non-traditional industry.

And anything that goes by, like we went through disruption in the northern part of India over the last 3, 4 days because of the fallout from Operation Sindoor. All of that affects these plants. Here, you stop feeding the plant for two days, you go back one week in terms of production value, getting the plants to become stable again.

So these are slightly finicky plants. They are difficult to operate, and we have learned a lot about how do you operate them to the best, what technology interventions do you bring in, what digital interventions do you bring in.

We are working towards making this a bona fide industry, which is possible. It has a huge future, but that future requires some amount of policy support. So with this, I think I have shared quite a bit of detail specifically on bio-CNG. Rajendran, anything to add from your point of view?

Rajendran Arunachalam: Not exactly.

Ashish Bhandari: Okay. And if there are more questions on the topic, I'd be happy to go through this. It's now kind of taking a fair bit of my time, and possibly the single biggest area where I'm spending my personal time in working and turning the page on the past of bio-CNG and working towards a better future.

Mohit Kumar: Understood, sir. My second question is on the large order inflow. I think we were slightly...

Ashish Bhandari: Sorry, because you got a fair bit of answer and that question of yours will also get addressed. Let's go to others, and I'll come back to this if it doesn't get addressed.

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

Amit Anwani: My question is on the margin. So if you see Chemicals, we did a pretty strong revenue. And I can see the full year EBIT margin is about 12% versus in the past, we have done 18%, 19% as well. And same for Industrial Products, the margin this quarter was very strong at 14.4% EBIT margin. Any colour, what product mix played here? And what would be the sustainable margins for these segments? And any target margin improvement we are thinking for Thermax stand-alone and consol, if you could give some colour on margins?

Ashish Bhandari: Sure. So if I take a look at -- let's start with Chemicals first. I'll go in the order in which you asked the question. Chemicals has had a few things that are changing. Yes, it has a product mix, which is changing as we look to push construction chemicals, floorings, many of the newer sectors, segments that we have entered and look to increase the growth. And by the way, in the quarter that went by, we also had an impact from the base cost that we are building up to be able to do the market entry of these.

For example, flooring has a team of 20-plus people, the whole Vebro JV, the cost of that, that is getting absorbed. We are setting up a new business for Buildtech, which is the company that we acquired, where the EBITDA margins are lower than the traditional Chemicals business, but we see a lot of upside and opportunity to increase the margins as well. which we will deliver through this year.

And then the OCQ partnership as well. At the back of all of this, to start to put together the teams to take advantage of all of this, has been all the costs, due diligence costs, the legal costs, the commissions we had to pay to the various M&A parties, etc., that we were working with, integration costs. So all of that was built in into the Chemicals number that you saw.

Overall, in the business, we only see opportunity to improve the bottom line, but we will be going through a period where we will continue to invest for growth. And we have a new plant coming that just came online in March. So you will see that the depreciation cost for Chemicals will also go up. Overall, for Chemicals, I expect to be in this range of high teens.

From a profitability perspective, I like where the business is. We are executing reasonably well. We just want to see a bigger top line and that top line then coming down to the bottom line. We had some reduction in -- overall in specialty chemicals, which is a cyclical business where people that buy our specialty chemicals buy it in particular portions, which for 2025 was lower. 2026 is expected to be higher. But the mix has paid some impact, but less impact.

Some of these things that we [inaudible 0:13:52] building. And also kind of last couple of months of the quarter with the whole thing that was going on in the U.S. has also been a slight kind of X factor. Yes, it was negative for a bit. It can be positive in the future. Now, if China and the U.S. come to some arrangement, it can come back to a normalised situation. So there are things that are moving in and out.

Industrial Products, I think, had a fantastic quarter, a fantastic year as well, where we had expected to cross double-digit profitability, but this was faster than in terms of even our internal estimates. And overall, what we are seeing is that if we are able to get to a particular revenue number, getting that revenue to translate into profitability, Industrial Products has shown a good, consistent ability to do that. The challenges that we have had are clearly in Industrial Infra and then in Green Solutions.

In Industrial Infra, the TBWES portion is doing well. Yes, we need more orders out there, but overall, doing well in terms of taking top line, converting that into bottom line. Projects, which is where we have had ups and downs, we will continue to see that little bit of cyclicality this year as well. Yes, FGD projects were negative. But in Q4, when we got some cash against some of the change orders that we had, then it resulted in a spike that was positive.

So some of those ups and downs, we will see this year as well. But the good part is that while the new products we have -- new projects we are getting in are fewer, they are profitable and they are in the portion of the business that we like. So, I expect that bad portion to continue to go down, down, down. And of course, the bio-CNG portion, the big hit that we have taken to not repeat at all. It will still not be like 5% profitability. In bio-CNG, our expectation is breakeven to low single digits for this year because we have taken a lot of hits and kind of closed everything.

But everything is to close out the downside situation. The positive side, we need to work and to develop, which will come also through technology breakthroughs, which is something that we are working on in the parallel. Green Solutions for the year as a whole, a big loss in FEPL. That loss should come down significantly this year.

Total should continue to, on its path of stability. Hydrogen, we will continue to invest in, yes. So behind in Industrial, in Green Solutions, we have got a whole team -- that is working on newer age solutions, hydrogen, carbon capture, SAF. And those expenses, we will continue to fund and to take in that business. So, I hope I have given you a reasonable commentary on margins overall.

Moderator: The next question is from the line of Bhoomika Nair from DAM Capital.

Bhoomika Nair: Sir, one question was on the outlook in terms of the order inquiries and the pipeline that you're seeing, particularly given the macro uncertainty that prevails. So if you can just talk a little bit on how you're seeing on ground, both in terms of base orders and also in terms of large orders that we're looking at from the hydrocarbon space, how that is panning out?

Ashish Bhandari: Overall, we had -- let me first take Q4 here, because I've started with saying that my expectation was INR 3,000 crores, INR 3,300 crores. We missed on the orders front. Yes, we have had a couple of losses, one big loss and a few pushouts. We had a very good April. May also, this one week of instability, if we hopefully don't result in anything bigger, we should be able to recover from this one week of instability in May.

But overall, my expectation on Industrial Infra, in particular, is that we should do better than last year and in some scenarios, even significantly better than last year. And because we have got -- the pipeline is decent, not just in refining and petrochemical, which is, if anything, for the second half of the year, but more in power and steel and international, and wWWaste-to-eEEnergy. These would be the four spaces which are here and now. Waste-to-energy will be steady.

Power should be steady. Refining and petrochemical and cement will both come in the second half of the year. But I also see some international projects, which are due for conclusion and for finishing up. So that gives me bullishness on Industrial Infra overall. Bio-CNG also, as I said, after taking nothing last year, in Q1 itself, I expect to take two orders, but we'll be very careful in taking those orders.

Bio-CNG has got an element of an evolving space. We have stayed away from the space for a year in terms of new orders. But now we know what we are capable of, and because of the strategic nature of this industry, long term, we do think it is the right time to start looking at newer orders. So we are close to shaking hands on two projects for Q1 itself.

Where the shake hand has happened, we just need to finish those projects off. And the rest of the year will also have a pipeline. Chemicals, as I said, I expect top line and bottom line to both improve and orders to go up based on all the investments and the capabilities that we are building up and Green Solutions also steady with continued growth.

Industrial Products, which has been the bedrock and the best-performing portion of Thermax, a decent pipeline starting up, but this is the portion which will relatively get affected by big moves on the macroeconomic side because here, we address multiple customers across multiple industries. And this is where, even internationally, we were starting to do better and better.

Even our international subsidiaries are starting to work towards stability. If there are big macroeconomic changes, Industrial Products potentially could see a small slowdown. It could also see upside. International -- our pipeline continues to build up. This can also see upside, especially if like the ethanol sector, and some of the places where we provide solutions continue to build and grow. So it should be, in my view, a good year, we are being reasonably bullish in the year, taking across in -- what we call as our business plan, taking fairly aggressive numbers.

Moderator: The next question is from the line of Renu Baid from IIFL Capital Services.

Renu Baid: Sir, first question is if you can help us quantify what is the value of these low margin or loss margin orders in the Industrial Infra segment, largely FGD and bio-CNG. And do we expect that all pending FGD orders will be fully closed in '26, or something may carry forward next year? So that's point one.

Ashish Bhandari: Sorry, let me take this, Renu. I think FGD, if we execute well, should be done this year. Yes, small. There is, I would say, small-to-medium chance it may slip into the first quarter of next year, but that is the pace at which we are moving.

The one concern for me is how monsoons show up, and monsoons have been like even right now in many portions, monsoons have been affecting -- not -- I mean, rains have been affecting, not monsoons. It's supposed to be a good monsoon this year. So that's my bit of a concern because we are executing with big teams, several hundred people in remote locations. That's a bit of concern. But this is the year.

On FGD, one other small light at the end of the tunnel is that the first set of FGD projects that have happened in the industry, many of the people that executed the projects have made a case for increased compensation. And that case for increased compensation has been put to the regulator.

And which is good because if that regulator approves that increased compensation, that can become positive for our FGD projects as well, because while we have taken losses, there are many in the industry who have taken equal or even more losses.

And so -- because some of the things related to COVID-related challenges, the India-China kind of don't import from China, all the delays that happened. So I don't think that is -- all can be attributed to the EPC company. Some of these are just fundamental to the industry itself, for which we also believe the regulator should support -- the claim. So that is what is being worked on.

What -- the backlog which we have on bio-CNG, what's the backlog?

Rajendran Arunachalam: INR 315 crores.

Ashish Bhandari: INR 315 crores, which is against executing that right now. Some of that will go through in Q1 and Q2. A portion will slip into Q3. I don't think of the projects that we have right now, there is anything beyond Q3. If anything, we need new orders to come in to continue to work the revenue portion for these projects.

The only other project which is low profitability is the sulphur recovery project, which is for NRL. A big portion of that should also get through this year, but that will continue into the beginning of next year as well. So these are the kind of sum total of everything that is in the mix of what we need to work through.

Practically, everything that we have been getting over the last 2 - 3 quarters because we haven't got anything of these set of projects in the last several quarters. While it may not be kind of double-digit profitability, they are all good, consistent, small to medium profitability projects that we like, and we are executing them well.

Renu Baid: Sure. Sir, my second question here is, if you see broadly Thermax for the last decade and a half to -- as a company, it is great when it comes to products, modularisation, setting products, great at it. But when it comes to projects, across cycles, there have been different types of projects, but you ended up struggling.

So inherent as an organisation, where do you think you need to recaliber resources, teams or capabilities either to plug the gaps on the projects part of the business or the Industrial Infra part of the business as it's called today or to strategically refocus on your strengths rather than looking at areas where the company inherently has had issues or challenges on project management side. So what would be your medium or longer-term thoughts on this balance.

Ashish Bhandari: Okay. Can someone tell me which is the point at which we dropped off?

Renu Baid: I could not hear anything that you said. So I'm not sure if my question was fully heard?

Ashish Bhandari: Okay. No, I heard your question fully. I think I started to respond, and I spoke for a couple of minutes, I guess, when we got disconnected. So let me retrace my steps. What I wanted to say was that Thermax has shown tremendous ability through the years that even in areas where we have made kind of decisions that may look at saying, why are we doing this?

Why are we losing money to put our head down, learn from that experience and then consistently take that experience and put that into our learning and execution for the future. And in that same vein, I would say projects are an integral part of Thermax and something that we need to continue to learn from some of what has happened in the recent past.

But I am confident -- those learnings are imbibed and will make us stronger for the future. Let me take a few examples. Yes, the biggest example that I have to share is TBWES. TBWES at one point had accumulated losses of well above INR 100 crores. Even four years ago, it was an [not audible 0:28:49]. So it had significant losses that were accumulated.

Today, TBWES sits on a cash balance of more than INR 1,000 crores, which is once we knew how to do these larger boiler kind of projects well, we just started to do them consistently again and again and again, and are fairly good at it.

FGD is not something only Thermax failed at. Everyone in the industry has failed at FGDs. The one credit I would give to Thermax is that some of our projects, we are executing better than our competitors, and we are now seeing kind of the end of that. One thing that we haven't done is on FGD beyond the particular point, all of our projects are technically closing out well and commercially closing out well.

The problem that has happened is that the entire FGD space itself went through a high, and then instead of going to newer highs, has come down because projects are not happening at all, and the whole space has gotten messy. So that is my response.

On bio-CNG as an example, I think clearly, we could have done this better. We didn't have to lose INR 200 crores over two years to get to the point that we have. And the first set of projects in particular, what we were getting into. But that whole space, in my view, had a lot of R&D.

It was doing something that nobody in India had done, nobody in the world had done. And it had some amount of R&D or more than some amount of R&D, where on the scaling up of those projects, we could have gone in and taken a lesser risk, and that was learning. But having learned what we did, you can see some of the biggest names in the industry want to work with Thermax.

Because it is not that we have done something that 10 other companies have figured out what to do differently from. Some of the companies maybe are not public, may not be -- the information may not be available. We are taking our hits as we see them. But in terms of production from existing assets, we are doing as well as almost anybody and much better than the industry average.

So that gives us confidence. Clearly, we could have done things better, and we didn't have to spend so much to learn what we have. It's also a company that puts its head down and works towards what we commit to making it happen. But you will see that even in Industrial Products, we had losses on the international side, Danstoker, PTTI, a variety of different places, we have continued to work through and get better and better.

And historically, some of our biggest successes have also come on the project side, yes, Reliance, Dangote, these are all projects that we have historically executed very well. Again, in the space that what we know we can do very, very well. We just need to add to that space of what we can do very well and continue to expand.

Moderator: The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: The question is on the total R&D nature kind of investments, which you typically do when expense it out. So what was that number in FY '25? And how much do you think will be the base for FY '26?

Ashish Bhandari: I had committed to building that base. We still haven't -- our accounting in terms of what we should call as R&D and what we should not is something that we need to formalise. And until we do that, I can't give you that exact number. But the bio-CNG efforts, clearly, can't get qualified as R&D because we have revenue associated with them.

So they cannot -- that portion is clear. We have to expense them out. In my mind, they are R&D because what we could have learned over a period of five to ten years, we have learned in 1.5 years. So that portion is accelerated capability that has come into place. But I don't think this is something that would have qualified as R&D. But there is a lot of product development that we do, which has got significant portions of R&D. For example, we build heat pumps where some of the work that we are doing is completely cutting edge, in zero liquid discharge, some of the work that we are doing is completely cutting edge, even on the boiler side, in the digital side.

But today, we don't qualify them as R&D. We need to do a better job. There's an internal effort to work that. Today, I don't have specific numbers to share because only once we formalise that whole process, then I want to come back and share numbers with you.

Parikshit Kandpal: And other question on the margins, if I can. So this year be a double-digit EBITDA margin year, at least we crossed double-digit margins.

Rajendran Arunachalam: Will we cross double-digit EBITDA?

Ashish Bhandari: Sorry, that is the question. Will we?

Parikshit Kandpal: Yes.

Ashish Bhandari: Look, I think you can see the trend. I mean you can see if bio-CNG INR 150 crores doesn't repeat what those margins can be. Industrial Products, the backlog you can see, and I'm telling you the backlog is representative of what we have done recently. Industrial Infra, we continue to work this up. Losses in FEPL should come down significantly this year, and Chemicals continues to be in 15% to 20% range that we are talking about. I don't see any reason why we shouldn't be able to cross that barrier.

Moderator: The next question is from the line of Himanshu from Buglerock PMS.

Ashish Bhandari: Himanshu, before you start -- I'll come back to you, on the question on projects, one other part which I would say is that we are not taking some other parts of projects also lightly. We're investing heavily on the digital front, on our execution capability, in building the tools and capabilities that project risk comes out much, much earlier in terms of which are the key places to look at.

So there is a lot of intervention, active effort, and investment that is also going on on the project side. It is not just that we are looking at areas that we can execute well. How to execute well is also something that we are spending a lot of effort on. Sorry, Himanshu, you can ask your question now.

Himanshu: My question is more on the Industrial Products. Can you tell how has been the growth on that product side of the business and distribution expansion related business on the Industrial business in last 3 to 4 years? And what is the opportunity we can look for in the next 3 to 4 years in new product introduction?

Exports seems to be a very small portion of Industrial Products. How big can that be? And what are we doing to grow our exports business on Industrial Products? The question is basically on product value less than INR 5 crores.

Ashish Bhandari: Yes, sure. So I'll take Industrial Products overall. The first thing you can see is to take a look at the backlog on Industrial Products compared to last year. The backlog is nearly 20% higher on

Industrial Products. That should give you some confidence that we are on the right track with this overall portfolio.

I think growth has marginally slowed down in Q4, but I expect Q1, I think this one week of what happened with Operation Sindoor to be slowing things slightly. But as that normalises, this should get better. The backlog is reasonable. It has got two things going on. The fastest-growing portions of Industrial Products is Water and Enviro, which is where we provide clean air-based solutions. These two are the fastest growing. These two are relatively lower on the profitability side.

Small boilers and heating is the most profitable portion and the biggest. There because of our market share and everything, the growth is relatively slow. Cooling, which is the smallest portion and relatively profitable, has historically been slightly lower on the growth side, but should now be the fastest growing because this is where a lot of our innovation and our newer products are coming through.

So overall, the mix has got some moving parts where Q4, what we achieved was incredible. Our backlog is good, but it has got some movements on the mix side. Industrial Products does do a fair bit internationally and will continue to grow the international portion quite a bit. And in fact, our capabilities on the water side and all, which were largely domestic are going increasingly international as well.

And international also has Danstoker and PTTI, which are both part of Industrial Products. So overall, international is quite a reasonable part of Industrial Products, one that has got a fair bit of potential for growth, and we will continue to build that capability. In fact, all four of our major product lines in Industrial Products, we see a fair bit of potential on the international front.

Okay. The last question is, is there product innovation happening? Yes, product innovation is happening in Industrial Products, quite a bit. On Cooling, as I talked about, in terms of basically climate-ready cooling solutions, which are things like heat pumps, which can do certain capabilities with a lot of efficiency.

We have capability in terms of domestic capability, which only some international players do, no domestic player does. We can do CLCT (closed-loop cooling towers), adiabatic cooling towers equal to or better than anybody else in the industry, and we are innovating heavily out there.

On the water side, zero liquid discharge is a place where Thermax continues to establish ourselves. We are bringing in more innovative products that have got a chemical nature to it directly and through partnerships. We also did the acquisition of TSA, giving us capability around ultrapure water, which takes us into newer sectors for pharma, for food and beverage and semiconductors.

On air pollution control, we are increasing our capability on things like scrubbers and all, which semiconductor industries and electronic industries need quite a bit of. And in Heating, continuing to innovate electric boilers, better biomass-based solutions, a variety of newer products as well. So this area, the whole product mindset continues to be strong, very competitive market spaces, but we like our product portfolio.

Moderator: The next question is from the line of Jonas from Birla Mutual Funds.

Jonas: Congratulations again on a great set of numbers, considering the environment. Ashish, just wanted to sort of dive into the order inflow outlook or pipeline outlook that you gave, particularly for the Industrial Infra segment. While you said that you are projecting a decent growth in this segment for FY '26, A, could you talk about does that build in an opportunity on the thermal boiler side, at least one of them flowing through?

And what is the addressable market there? Is it predominantly private IPPs? And the second, if you can delve a bit on the international side, which you spoke about, which seems to be more near term. What segment of -- or what geography, if you can touch upon both will drive inflows or opportunities?

Ashish Bhandari: I think that's one portion of the thing that right at the beginning was the second question, which we didn't answer here, but this dialogue is quite important as well. I was disappointed with our orders in Q4. Yes, I had committed that we would do better. And I thought we had a very good chance to reach INR 3,000 crores, missing it by the amount that we did was a significant disappointment.

And to be fair, it was on the back of one very big loss, which was internally considered as high probability. There were a couple of smaller losses as well, but then a fair portion, which moved to Q1 of this year. What moved into Q1, two projects we have closed, and April was good. I've also shared that on things like bio-CNG, etcetera.

We want to be back into the mix, knowing -- and after doing nothing for practically four quarters, having established a baseline, having established a mutual trust with customers on what we can and cannot do moving forward, so that bit.

So now if I go look at this particular year, my first focus is on the industries and the spaces where I've been talking about where we are seeing activity, which is steel and power in the short term – steel, power, waste to energy in the short term, refining and petrochemical and cement in the second half of the year, where projects like the Bina Refinery, Paradip, there are a few different things where larger scale projects are now being envisioned and will come to bidding later in the year.

All of those that are in the mix and some of these are INR 300 crores to INR 1,000 crores in nature, which will get addressed within the next 1 month to 3 months in my expectation and that is important because, as I said, otherwise, we will go through a portion that we won't be able to liquidate all of our base costs and everything on the project side.

One small bit that I would share is that in this Q1, we have also made an entry into the ethanol sector, where with an international technology partnership, we are entering the ethanol sector on the EPC front, knowing that the scale and size of ethanol projects is getting bigger, and we think we have a role to play. Then finally, your two questions. First on thermal, my growth expectation is even without thermal.

That said, we do hope and expect and are planning and working towards that from the private sector. There would be some major breakthrough on the thermal side. Whether that happens or not, we will know -- again, that too in the next 1 to 3 to 4 months. We are working towards it, but my bullishness is despite that bit.

On the international front, our biggest pipeline continues to be from the Middle East, where we have seen some good success on the Industrial Products side. We see now project opportunities as well. Southeast Asia would be the second one. Bangladesh, which historically is a place where we get a fair bit of industrial products and some projects as well from time to time, is practically nothing.

So while we are seeing a lot of good things in other places, even Latin America, we have a pipeline now that is developing, but that is more comes and goes. It is Middle East and Southeast Asia for projects and Africa, the Middle East, Southeast Asia for products, which is where we see most amount of activity. A fair bit of detailed answer to this. And I hope that addresses your questions.

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

Anupam Goswami: Sir, you mentioned about Industrial Infra, TBWES doing good while some FGD orders are still there. How do we see the revenue mix in the segment coming forward? And also for Industrial Products, you said something about slowing down in Q1 and stabilising. Do we see the growth rate stabilising and coming down in Industrial Products as well?

Ashish Bhandari: Okay. So I talked about Q4. I said just Q4 after a very strong three quarters, there was some moderation in Q4. Q1, I expect to be decent again, and April was decent. So what I was talking about was Q4. And Q4 year-to-year on Industrial Products was relatively flat, compared to the big growth that we had seen in previous quarters. Overall, the backlog is, as I said, close to 20%, 19% bigger.

And I expect a decent year on Industrial Products as well. On Industrial Infra, to your question, you can work the backlog up very easily. Yes, TBWES is separately shown. Industrial Infra, we show as a separate breakout as well. Subtract the two, and you will get a sense of what TBWES is and what the rest of it is. Of what is the rest of it, what's the backlog on FGD?

Rajendran Arunachalam: INR 467 crores.

Ashish Bhandari: INR 467 crores is FGD, of which I think INR 350 crores is surely going to get liquidated this year. INR 100 crores may slip over to the next year, though with good execution, we can bring most of that INR 100 crores into this year as well.

Anupam Goswami: Sir, if you can touch upon Industrial Products segment, how do we -- because we had a good growth last year. And how do we see forward from here?

Ashish Bhandari: Reasonably bullish. I think my whole last question was just answering Industrial Products, kind of the international thing, the new products that are coming out, the overall sense of kind of stability in that space. So reasonably bullish. I do expect bigger growth to come from Industrial Infra, largely because we have been completely patient on the Industrial Infra side. On the projects side, we have practically for multiple quarters, been extremely, extremely patient.

That's why I think Industrial Infra will grow faster. But you can see -- in the backlog, Industrial Products over the last year has grown significantly bigger. I expect Chemicals to grow very well as well. And Chemicals is perhaps the most profitable part of Thermax, even though Industrial Products is catching up.

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

Amit Mahawar: Sir, I just have a high-level structural question. Thermax has a very well-empowered middle management, which across the last two decades has helped it manage risk very well. You've done very good on Danstoker. TBWES is a great example. Industrial Products is very, very heartening to see. But at the same time, whatever we wind the history of large orders, even private has been very, very difficult.

Do you think this discussion -- are you confident about this discussion in the future, maybe by next year or two, that whatever new orders we take, and I'm very comfortable about your pipeline. That's not a problem. But the discussion of translation of returns and profitability being disappointing in 2 - 3 areas. How do you fix this? And do you think now, as we speak, the Board, the management, the ownership has taken care of these issues? Some of these have been repeating. That's my question, Ashish.

Ashish Bhandari: I think it's a good question. And I don't think with the numbers that we have that we can claim anything different from the statement that you are making. It's a very fair statement looking at the numbers. And I think there was a question earlier from Renuka, if I remember right -- Renu, if I remember right, which was specifically talking about Industrial Infra and some of the kind of profile of things that are out there.

I think the middle management that you referred to is the same middle management, which is working on TBWES. It's the same middle management that worked on FGD, and practically, the entire team that is behind bio-CNG is coming from one of the portions of our business that is considered to be good at executing and working things.

If I take what did not work well, I think what did not work well was that when on the projects side, things started to change. And this has been a story for the last 7 - 8 years, and I do in the last 5 years, I'm party to this. So I won't come in and say that this is all in the past. This is very much here and now. Many of the areas that we went in new, we had a learning curve.

And this is not just a learning curve which only Thermax went through. That is my only submission. FGD was -- has been a blood bath for anyone and everyone. The fact that we took that as a major growth pillar is perhaps something that we can look back. And a similar case can be made for bio-CNG, which is why I'm pointing out both the opportunities and the risks of that segment because FGD went as a big spike, but then the expectation was 100 projects would happen on FGD, and we don't see them happening to the point that there may be some that may happen, but we are okay if nothing happens as well.

Yes, that is the plan that we have. Meanwhile, the areas that we are really good at which is learning from what we do and imbibing that learning and making sure that becomes a baseline going forward.

That learning, especially in areas like bio-CNG, etcetera, if we can make that part of our DNA, which is what I'm working on and making sure we do, that can create good long-term platforms for growth, like TBWES, like many others because if in India, you're seeing Reliance is going out buying land across big chunks of the country saying it wants to do 500 projects, other customers coming in saying this is a big area, government talking about India needs 5,000 of these projects. The economics today don't make sense to me.

And if this is also one more sector where, if there is no consensus on policy, there's no consensus in industry and technology stays at the level that it is, then economics don't work. But if some of those dots can be joined, this has got a big, big, big future, yes? And in that sense, this should be considered, in my view, more Green Solutions than Industrial Infra. And internally also, we are now operating this more as part of Green Solutions and not as part of Industrial Infra.

This has the potential to create a big long-term vector, which also has a big services component because all of these plants need services, need O&M. And once the plants go through execution, you can see a big services revenue because not everyone can operate these plants with confidence either and the learning that we have should give us confidence that customers would want to work with us on the O&M side.

So that is what I would say. What gives me confidence again is that we learn from our mistakes and we put those into execution, and we are also investing heavily on the technology side and on the digital side that even the learning in newer areas is minimised, we are able to bring it to the top very, very quickly and be very careful in how we take these. And you can see over the last -- I mean, we haven't taken a single FGD project. We haven't taken a single bio-CNG project in all of last year.

And one of the losses that we had in Q4, which was low probability, it is not something that was the one in my estimate, which was a big FGD project. We went until a particular point. We knew our estimates on costs very well. And then we said we won't go a rupee below this, and we walked away.

And we knew we were going to have -- at that particular point, we were not sure. We had a couple of other big projects in the mix also. But we were okay to show a bad orders quarter, but we were not going to take any shortcuts on what our profitability and our cost expectation. But now we know the cost of what it takes to execute the project very, very well. And that learning is important.

And overall, if I may answer, Amit, what we are looking to do is to create a book of business where Industrial Products, as an example, we are looking to bring the cyclicality down. And we have shown we can do that. We are looking to increase the services revenue. We are looking to increase the international.

Chemicals, also, we are working that same story consistently, add new capabilities, add new sectors, build new products, get into newer spaces, grow, grow, grow. Industrial Infra, also, maybe it is not showing it like that, the methodology is the same. Pick up things that you can repeat, get really good at them and look to become market leaders in those spaces. That is what we are looking to become, and that is the powerhouse that we are working to build.

Amit Mahawar: Very helpful, Ashish. One 10-second bookkeeping question. Your investments and capex in FY '26 on Industrial Products vis-a-vis bio-CNG and FEPL, etcetera? Thank you.

Ashish Bhandari: So, capex relatively lower. We will have some expansions that will go into our heating plant where we are looking to debottleneck to increase capacity and to do a few things. But overall, capex will be relatively low. Capex will show up in Chemicals. I think that is the one place where capex will continue to show up. Otherwise, Industrial Infra and Industrial Products, both relatively low capex.

It will be Chemicals. And because in Industrial Products, we put a new plant for water, and we are starting to do debottlenecking in many of our plants, but that is relatively manageable. The water plant was a bigger expense, but that is now done for. And then, of course, you will see us continuing to invest in the Green Solutions portion, which is again in line with what we have shared in the past as well.

Moderator: Should we proceed with more questions?

Ashish Bhandari: I think we have crossed the time. I'm okay to call this to a close. We have spent an hour discussing this. How many questions do you have in the queue right now?

Moderator: Sir, in total, four questions.

Ashish Bhandari: Four questions. I can't take all four. Maybe we can take one more, and we'll call it closed.

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

Aditya: I'll go ahead with my questions. Ashish, the first question is more on the Industrial Infra margin side. As I recall from the last call, there is a fixed component, of course, and you were talking about inflows in the near term and how they would matter. Could we get a better sense of how the near term would look in a bad case scenario from a margin perspective, given the fixed component inside the Industrial Infra segment?

Ashish Bhandari: Sure. Give me this quarter to work through this and come back because we are working on multiple scenarios. There was a really bad case scenario, which I think will no longer be in play because we have had a good April and a good start and many projects and capabilities where we are in a handshake mode. But I would want to see this quarter come in before I answer that question.

I can answer that question in a lot of detail in the next quarter because when we had spoken last, I had requested six months. Three of those months have gone by. The three months were mixed. The fourth month was much better. And depending on how the fifth and the sixth goes, I can give you a much, much better answer when we come to the call. I would only say that if I had four scenarios, the really worst-case scenario, I don't think we need to worry about.

Aditya: Okay. The other question that I had was on the ethanol piece, you were talking about the partnership. I'm assuming that this is for the global ethanol opportunity because in domestic, you're kind of nearing the 20% mark. So, just trying to get a sense of the TAM over here and whether it is relevant to be talking about at this point in time.

Ashish Bhandari: So early to be talking about. Even in India, the market is still fairly big. It is going to go from 20% to 30%, and the projects that will come up will be bigger in nature. So what we are looking to do is a mix of domestic and international as the projects get larger. So the size of the plant gets bigger, and then we see customers asking for better execution, better technology certainty and guarantees. So there, we are working with one of the best-known players globally and looking to bring that technology to India and selective international as well.

Aditya: Just the last question. FEPL losses for the year that you have done? And why is an expectation that those losses may moderate but still be there in fiscal '26?

Ashish Bhandari: So the losses should come down significantly in FY '26. The plan is still for losses, but relatively nominal -- significant reduction. And we are looking at a small change in the model as well. See, we have got in FEPL 1, we have got a hangover of a big insurance case where one of our sites got flooded twice.

So we expect that the insurance matter to get resolved in the near future. And even in terms of accounting, we had a change where, even in the project execution portion, while the project is in development, FEPL was borrowing from Thermax, and the interest component of that borrowing was looking like a loss for FEPL.

Going forward, FEPL, even for the project execution portion, will borrow from the market at market competitive rates, which it will be able to capitalise. So there are a couple of changes that are coming on the FEPL side. I would still say I need that team to execute better. And with that expectation, we are expecting a significantly better year in FY '26.

Okay. It's a perfect time to call a close to this discussion. Thank you very, very much for all your questions, for your patient hearing. And I hope I've answered almost all, I think, other than some portions of Chemicals, because we didn't talk about it much, and some portions of Green Solutions, we didn't talk about hydrogen, TOESL, anything at all. I think everything that I had was -- has been addressed, okay? Thank you, everyone. Thank you for your time.

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