

Thermax (TMX)

Capital Goods

BUY

CMP(₹): 2,799

Fair Value(₹): 3,575

 Sector View: **Cautious**

NIFTY-50: 25,899

December 11, 2025

Poised to grow fast and improve margin; upgrade to BUY

The recent price correction provides an attractive entry into a play with a portfolio benefitting from scale-up in existing businesses, geographical expansion and entry into new businesses. Margin improvement appears imminent due to the reduction in the share of troubled orders, the rebound in the underutilized chemical business and positive mix effects in the products segment. We upgrade the stock to BUY (from ADD) with an unchanged FV of Rs3,575. It trades at 40X pro forma FY2025, assuming nil margin issues.

Scale-up of existing businesses and entry into new growth markets bode well

Thermax India stands out within the diversified capex plays for the strength of its order inflows (1.3X revenues in 1HFY26), with limited support of lumpy orders. A large order win in 3Q has boosted the case for year-end backlog up by 15% yoy, boosting growth visibility. Select verticals such as waste-to-energy and water have scaled up to closer to (if not larger than) US\$100 mn businesses. These are seeing increasing traction in both domestic and Middle Eastern markets. New growth markets include (1) datacenters (water, cooling, enviro), (2) entry into O&G in the Middle East through a marquee customer and (3) HRSG prospects for gas-to-power (Middle East). Thermax is considering setting up sales and service centers and local legal entities in the Middle East and Africa. It also sees CIS countries and Latin America as potential markets.

Irritants to margin in their final stages; margin-accretive mix effects on the anvil

The 5% of backlog, weak on profitability, has limited probability of throwing any incremental surprise—(1) the NRL order has only site execution remaining (10% of project value), for which adequate provisions have been taken in 2Q, (2) the second of the three FGD orders will get completed in 3Q and the remaining third order is margin-accretive and (3) bio-CNG orders are continuing to impact 20-30 bps of segment margin and are in the final stages of handover. The chemicals segment margins are likely to move up, as the 200 bps impediment from underutilization and growth investments eases—Thermax is seeing a strong rebound in the US chemical business. The industrial products segment will see improving qoq margin on mix effects, with increasing salience of the high-margin heating business in execution.

Investments in solar captive should moderate over the next two years

Thermax (standalone) has invested ~60% of its Rs7.5 bn equity investment limit in FEPL (solar/hybrid captive). It will reach closer to its investment limit over the next two years, after which the incremental growth requirements may get funded by the entry of a strategic partner.

Appears attractively valued on trailing earnings, assuming normalized margin

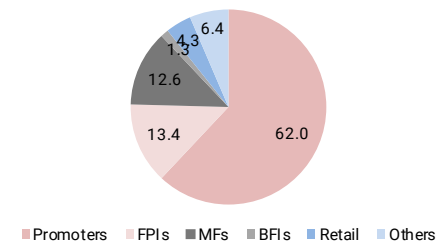
We estimate pro forma FY2025 EPS of Rs72, adjusting for the losses seen in the projects portfolio (bioenergy, NRL project, FGD) and solar captive business. The recent correction makes the stock attractively valued at sub-40X on such pro forma trailing earnings. We expect a large part of such margin normalization to happen over FY2025-28 and assume 12% revenue CAGR over this period.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	2,799/3,575/BUY
52-week range (Rs) (high-low)	5,003-2,743
Mcap (bn) (Rs/US\$)	333/3.7
ADTV-3M (mn) (Rs/US\$)	312/3.5

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(12)	(16)	(41)
Rel. to Nifty	(12)	(20)	(46)
Rel. to MSCI India	(11)	(19)	(43)

Forecasts/Valuations	2026E	2027E	2028E
EPS (Rs)	56.1	72.3	91.8
EPS growth (%)	0.9	28.8	26.9
P/E (X)	49.9	38.7	30.5
P/B (X)	5.9	5.3	4.6
EV/EBITDA (X)	36.8	28.7	22.7
RoE (%)	12.3	14.3	16.1
Div. yield (%)	0.5	0.5	0.5
Sales (Rs bn)	107	125	145
EBITDA (Rs bn)	9.4	12	15
Net profits (Rs bn)	6.3	8.1	10

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of December 11, 2025

[Full sector coverage on KINSITE](#)

New projects/expansions across thermal, cement and steel sectors can benefit the order book of Thermax

Exhibit 1: Highlights and commentary from major domestic players across power, refineries, cement and steel sectors

Power & Energy

NTPC	Company has an aggressive target to reach 149 GW capacity from the current ~85 GW. As of 1H FY26, nearly 17 GW of capacity under construction is coal-based. Another 13 GW of thermal capacity is to be added until 2032
Adani Power	Aiming to more than double its thermal capacity from ~18 GW to ~42 GW by FY2032, with a proposed investment of Rs1.8-2.0 tn
Multiple	A healthy pipeline of MW scale utility thermal projects like Talcher TPP, Ennore SCTPP, etc. along with smaller 200-300 MW projects is developing

Refineries & Petrochemical complex

BPCL	Undergoing major capex cycle (Rs430 bn) which involves 1,200 KTPA Ethylene cracker, and Bina refinery capacity expansion to 11 MMTPA from 7.8 MMTPA.
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Cement

Ambuja Cements	About 12 ongoing expansion initiatives adding 19 MMTPA capacity with the aim to power 60% of its expanded capacity with green energy by FY2028, including 376 MW of WHRS
UltraTech Cement	Plans to increase WHRS capacity to 511 MW by FY2027 (~24% of its power requirement) from 342 MW
Shree Cement	Ongoing brownfield projects in Rajasthan and Karnataka are nearing completion. Every new kiln is being equipped with WHRS.

Steel

Tata Steel	Ramp-up of Kalinganagar expansion (5 MTPA) and opportunities like 0.75 MTPA EAF at Ludhiana to be commissioned by FY2027
JSW Steel	Phase III expansion at Dolvi (10 to 15 MTPA) is progressing for completion by September 2027. A new 1 MTPA EAF-based plant in Kadapa, Andhra Pradesh, is approved for FY2029
SAIL	The company has a capex plan of Rs75 bn for FY2026, focusing on green capacity addition and decarbonisation. Long-term plans include expanding capacity from ~19 MTPA to ~35 MTPA by 2030-31.

Source: Companies, Media Reports, Kotak Institutional Equities

Beyond the big Dangote refinery in Nigeria, the pipeline of refinery projects across Africa may yield into a healthy prospect pipeline for Thermax

Exhibit 2: Pipeline of refinery capacities likely to come up in Africa over the next 3-5 years

Project name	Country	Refining Capacity (bpd)	Project cost	Commercial operations
Hoima Refinery	Uganda	60,000	US\$4 bn	2028
Cabinda Refinery Phase II	Angola	30,000	US\$500-530 mn	2028
Lobito Refinery	Angola	200,000	US\$6.6 bn	end-2027
Soyo Refinery	Angola	150,000	US\$3.5 bn	2028 ^(a)
Senegal Second Oil Refinery Project	Senegal	30,000	US\$2-5 bn	2029
Gode Oil Refinery Project	Ethiopia	70,000	US\$2.5 bn	2028 (first phase)
Ndola Crude Oil Refinery	Zambia	60,000	US\$1.1 bn	2026 (first phase)
Abia Modular Refinery	Nigeria	10,000	US\$300 mn	end-2026
Tharjath field oil refinery	South Sudan	Not finalized	US\$3 bn	Not finalized
Jomoro Oil Refinery	Ghana	300,000 (proposed)	US\$12 bn	2028 (first phase)
Ondo Oil Refinery	Nigeria	500,000	Part of the larger US\$50 bn free trade zone project	2029

Legend

Regions where Thermax has an existing relationship

Notes:

(a) Project is currently on hold as per latest media reports, with only preparatory work being done.

Source: Africa Oil & Gas, Construction Review, Media Reports, Kotak Institutional Equities

A host of gas power plants are under construction in the Middle East, which would be using Heat Recovery Steam Generation (HSRG) units

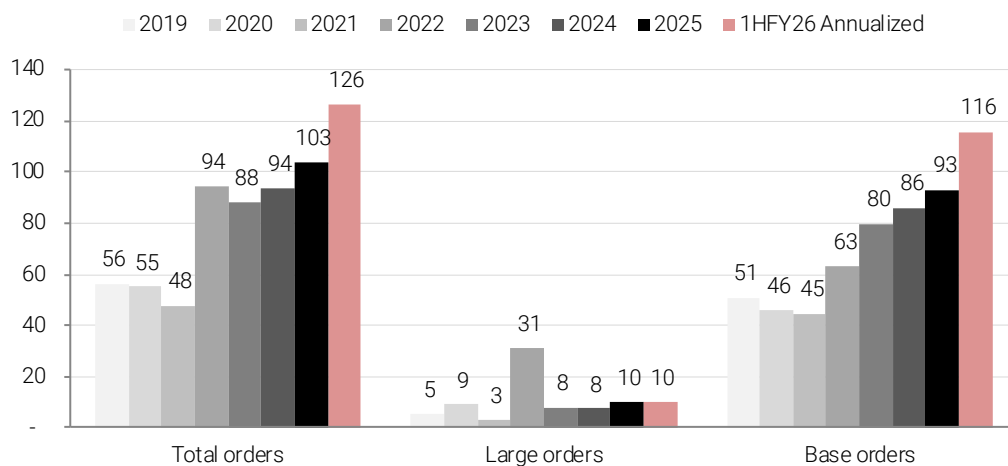
Exhibit 3: Upcoming gas power generation capacities in the Middle East

Project Name	Country	Capacity (MW)	Developer/Operator	Project cost	Expected Commercial Operations
Misfah CCGT IPP	Oman	1,600	Nama PWP (Oman)	US\$1.5 bn	2029
Duqm CCGT IPP	Oman	800	Nama PWP (Oman)	US\$0.8 bn	2029
Al-Zour North Phase 2 & 3 IWPP	Kuwait	2,700	ACWA Power & Gulf Investment Corp. (GIC)	US\$4.0 bn	2028
Ras Abu Fontas "Facility E" IWPP	Qatar	2,400	Sumitomo Corp. & partners (Shikoku Elec., KOSPO, KIND)	US\$3.7 bn	mid-2029
Rumah 2 IPP	Saudi Arabia	1,800	TAQA (Abu Dhabi) + JERA (Japan) + Al Bawani (KSA)	US\$2.0 bn	mid-2028
Al Nairiyah 2 IPP	Saudi Arabia	1,800	TAQA + JERA + Al Bawani	US\$2.0 bn	mid-2028
Qurayyah IPP Expansion	Saudi Arabia	3,000	Hajr Electric Co. (SEC/Aramco JV)	US\$3.6 bn	2027-2028 (staggered)
Nasiriyah CCGT Plant	Iraq	920	Ministry of Electricity (Iraq)	US\$1.7 bn	mid-2029
Bazian Combined-Cycle Upgrade	Iraq	1,250	Mass Energy / Taurus Arm (Onex)	US\$0.3 bn	mid-2028

Source: Media Reports, EPC Intel, Kotak Institutional Equities

Management has guided for a 20% yoy growth in ordering for FY2026, aligned to 1HFY26 run-rate

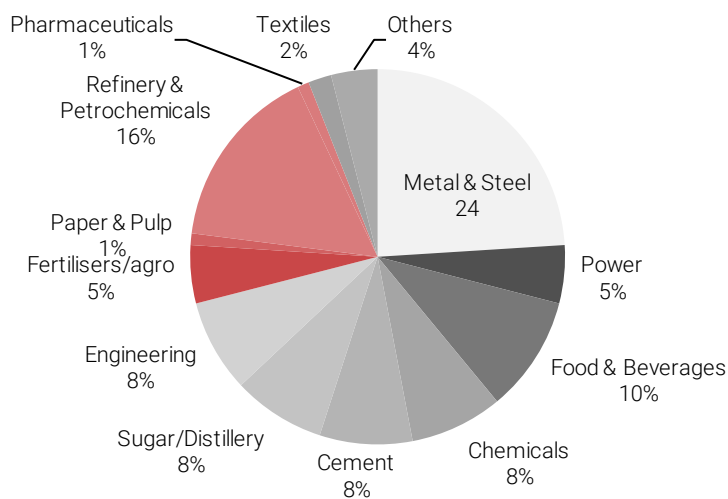
Exhibit 4: Trends in ordering for TMX, March fiscal year-ends, 2019-1HFY26 (Rs bn)



Source: Company, Kotak Institutional Equities

Ordering picked up in metals & mining, power (waste to energy), F&B

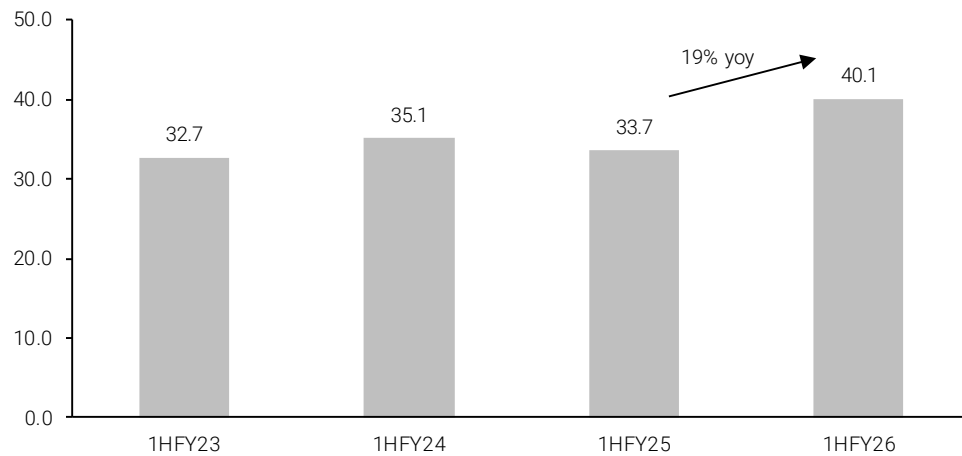
Exhibit 5: Breakup of order book for TMX across segments, March fiscal year-end, 2QFY26 (%)



Source: Company, Kotak Institutional Equities

Domestic order inflow for Thermax rose by 19% yoy in the first half of FY2026

Exhibit 6: Domestic order inflow for Thermax, March fiscal year-ends, 1HFY23-1HFY26



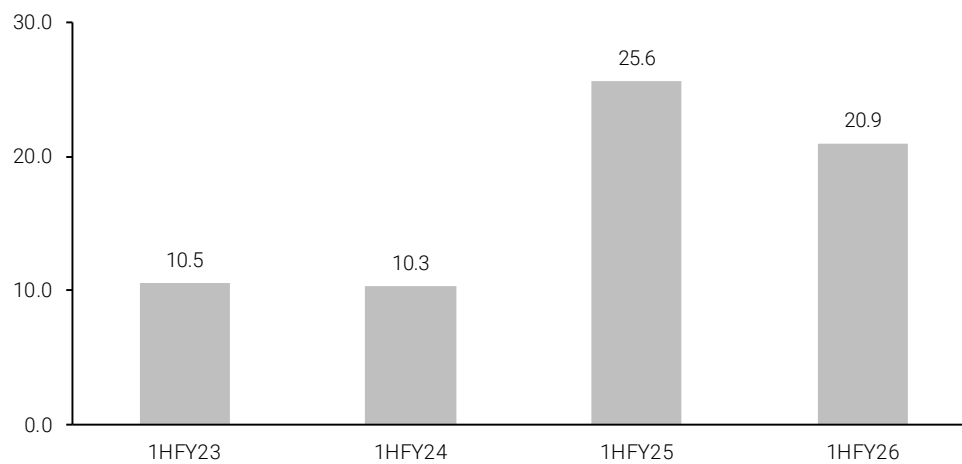
Notes:

(a) 1HFY25 order inflow has been adjusted for Rs1,970 mn of impact from the adjustment in order recognition policy by Thermax's subsidiary – TOESL.

Source: Company, Kotak Institutional Equities

International order inflow for Thermax saw a near 20% yoy decline in 1HFY26

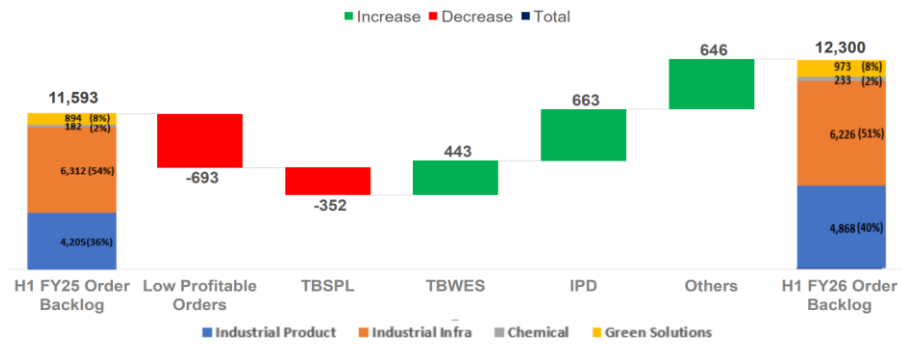
Exhibit 7: International order inflow for Thermax, March fiscal year-ends, 1HFY23-1HFY26



Source: Company, Kotak Institutional Equities

Low profitability and bio-CNG order backlog is expected to be executed in the early part of FY2027

Exhibit 8: Order backlog quality of Thermax, March fiscal year-ends, 1HFY25-1HFY26



Source: Company

Thermax has stopped taking low-margin orders, which should help in reducing incremental drag on margins

Exhibit 9: Trends of low-margin order inflow and order backlog for Thermax, March fiscal year-ends, 1HFY21-2026



Source: Company

Our margin estimates for TMX bake in a sufficient cushion for delivering modest margins in the profitable segments despite the drag, albeit decreasing revenue contribution from the lossmaking businesses

Exhibit 10: Split of businesses of Thermax based on reported profitability, March fiscal year-ends, 2025-27E

	FY2025					FY2026E			FY2027E		
	Revenue (Rs mn)	EBIT (Rs mn)	EBIT margin (%)	Share of revenues (%)	Share of EBIT(%)	Revenue (Rs mn)	EBIT (Rs mn)	EBIT margin (%)	Revenue (Rs mn)	EBIT (Rs mn)	EBIT margin (%)
Split of businesses											
Industrial Products excluding Danstoker	42,633	4,511	10.6	40	59	47,359	4,844	10.2	55,086	5,827	10.6
Danstoker A/S + Poland	2,657	779	29.3	2	10	2,657	399	15.0	2,657	399	15.0
Industrial Infra excluding TBWES and Bioenergy and legacy projects	10,055	627	6.2	9	8	7,077	451	6.4	14,306	868	6.1
Thermax Babcock and Wilcox (TBWES)	23,393	2,423	10.4	22	32	26,902	2,421	9.0	30,937	2,784	9.0
Legacy projects (KIE estimates)	8,000	(1,000)	(12.5)	7	(13)	5,670	(650)	(11.5)	3,666	(700)	(19.1)
Thermax BioEnergy Solutions	5,698	(949)	(16.7)	5	(12)	3,500	(280)	(8.0)	1,500	(180)	(12.0)
Chemicals	7,628	1,223	16.0	7	16	7,981	798	10.0	9,239	1,109	12.0
Green Solutions excluding TOESL	1,296	(580)	(44.8)	1	(8)	989	(118)	(11.9)	944	(15)	(1.6)
TOESL	5,603	572	10.2	5	8	7,103	604	8.5	8,603	731	8.5
Total	106,963	7,605	7.1	100	100	109,237	8,467	7.8	126,937	10,822	8.5

	FY2025					FY2026E				FY2027E		
	Revenue (Rs mn)	EBIT (Rs mn)	EBIT margin (%)	Share of revenues (%)		Revenue (Rs mn)	EBIT (Rs mn)	EBIT margin (%)		Revenue (Rs mn)	EBIT (Rs mn)	EBIT margin (%)
Relevant aggregates												
Businesses with double-digit EBIT profitability	81,914	9,507	11.6	77		92,001	9,065	9.9		106,522	10,849	10.2
Business with single-digit profitability	10,055	627	6.2	9		7,077	451	6.4		14,306	868	6.1
Businesses with losses	14,994	(2,529)	(16.9)	14		10,159	(1,048)	(10.3)		6,110	(895)	(14.7)
Overall business	106,963	7,605	7.1	100		109,237	8,467	7.8		126,937	10,822	8.5
Overall business (assuming 6% margin for loss-making businesses + normalized margin for Danstoker + lower grant for TBWES Pune plant)	106,638	10,329	9.7	100								

Source: Company, Kotak Institutional Equities estimates

We expect 15% yoy growth in order backlog in FY2026

Exhibit 11: Segmental estimates for Thermax, March fiscal year-ends, 2022-28E (Rs mn)

	2022	2023	2024	2025	2026E	2027E	2028E
Sum of Segments							
Order inflow	94,100	87,890	93,540	103,370	126,310	145,695	167,259
Growth (%)		(7)	6	11	22	15	15
Order backlog	87,983	97,520	101,110	106,920	122,467	141,224	161,092
Growth (%)		11	4	6	15	15	14
Revenues	61,283	80,898	93,235	103,887	107,189	124,556	144,627
Growth (%)		32	15	11	3	16	16
EBITDA	4,214	5,976	7,974	9,078	9,355	12,110	15,333
EBITDA margin (%)	6.9	7.4	8.6	8.7	8.7	9.7	10.6
PBT	4,100	6,033	7,943	8,848	8,735	11,022	13,896
PAT	3,122	4,509	5,685	6,270	6,321	8,141	10,334
EPS	27.7	40.0	50.6	55.7	56.1	72.3	91.8
Industrial Products							
Revenue	25,757	33,375	40,552	45,290	50,016	57,743	66,255
Growth (%)		29.6	21.5	11.7	10.4	15.5	14.7
Order inflow		41,720	43,290	50,140	56,157	64,019	72,981
Growth (%)			3.8	15.8	12.0	14.0	14.0
Order backlog	20,014	28,420	35,000	41,540	47,681	53,957	60,683
Growth (%)		42.0	23.2	18.7	14.8	13.2	12.5
EBIT	1,815	2,739	3,970	5,290	5,242	6,225	7,275
EBIT Margin (%)	7.0	8.2	9.8	11.7	10.5	10.8	11.0
Industrial Infrastructure							
Revenue	29,879	39,280	44,552	47,146	43,149	50,409	58,030
Growth (%)		31.5	13.4	5.8	(8.5)	16.8	15.1
Order inflow		37,790	41,000	43,110	51,732	59,492	67,226
Growth (%)			8.5	5.1	20.0	15.0	13.0
Order backlog	63,717	63,080	56,820	54,340	62,923	72,006	81,202
Growth (%)		(1.0)	(9.9)	(4.4)	15.8	14.4	12.8
EBIT	1,310	2,168	2,089	1,101	1,942	2,772	3,772
EBIT Margin (%)	4.4	5.5	4.7	2.3	4.5	5.5	6.5
Green Solutions							
Revenue	2,168	3,627	5,071	6,899	8,093	9,547	12,160
Growth (%)		67.3	39.8	36.1	17.3	18.0	27.4
Order inflow		1,950	2,410	2,250	10,000	12,500	15,625
Growth (%)			23.6	(6.6)	30.0	25.0	25.0
Order backlog	2,970	4,930	7,910	8,820	9,702	12,655	16,120
Growth (%)		66.0	60.4	11.5	10.0	30.4	27.4
EBIT	161	150	449	(9)	486	716	1,216
EBIT Margin (%)	7.4	4.1	8.9	(0.1)	6.0	7.5	10.0
Chemicals							
Revenue	5,385	6,728	6,634	7,628	7,981	9,239	10,946
Growth (%)		24.9	(1.4)	15.0	4.6	15.8	18.5
Order inflow		6,430	6,840	7,870	8,421	9,684	11,427
Growth (%)			6.4	15.1	7.0	15.0	18.0
Order backlog	1,282	1,090	1,380	2,220	2,160	2,606	3,087
Growth (%)		(15.0)	26.6	60.9	(2.7)	20.6	18.5
EBIT	624	865	1,238	1,223	798	1,109	1,532
EBIT Margin (%)	11.6	12.8	18.7	16.0	10.0	12.0	14.0

Source: Company, Kotak Institutional Equities

We maintain FV at Rs3,575 at 40X two-year forward earnings and ~6% additional boost from investments in green energy and thermal projects

Exhibit 12: Fair Value added from each segment for TMX

	Segmental PBIT (Rs mn)	Difference between segmental PBIT and PBT and adjusting for interest cost of Green Solutions business (Rs mn)	Adjusted PAT (Rs mn)	Multiple (X)	Fair Value (Rs/share)	
Industrial Products	6,925	658	5,431	43	2,074	We value the products business at our earlier blended multiple factoring in 15% sales CAGR over the next twenty years, 2.5% higher than past twenty years history
Industrial Infra	3,439	526	2,941	32	832	We value the cyclical EPC business at 35% discount to the Industrial Products business
Chemical	1,391	132	1,214	43	464	We value the chemicals business at our earlier blended multiple factoring in 15% sales CAGR over the next twenty years
Total	11,755	1,315	9,586	40	3,370	
Green Solutions					127	We value Green Solutions at 1.3X book that we assume at Rs7.5 bn investment cap and value hydrogen business at Rs10 bn or 5X initial investment.
Supercritical					54	Assuming present value of 10 GW worth of boiler orders at 5% margin over the next decade
SoTP					3,575	

Source: Company, Kotak Institutional Equities

We build in a 12% revenue CAGR for Thermax, but a higher 19%/16% EBITDA/PAT CAGR helped by modest margin improvement

Exhibit 13: Consolidated financials of TMX, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model										
Total operating income	59,732	57,313	47,913	61,283	80,898	93,235	103,887	107,189	124,556	144,627
Cost of sales and service	(33,367)	(30,857)	(25,386)	(34,850)	(46,247)	(52,196)	(58,135)	(56,231)	(65,342)	(75,870)
Other expenses	(14,116)	(14,404)	(11,387)	(14,090)	(19,134)	(21,582)	(23,985)	(26,891)	(30,874)	(35,415)
Employees	(7,675)	(7,990)	(7,588)	(8,129)	(9,542)	(11,483)	(12,689)	(14,712)	(16,231)	(18,008)
Total operating costs	(55,157)	(53,251)	(44,361)	(57,070)	(74,923)	(85,261)	(94,809)	(97,833)	(112,447)	(129,294)
EBITDA	4,574	4,062	3,552	4,214	5,976	7,974	9,078	9,355	12,110	15,333
Other income	1,499	1,000	1,077	1,270	1,602	2,326	2,522	2,707	2,697	2,837
PBDIT	6,073	5,062	4,629	5,484	7,577	10,300	11,600	12,063	14,806	18,170
Financial charges	(143)	(150)	(206)	(252)	(376)	(876)	(1,168)	(1,285)	(1,477)	(1,699)
Depreciation	(920)	(1,166)	(1,146)	(1,132)	(1,169)	(1,481)	(1,585)	(2,043)	(2,307)	(2,575)
Pre-tax profit	5,010	3,745	3,277	4,100	6,033	7,943	8,848	8,735	11,022	13,896
Taxation	(849)	(1,621)	(686)	(978)	(1,524)	(2,258)	(2,578)	(2,414)	(2,880)	(3,562)
Adjusted PAT	4,160	2,125	2,591	3,122	4,509	5,685	6,270	6,321	8,141	10,334
Reported PAT	3,254	2,125	2,066	3,122	4,509	6,453	6,267	6,321	8,141	10,334
Balance sheet										
Shareholders funds	30,143	30,279	32,514	34,925	38,671	44,398	49,369	53,747	59,946	68,338
Loan funds	2,403	2,115	3,051	3,554	8,105	12,560	16,933	21,933	26,933	31,933
Total sources of funds	32,645	32,445	35,635	38,510	46,827	57,080	66,660	76,038	87,237	100,628
Net block	12,788	12,706	12,390	11,917	12,451	19,031	27,257	36,214	44,906	53,331
CWIP	401	553	242	474	4,338	5,248	5,626	6,188	6,807	7,488
Net fixed assets	13,189	13,258	12,632	12,391	16,789	24,279	32,883	42,402	51,714	60,819
Investments	8,624	9,105	2,375	14,765	16,370	17,681	17,885	17,885	17,885	17,885
Cash balances	3,691	4,761	19,392	9,535	11,316	9,753	11,545	11,402	13,276	17,547
Net current assets excluding cash	4,922	3,767	(374)	516	1,266	4,282	2,802	2,805	2,818	2,834
Total application of funds	32,644	32,445	35,635	38,510	46,827	57,080	66,660	76,038	87,237	100,629
Cash flow statement										
Operating profit before working capital changes	5,201	4,350	3,899	4,284	6,736	9,095	11,000	9,355	12,110	15,333
Change in working capital / other adjustments	(4,485)	218	4,734	(5)	(628)	(4,760)	1,289	(3)	(13)	(16)
Net cashflow from operating activities	(1,154)	3,256	7,695	3,248	4,596	2,473	10,428	6,939	9,216	11,755
Fixed Assets	(1,547)	(480)	(834)	(838)	(6,499)	(8,474)	(10,408)	(11,563)	(11,619)	(11,681)
Free cash flow	(2,701)	2,776	6,861	2,411	(1,904)	(6,002)	20	(4,624)	(2,403)	75
Growth (%)										
Revenue growth	33.8	(4.0)	(16.4)	27.9	32.0	15.2	11.4	3.2	16.2	16.1
EBITDA growth	14.1	(11.2)	(12.6)	18.6	41.8	33.4	13.8	3.1	29.4	26.6
Recurring PAT growth	62.3	(48.9)	22.0	20.5	44.4	26.1	10.3	0.8	28.8	26.9
Key ratios (%)										
Raw material / sales	55.9	53.8	53.0	56.9	57.2	56.0	56.0	52.5	52.5	52.5
Other expenses / sales	23.6	25.1	23.8	23.0	23.7	23.1	23.1	25.1	24.8	24.5
Employee expense / sales	12.8	13.9	15.8	13.3	11.8	12.3	12.2	13.7	13.0	12.5
Gross margin	44.1	46.2	47.0	43.1	42.8	44.0	44.0	47.5	47.5	47.5
EBITDA margin	7.7	7.1	7.4	6.9	7.4	8.6	8.7	8.7	9.7	10.6
PAT margin	7.0	3.7	5.4	5.1	5.6	6.1	6.0	5.9	6.5	7.1
RoE	14.5	7.0	8.3	9.3	12.3	13.7	13.4	12.3	14.3	16.1
RoCE	13.8	6.8	8.1	9.0	11.2	12.2	11.5	10.2	11.4	12.4
EPS (consol) (Rs)	36.9	18.9	23.0	27.7	40.0	50.6	55.7	56.1	72.3	91.8

Source: Company, Kotak Institutional Equities

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

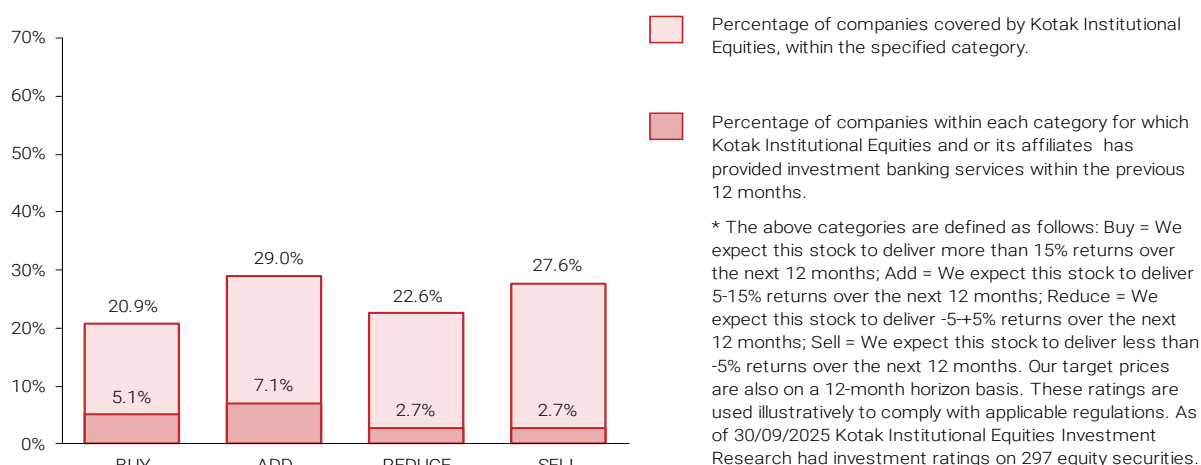
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

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Source: Kotak Institutional Equities

As of September 30, 2025

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Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block" Bandra Kurla
Complex, Bandra (E) Mumbai 400 051, India
Tel: +91-22-43360000

Overseas Affiliates

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minorities, London EC3N 1LS
Tel: +44-20-7977-6900

Kotak Mahindra Inc
PENN 1,1 Pennsylvania Plaza,
Suite 1720, New York, NY 10119, USA
Tel: +1-212-600-8858

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Details of	Contact Person	Address	Contact No.	Email ID
Customer Care/ Complaints	Mr. Ritesh Shah	Kotak Towers, 8th Floor, Building No.21, Infinity Park, Off Western Express Highway, Malad (East), Mumbai, Maharashtra - 400097	18002099393	ks.escalation@kotak.com
Head of Customer Care	Mr. Tabrez Anwar		022-42858208	ks.servicehead@kotak.com
Compliance Officer	Mr. Hiren Thakkar		022-42858484	ks.compliance@kotak.com
CEO	Mr. Shripal Shah		022-42858301	ceo.ks@kotak.com
Principal Officer (For the purpose of Research Analyst activities)	Mr. Kawaljeet Saluja	Kotak Securities Limited, 27BKC, 8th Floor, Plot No. C-27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	022-62664011	ks.po@kotak.com

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