

8. Key Opportunities and Threats

Globally, climate change and sustainability are priorities, leading to governments and industries taking actions to reduce carbon footprint and promote a planet positive future. In India too, the government has committed to reducing carbon intensity to less than 45% by 2030 and achieving net-zero carbon emissions by 2070 at COP26 and COP27 summits.

The focus on sustainability is driving efforts to reduce fossil fuels, switch to renewable energy solutions and adopt efficient technology solutions for resource consumption and waste management. In India, the renewable energy sector has also been incentivised with favourable policies such as the waiver of inter-state transmission system (ISTS) charges and the Green Open Access policy, fostering industry consolidation, acquisitions, and strategic partnerships. Further, the avenues like the carbon market, Green Day Ahead Market (GDAM), and Green Term Ahead Market (GTAM) have augmented prospects for growth and innovation.

Thermax being an expert in providing superior technology-enabled solutions in the renewable sector, is poised to address the challenge and capitalise on the opportunity.

Opportunities

Some of the key areas of opportunities for Thermax are as follows:

- Increased investments by industries towards improving their sustainability performance. They are focussed on minimising carbon and water footprints and optimising resources consumption with efficiency improvement solutions, renovation and modernisation projects and adopting energy-efficient technologies. Thermax with its heating, cooling, power, and diverse environmental solutions is well-positioned to address this need.

- Emphasis by the Finance Minister on leveraging the nation's abundant coal reserves to encourage gasification for a smooth energy transition, especially amidst high oil and gas prices. Thermax with its expertise in coal gasification and other related fields is positioned to capitalise on these opportunities.
- Proposal by the Indian Government to establish 5,000 bio-CNG plants within five years, creating a potential market worth Rs. 25,000 crore. Moreover, the Ministry of New and Renewable Energy (MNRE) has also introduced supportive Sustainable Alternative Towards Affordable Transportation (SATAT) policy, which guarantees market-linked pricing and financial assistance. This presents promising opportunity with favourable environment to Thermax.
- Amidst geopolitical tensions, climate crises and availability of resources, the global fuel scenario remains dynamic, necessitating effective mitigation strategies. Thermax, with its range of solutions like biomass-fired boilers and heaters, municipal solid waste (MSW) boilers, multi-fuel-fired boilers and electric boilers, is well positioned to address the need. It is also presented with the opportunity to develop products capable of handling new fuels and capturing emerging opportunities.
- Technologies are increasingly penetrating the sustainability landscape. These include Internet of Things (IoT) for improving efficiency, uptime and maintenance predictability and advanced air pollution control equipment like FGDs for sulphur dioxide (SO_x) capture and related services. This presents Thermax with a promising opportunity for expanding its digital service portfolio as well as leveraging its technical know-how.
- With a shift from a capex to an opex model, outsourcing is poised to set the pace for growth in Thermax's businesses across the globe.

Threats

- The Russia-Ukraine conflict has disrupted the global supply chain, leading to volatility in commodity prices and higher logistics costs. Such fluctuations in key raw material prices impacts order profitability and may slowdown large project investments. Besides, owing to the ongoing scenario, there is also a high dependency on government policies. A pushback in regulatory policies will impact offering demand in the energy and environment segment.
- The entry of established international competition in the Indian market and stiff local competition in specific geographies can be a possible threat. This includes competition from local players having a robust biomass sourcing network and database offering BOO solutions, as several multinational corporations transition from fossil fuels to biomass.
- Start-ups are a threat since many look at valuation rather than a focus on profitability.
- Cheaper power tariffs from alternative renewable sources and reduced viability of operating captive power plants compared to grid tariffs pose a key threat to the global EPC business. Moreover, higher live energy costs are impacting the feasibility of VAM and high gas prices are reducing the feasibility of cogen in Europe.
- Continuous availability, storage, and pricing of bio-CNG feedstock, unclear mandates for selling digested material as bio-manure, and absence of gas pipeline infrastructure without a take-or-pay policy pose threat to the bio-CNG ecosystem.
- Reliance on single-source vendors for critical products and the potential of some vendors becoming competitors for a specific product range can pose threat.