

# Capital Goods



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**EXTEL POLL  
2025**



## Preference remains for growth companies

Results and management commentaries of the key 30 companies in the industrials, defense, and railways segments demonstrated that base ordering for capex-oriented stocks remained quite low in 2QFY26, though ordering activity was stable from the transmission, defense, and renewable segments. Large orders were missing during the quarter, except for LT. We maintain our selective stance on the sector and prefer companies that are able to grow well in the current environment and have the ability to sustain margins and PAT growth. We continue to prefer L&T, KKC, and Siemens Energy in the large-cap industrial space and KOEL and KPIL in the mid- and small-cap segments. BEL remains our top pick in the defense sector. These companies have continued to deliver strong performance than their relevant peers.

## Sector performance was good in terms of profitability

In 2QFY26, execution across our coverage universe was broadly in line with our expectations, growing 14% YoY vs. our estimate of 15%. Supported by stable margins, the capital goods sector delivered a stronger-than-expected PAT performance, led by POWERIND, BHE, TRIV, KKC, KOEL, BDL and ZEN. PAT performance for LT, KPIL, ABB and HAL was largely in line vs. our estimate, while KECI and SIEM reported a slight miss. TMX performance was impacted by project cost overruns, while ENRIN performance was hit by a shift toward a higher share of project business. Overall, revenue visibility remains strong for EPC and defense players, aided by strong order books, while private capex-led companies are yet to see a broad-based pickup.

## Margins broadly flat YoY but commodity prices have started moving up

Overall margins were broadly in line with expectations at 12.5% (vs. our estimate of 12.4%). A softer revenue mix drove a slight YoY margin dip for EPC players (9.7% vs. 9.9%) and product companies (19.1% vs. 19.6%). Defense players saw margin contraction due to lumpy execution, but full-year margins should improve as delivery schedules normalize and indigenization gains traction. POWERIND, KKC, KOEL (adjusted) and KECI delivered healthy margin expansion; LT, SIEM, ENRIN, KPIL, TRIV and ZEN were broadly stable; and HAL, BHE, BDL, ABB and TMX posted YoY margin contraction.

## Ordering to further improve in 2H

Ordering activity trend in 2QFY26 remained similar to 1QFY26 as base ordering from private capex remained weak, while the momentum continued in the power T&D, renewables, and defense sectors. EPC players delivered strong inflows, with LT and KECI reporting strong double-digit traction and KPIL maintaining steady single-digit growth amid timing delays in tender awards. Product companies such as TMX and Triveni saw softer international order activity due to geopolitical issues, though domestic demand stayed resilient. Powergen volumes for KKC and KOEL remained strong during 2QFY26, with KKC returning to pre-CPCB IV+ levels and KOEL benefiting from a broad-based demand revival. Defense ordering is expected to improve further in 2HFY26.

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### Export traction strengthening; outlook set to improve

Exports improved during 2QFY26, supported by strong demand from the US, Europe and the Middle East, along with higher tendering activity across utilities, T&D, data centers and defense systems. Opportunities are expanding as the acceptance of Indian equipment rises in developed markets and traction builds across the infrastructure and energy transition segments. EPC companies are witnessing strong international momentum, with LT's overseas order book standing at 51% of total orders, while KEC and Kalpataru continue to benefit from strong demand across key global markets. In powergen, KOEL and KKC saw improving export traction, with KOEL being led by MENA demand and KKC delivering 24% YoY export growth. Defense companies highlighted a strengthening export pipeline, supported by rising enquiries for missiles, radars, naval platforms and ammunition. Management commentary remains positive, with expectations of a pickup in 2HFY26 as tendering activity improves and regional demand visibility strengthens.

### Key future monitorables

During the last quarter, we witnessed that the powergen market stabilized, defense emergency procurement was going on, and beyond that, large-sized defense orders were in the finalization stage, as well as the prospect pipeline on T&D remained strong. We would keenly monitor the key capex drivers in both the government and private sectors.

### Our recommendations

We maintain our selective stance on the sector and prefer companies that are able to grow well in the current environment and have the ability to sustain margins and PAT growth. We continue to prefer L&T, KKC, and Siemens Energy in the large-cap industrial space and KOEL and KPIL in the mid- and small-cap segments. BEL remains our top pick in the defense sector. These companies have continued to deliver strong performance than their relevant peers.

## Healthy performance in terms of profitability during the quarter

Exhibit 1: Sector performance was healthy on YoY/QoQ basis

Companies	Revenue (INR b)				EBITDA (INR b)				PAT (INR b)			
	2Q FY26	Growth (%)		Var. over Exp. (%)	2Q FY26	Growth (%)		Var. over Exp. (%)	2Q FY26	Growth (%)		Var. over Exp. (%)
		YoY	QoQ			YoY	QoQ			YoY	QoQ	
ABB India*	33.1	13.7	4.3	-0.9	5.0	-7.4	20.8	4.7	4.1	-7	16	3.5
Bharat Dynamics	11.5	110.6	362.6	61.7	1.9	89.7	LP	32.1	2.2	76	1,076	31.9
Bharat Electronics	57.6	25.8	30.5	9.6	17.0	22.1	36.7	17.7	12.9	18	33	15.1
Cummins India	31.7	27.2	9.1	10.2	6.9	44.4	11.4	20.7	6.4	42	15	21.2
Hind.Aeronautics	66.3	10.9	37.6	-1.8	15.6	-5.0	21.5	-16.1	16.7	11	21	-4.9
Hitachi Energy	18.3	17.9	23.9	-12.4	3.0	172.5	93.0	19.0	2.6	406	101	42.5
Kalpataru Proj.	54.2	31.0	7.5	4.8	4.5	28.3	4.4	0.5	2.0	51	0	1.3
KEC International	60.9	19.1	21.3	4.0	4.3	34.4	22.9	0.7	1.6	88	29	-5.8
Kirloskar Oil	16.0	34.3	11.1	11.5	2.1	30.0	12.7	14.6	1.4	27	15	17.4
Larsen & Toubro	679.8	10.4	6.8	-5.0	68.1	7.0	7.7	-2.5	39.3	16	9	1.1
Siemens**	51.7	16.0	19.0	7.8	6.2	13.2	18.4	-3.8	4.9	-7	15	-6.3
Siemens Energy**	26.5	27.3	48.3	29.6	4.8	24.5	40.8	11.7	3.6	31	37	-12.9
Thermax	24.7	-5.3	15.1	-14.3	1.7	-38.1	-23.6	-37.7	1.2	-40	-21	-32.9
Triveni Turbine	5.1	1.0	36.3	1.8	1.1	2.9	55.7	12.4	0.9	0	42	7.7
Zen Technologies	1.2	-48.4	12.2	-9.6	0.4	-47.4	9.9	-13.4	0.5	-29	24	15.9
Amber Enterp.	16.5	-2.2	-52.2	-18.1	0.9	-19.7	-64.4	-36.7	-0.3	NA	NA	NA
Dixon Tech.	148.6	28.8	15.7	3.1	5.6	31.7	16.4	7.1	2.5	15	10	-3.1

Source: Company, MOFSL

Note: \*For ABB, 2QFY26 denotes 3QCY25 data.

#For Siemens, company has now switched from Sep Y/E to Mar Y/E, hence, 2QFY26 denotes 4QFY26 data.

\*\*For Siemens energy, 2QFY26 denotes 4QFY25 data.

Exhibit 2: Revenue growth remained strong for transmission, defense and genset players while remained weak for private capex-oriented names

Revenue YoY %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
ABB India*	44.0	19.2	15.5	22.5	22.2	30.6	13.6	27.8	12.8	5.2	22.0	2.6	12.2	13.7
BDL	NA	6.1	-42.6	-42.2	-57.2	15.2	30.3	7.0	-35.8	-11.5	38.3	108.0	29.7	110.6
BEL	90.4	7.8	11.8	2.1	12.8	1.2	0.1	32.1	19.6	14.8	39.1	6.9	5.2	25.8
Cummins India	42.4	13.0	25.7	29.0	31.0	-2.6	16.2	20.3	4.3	31.2	21.8	6.1	26.2	27.2
HAL	124.2	-7.3	-3.9	8.1	8.1	9.5	7.0	18.2	11.0	6.0	14.8	-7.2	10.8	10.9
Hitachi Energy	25.8	31.3	-7.9	19.8	5.5	10.2	23.2	27.1	27.6	26.5	27.2	11.1	11.4	17.9
KEC	30.6	13.3	31.0	29.2	27.9	10.7	14.4	11.6	6.3	13.7	6.8	11.5	11.3	19.1
KOEL	NA	22.4	19.5	16.4	26.5	4.8	13.5	20.7	6.2	12.8	2.5	1.5	7.6	34.3
KPIL	NA	NA	NA	NA	15.4	16.7	18.2	17.1	2.8	7.6	16.4	20.5	35.4	31.0
L&T	22.2	23.0	17.3	10.4	33.6	19.3	18.8	15.0	15.1	20.6	17.3	10.9	15.5	10.4
Siemens**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-3.3	2.6	15.5	16.0
Siemens Energy**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	20.2	27.3
Thermax	57.2	41.2	26.9	16.0	16.8	10.9	13.4	19.6	13.0	13.4	7.9	11.6	-1.6	-5.3
Triveni Turbine	40.7	41.9	44.7	56.3	45.3	32.4	32.5	23.9	23.1	29.2	16.6	17.5	-19.9	1.0
Zen Tech	263.9	30.0	166.5	364.4	298.5	203.1	197.8	83.0	91.7	277.4	44.3	116.3	-56.3	-48.4
Amber	157.9	0.0	38.4	55.0	-6.8	23.5	-4.0	-6.6	41.1	81.7	64.8	33.8	43.6	-2.2
Dixon	52.9	37.9	-21.8	3.8	14.6	27.8	100.4	52.0	101.1	133.3	117.0	121.0	95.1	28.8

Source: Company, MOFSL

Note: \*For ABB, 2QFY26 denotes 3QCY25 data.

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\*\*For Siemens energy, 2QFY26 denotes 4QFY25 data.

**Exhibit 3: Profit growth remained strong for most players, barring a few names**

PAT YoY %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
ABB India*	99.7	64.1	62.2	-34.3	110.9	84.0	13.1	87.4	49.6	21.7	54.1	3.2	-20.5	-7.2
BDL	NA	75.3	-60.7	-48.7	4.9	94.0	61.2	89.0	-82.7	-16.7	9.0	-5.5	154.3	76.2
BEL	NA	-0.2	2.6	19.6	23.0	32.9	49.2	30.6	46.2	34.3	47.3	18.0	24.9	17.9
Cummins India	43.4	14.8	49.5	68.4	50.6	30.2	26.7	76.3	33.0	37.2	12.7	-7.2	32.3	41.5
HAL	218.5	44.2	23.8	-8.8	31.3	1.3	9.2	52.2	76.5	21.7	14.1	-7.7	-3.7	10.9
Hitachi Energy	-91.8	8.1	-92.6	-1.6	79.9	-33.3	401.5	123.7	332.4	111.4	272.1	73.5	1163.0	405.6
KEC	NA	-52.0	-81.2	-35.6	36.8	1.0	449.5	110.2	106.9	53.1	33.7	76.7	42.3	88.2
KOEL	NA	80.3	169.8	-40.6	59.9	-19.3	20.5	81.3	30.5	89.6	-20.9	-10.2	-8.8	26.8
KPIL	NA	NA	NA	NA	-23.2	8.7	29.7	52.6	-7.4	17.1	9.3	51.8	72.1	51.1
L&T	44.9	27.4	19.6	10.1	46.5	44.6	20.0	8.4	11.7	5.4	14.0	18.8	29.8	15.6
Siemens**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-9.6	-37.2	-3.1	-7.1
Siemens Energy**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	80.2	31.4
Thermax	39.0	24.1	59.1	52.5	58.1	45.3	11.0	24.9	17.4	24.9	-19.0	5.3	38.4	-39.7
Triveni Turbine	18.0	66.0	24.8	68.4	59.2	39.0	30.4	35.1	31.8	41.4	35.0	25.9	-19.9	0.4
Zen Tech	NA	440.1	NA	928.2	474.2	279.1	467.2	77.3	57.4	276.1	21.9	177.3	-50.0	-29.2
Amber	238.4	NA	-55.9	81.7	8.5	133.1	NA	-8.9	58.6	NA	NA	22.6	43.5	NA
Dixon	151.7	23.3	11.9	27.9	50.6	38.9	85.8	18.0	94.3	99.7	77.5	93.9	68.3	15.5

Source: Company, MOFSL

Note: \*For ABB, 2QFY26 denotes 3QCY25 data.

#For Siemens, company has now switched from Sep Y/E to Mar Y/E, hence, 2QFY26 denotes 4QFY26 data.

\*\*For Siemens energy, 2QFY26 denotes 4QFY25 data.

## T&D, renewables, and defense remain key growth drivers; private capex yet to pick up

**Exhibit 4: Management commentaries on public and private capex across the sector for our coverage companies**

Companies	Management Comments
ABB India	❖ ABB sees a steady demand environment, with base orders showing healthy growth and early signs of improvement across renewables, rail, data centers, cement, steel, and oil & gas. While investment decisions in some sectors have been slightly delayed, management expects demand to remain stable in the near term and strengthen over the next few quarters as market activity gradually picks up.
BDL	❖ BDL has a healthy order pipeline of about INR500b over the next five years, with nearly INR200b expected in the next 2-3 years. It recently secured INR20b of Invar missile orders and stands to benefit from upcoming opportunities in emergency procurement, QRSAM, follow-on Astra orders, VSHORADS and other key programs.
BEL	❖ BHE's long-term order pipeline remains strong, supported by INR500b of opportunities from recent AoN approvals, INR13-15b of emergency procurement orders plus another INR20b in advanced stages, INR45b/INR80b of next-generation corvette subsystems for FY26/FY27, INR25b of LCA Mk1A avionics, and the INR300b QRSAM order (expected by 4QFY26).
Cummins India	❖ Powergen volumes have returned to pre-CPCB IV+ levels across low, medium, and high horsepower ranges, with particularly strong momentum in low horsepower. Demand remains healthy across the broader backup-power market, including real estate, commercial, construction, mission-critical, and quick-commerce applications, while data center demand continues to be strong.
Hindustan Aeronautics	❖ The MoD has signed an INR624b contract with HAL for 97 LCA Mk1A aircraft (68 single-seat, 29 twin-seat), with deliveries starting in FY28 and completing in six years. The order has 64% indigenous content, adding 67 new locally sourced components such as the UTTAM AESA radar, Swayam Raksha Kavach EW suite, and indigenous actuators. HAL has also signed a USD 1b agreement with GE Aerospace for 113 F404 engines to support timely execution. Additionally, HAL expanded its Nashik line in Oct'25, raising LCA production capacity from 16 to 24 aircraft annually.
Hitachi Energy	❖ The company sees strong demand ahead, supported by India's expanding energy network and large clean-energy and transmission investments. Management highlighted a strong pipeline across renewables, rail, metro, industry and data centers, and confirmed that several HVDC projects are scheduled to come up for bidding over the next few quarters.
Kalpataru Proj.	❖ KPIL's tender pipeline remains strong at over INR1.5t for the next 12-18 months, with the company favorably placed in tenders worth ~INR50b. Temporary headwinds from lower capex activity and geopolitical issues were noted, though the long-term addressable market remain strong. FY26 order inflow guidance of INR250b has been reaffirmed, with confidence in surpassing this level.
KEC International	❖ The tender pipeline stands at INR1.8t, and the company also holds a meaningful L1 position (INR440b). Government thrust on renewable-evacuation corridors, green energy transmission, intraregional interconnections and increased private-sector ordering continue to support opportunity flow.
Kirloskar Oil	❖ Powergen demand remained broad-based across all customer segments, supported by strong traction in high-horsepower nodes such as 1,500-2,500 kVA and sustained domestic volumes. The company highlighted notable order wins from infrastructure-led real estate projects, both commercial and residential. Pricing has seen no significant change, and management remains cautiously optimistic, expecting the current demand environment to continue.
L&T	❖ LT's prospect pipeline for 2H FY26 stands at INR10.4t, up 29% YoY, due to a surge in Infrastructure and hydrocarbon segment prospects. International inflows remain strong across infrastructure and energy segments. LT focuses on projects in geographies like Saudi Arabia, Kuwait, Qatar and UAE, driven by diversification into renewables and gas-to-power projects. In India, LT is eyeing opportunities worth 10-15GW of thermal power projects in the next 2-3 years, along with opportunities from nuclear and hydro power, strong inflows from buildings and factories, particularly from real estate, and opportunities from transportation infra, metals and mining, and defense.
Siemens	❖ Demand should remain supported by the government's continued push on infrastructure and improving capex execution. Siemens highlighted that government infrastructure spending remains strong, and recent tax and GST reforms have boosted consumption, with festive-season demand improving. The company remains cautiously optimistic that this strength will sustain and eventually translate into a pickup in private-sector capex.
Siemens energy	❖ India's electricity and electrification demand remains strong, driven by rising domestic consumption, public CAPEX, industrial growth, and data centers. To meet this momentum, the company is expanding its transformer and switchgear factories and has launched a state-of-the-art Industrial Steam Turbine Service Centre in Raipur.
Thermax	❖ The inquiry pipeline remained strong, with opportunities across power, metals, refining, petrochemicals and fertilizers, alongside active private-sector demand in water, cooling and clean-air solutions, as well as upcoming semiconductor, electronics and solar projects. Ordering activity remains healthy in domestic and international markets, and Thermax expects to enter next year with a good backlog.
Triveni Turbine	❖ Domestic ordering was strong, aided by healthy demand across steel, cement, utility-power drive turbines and process co-generation. Domestic enquiry levels also improved sharply, rising 86% YoY, reflecting a broad-based recovery across key user industries.
Zen Technologies	❖ Order inflows remained muted in 1H FY26 due to delays in simulator tenders and a shift in focus to emergency procurements. However, orders are expected to pick up in 2H FY26 as the pending simulator orders worth INR6.5b and anti-drone tenders move forward.

Source: Company

**Exhibit 5: Management commentaries on public and private capex across the sector for companies not under our coverage**

Companies	Management Comments
GE T&D	❖ The company sees strong demand ahead, supported by India's rising power needs and continued grid expansion. Management noted that while there was a slight lull in the domestic market, the pipeline is now improving, helped by multiple transmission projects identified by the National Committee on Transmission. Opportunities are expected to strengthen further as HVDC, STATCOM and TBCB projects move toward bidding and finalization.
TRIL	❖ Public and private capex trends remain supportive, and enquiry momentum is strong, with the company reporting a sizeable INR187b enquiry pipeline, driven mainly by large domestic utilities such as PGCIL, NTPC, GETCO and other state entities.
Techno Electric	❖ The company indicated a strong demand outlook, supported by a healthy T&D opportunity pipeline and stable order visibility in the sector. Management expects steady capex as they continue investing in data centers and ongoing projects while maintaining focus on execution efficiency and scalability.
Voltamp Transformers	❖ The medium-term outlook for transformer demand remains strong, supported by healthy order books across power utilities and continued industry-wide capex to expand both power and distribution transformer capacities. Voltamp's greenfield EHV power transformer facility is progressing as planned, with completion targeted by Jun'26 and INR0.8b already invested in the project.
CG Power	❖ CG Power expects demand to remain strong, supported by a sharply higher inquiry pipeline and healthy order inflows across businesses. Management confirmed that capex for transformers, switchgear and semiconductors is progressing well, with new capacity already coming on-stream. Management remains confident about sustaining growth, backed by a strong order book and steady traction in T&D, industrial and export markets.
Carborundum Universal	❖ CUMI expects demand to improve in 2H, supported by a stronger order book in Ceramics and better traction in Abrasives as dealer inventories normalize. Management confirmed that its capex program is progressing as planned, with investments focused on semiconductors, aerospace & defense, and high-performance SiC.
TD Power	❖ TD Power sees strong demand across its portfolio, with steady growth in steam turbines and very high traction in gas turbines and gas engines, particularly in the US and Europe. Hydro demand is also strengthening, driven mainly by orders from Nepal and Vietnam, and management expects FY27 to be one of the best years for its hydro business.
Texmaco Rail	❖ Indian Railways' 1HFY26 capex of over INR1.4t, supported by initiatives like the 2 × 25 kV electrification system, is driving stronger demand for Texmaco's traction systems and rolling stock. These developments are expected to accelerate order opportunities in the Rail & Infrastructure division as bidding activity picks up under a favorable policy environment.
Titagarh	❖ Titagarh sees strong demand across freight and passenger rail, with wagon production back to 800-850 units per month and metro and Vande Bharat deliveries set to ramp up. The company is also investing in backward integration such as aluminum coach manufacturing and propulsion to support this growth and reduce supply-chain risks.
Jupiter Wagons	❖ Jupiter Wagons reported strong demand momentum supported by its INR55b order book, with Indian Railways continuing to issue tenders, including 5,000-6,000 wagons this year, and a larger tender expected once industry order books moderate. Private sector traction also remains healthy across segments.
Mazagon Dock	❖ MDL highlighted a strong pipeline with major upcoming programs such as the LPD, MCMV, the follow-on P17 Bravo, and the next-generation destroyer, and indicated that its order book is expected to cross INR1t by FY27 as these opportunities materialize.
Garden Reach	❖ GRSE's ordering outlook is very strong, with multiple large defense projects ahead. Three RFPs have already been issued, and seven major AoN-approved projects offer a significant pipeline, and management expects the order book to cross INR500b once the Next-Generation Corvette contract is signed.
Astra Microwave	❖ AMPL expects strong near-term ordering, with over INR4b of orders planned for 3QFY26 and INR6b+ for 4QFY26. Medium-term visibility remains good, supported by a strong opportunity pipeline and improved technological capabilities. In the long term, India's defense roadmap and increasing opportunities in radars, EW, space and communications provide a solid growth environment for the company.
Solar Industries	❖ The company expects demand to strengthen in the second half as coal mining and infrastructure activity recover from heavy monsoon disruptions. The company also sees strong momentum in defense, supported by a large order book and the start of Pinaka commercial supplies from 3QFY26, along with steady international demand across key markets.

Source: Company



## Optimistic on exports with prospect demand from the US, Europe & Middle East

### Exhibit 6: Management commentaries on the international exposures of the companies under our coverage

Companies	Management Comments
<b>Covered companies</b>	
ABB India	❖ Management does not expect any material impact from recent tariff actions, noting that exports contributed 11% of revenue in 3QCY25 and only a small portion is directed to the U.S.
BDL	❖ BDL's export share has historically stayed below 10% of total revenue. The company has now outlined a strategy to raise this share to 25% by FY29-30 by deepening ties with friendly nations and countries facing geopolitical challenges. During the quarter, export orders also surged, and the current export order book is likely to be over by 1QFY27.
BEL	❖ Management reaffirmed its long-term export strategy, aiming to increase exports from the current 3-4% of turnover to about 5% over the next two to three years, and eventually to 10% of total revenues. The company's healthy USD326m export order book and strong leads across friendly nations provide visibility toward achieving this target.
Cummins India	❖ Exports grew across both high and low horsepower segments, with strong execution into Europe, Middle East and Latin America, though the U.S. remains a small contributor.
Hitachi Energy	❖ Exports saw healthy traction in 2QFY26, supported by demand from utilities in Europe, data centers in Southeast Asia, and renewables in the Middle East and North America. Around one-fourth of production is exported, and this share may increase over time as the company continues to strengthen its factories and position exports as a key growth driver.
Kalpataru Proj.	❖ International T&D ordering remained healthy, with the company positively placed in over INR45b of overseas tenders and a strong pipeline across the Middle East, Europe and other regions.
KEC International	❖ The company sees a strong T&D opportunity pipeline across the Middle East, Africa, CIS and the Americas, driven by major transmission expansion programs and large ongoing utility investments in these regions.
Kirloskar Oil	❖ KOEL remains optimistic about medium-term growth in international markets as its product acceptance strengthens across regions. While the North American market is still in the early stages of development, management views it as a high-potential opportunity for long-term growth, with certification and distribution build-up progressing as planned.
L&T	❖ The domestic/international mix of order book stands at 51%/49%. Within international, the GCC region accounts for 82% of LT's international order book of INR3.3t. International inflows stayed strong, with overseas orders growing sharply and forming a major share of the P&M portfolio. The international prospects pipeline also remains strong, with ~93% of Hydrocarbon opportunities located overseas and INR2.25t of Infrastructure prospects coming from international markets.
Thermax	❖ International ordering activity was supported by wins in the Middle East, including a notable boiler order from an upstream oil and gas customer, where the company remains one of the few qualified Indian suppliers. The company also highlighted a healthy global opportunity for HRSGs, a product in which Thermax excels and continues to see active demand.
Triveni Turbine	❖ Export order inflows softened due to deferred project finalizations and tariff-related uncertainties in the US. Europe and the Middle East continued to grow, while Southeast Asia remained subdued. Enquiry activity stayed strong, led by Europe, the Middle East and energy-transition markets, though order conversions are taking longer amid global delays.
Zen Technologies	❖ Zen Technologies highlighted a strengthening export outlook, supported by growing traction for both simulators and anti-drone systems in international markets. The company is focusing on regions such as Africa, the Middle East, CIS countries, and Southeast Asia, leveraging ARI's strong presence in Singapore to deepen market access.

Source: Company

**Exhibit 7: Management commentaries on the international exposures of the companies not under our coverage**

Companies	Management Comments
GE T&D	❖ The share of exports in the order backlog remains healthy at 30-35%, and is supported by inflows from the parent too. The INR30b RPT approval is already in place, bidding has been completed, and the outcome is expected by 4QFY26.
TRIL	❖ Exports opportunities continue mainly in special-duty transformers, where TRIL is one of the few qualified global suppliers and sees an enquiry pipeline of INR4-5b.
CG Power	❖ Exports are gaining momentum, with 1HFY26 seeing a 20-25% YoY increase as CG Power upgrades manufacturing standards and expands its presence across Southeast Asia, Europe, Africa, and the U.S. The company is also strengthening its global reach through partnerships such as Flanders in the U.S., enabling faster service, repair, and warehousing support.
Carborundum Universal	❖ Exports continued to support performance, contributing meaningfully to Electrominerals growth. International subsidiaries also improved: RHODIUS returned to normal operations and is expected to match last year's sales despite a full-year loss, while AWUKO saw a strong pickup and is on track for healthy growth. Overall, export momentum across key international businesses remains stable.
TD Power	❖ Exports remain a key growth driver for TD Power, supported by strong global demand for steam turbines and rising orders for gas turbines and engines in the US and Europe. Management expects this momentum to continue, with additional orders likely once the India-US trade deal is finalized. Hydro demand is also largely export-led, driven mainly by Nepal and Vietnam.
Texmaco Rail	❖ Texmaco's export business remains strong and well diversified, supplying to multiple regions including Africa, the U.S., and Australia. The foundry division faced a temporary impact from U.S. tariffs, but corrective steps are underway. Overall, export demand remains healthy across key markets.
Titagarh	❖ Titagarh's export outlook remains positive, supported by ongoing overseas metro projects executed through its Italy subsidiary Firema, which continues to strengthen the company's global presence. The pipeline of international opportunities remains steady, and Firema is expected to remain the key driver of Titagarh's growth in overseas rail and metro markets.
Jupitor Wagons	❖ Jupiter Wagons indicated that its export business is strengthening, with supplies of brake systems, wheelsets, and other components gaining traction in international markets. The company confirmed that it is executing export order books in the BESS segment as well, and highlighted growing global demand for specialized containers and components. It also noted that a sizable portion of its upcoming wheelset capacity is earmarked for exports through its partners in Europe, reducing dependence on the domestic market.
Mazagon Dock	❖ Mazagon Dock is expanding its international engagement through multiple initiatives, including an MoU with the Naval Group to explore submarine export opportunities in Asia and another exclusive MoU with a foreign government for a joint bid on an upcoming program. The company is also executing several export orders among the 27 ships under construction and continues to participate in global tenders through platforms such as the U.S. MSRA system. Management also revealed that they are in talks for acquisition of Colombo Dockyard, aimed at strengthening the export business, leveraging Colombo's established clientele across Europe and Scandinavia.
Garden Reach	❖ The company is executing two export projects, comprising 12 Multi-Purpose Vessels for a German client and a Trailing Suction Hopper Dredger for the Government of Bangladesh. GRSE has also signed an MoU with a European client for additional multi-purpose vessels, indicating that discussions for further export orders are underway.
Astra Microwave	❖ Astra Microwave is working to expand into European and NATO markets and is in discussions with a potential partner to explore collaboration, though it emphasized that the deal is not yet confirmed. The company noted that export growth will depend on offering complete, proven systems such as Uttam radars and the Su-30 EW suite, which form a key part of its long-term international strategy.
Solar Industries	❖ The company highlighted strong momentum in its international business, driven by performance in markets such as South Africa, Turkey, Ghana, Nigeria, and Tanzania, with further scale-up expected as new operations in Australia, Kazakhstan, and Saudi Arabia become operational over the next 6-12 months. The company also noted that ongoing global ammunition shortages and its sizeable international defense order book position it well for securing additional overseas orders in the coming period.

Source: Company



## Margin trajectory remains strong

### Exhibit 8: Management comments on future margins

#### Companies Management Comments

##### Covered companies

ABB India	❖ QCO-related challenges may take 3-4 quarters to normalize. The company mentioned that margin risks may emerge from higher commodity prices and increasing competition.
BDL	❖ Margins are expected to improve YoY on lower provisions and better operating leverage.
BEL	❖ The company maintains EBITDA margin guidance of more than 27% for FY26.
Cummins India	❖ Margins are expected to hold steady on stable volumes, a favorable mix, and cost efficiencies.
HAL	❖ The company expects to maintain margins similar to last year's levels.
Hitachi Energy	❖ The company aims to sustain a double-digit operational EBITDA margin, which it has already achieved ahead of plan.
Kalpataru Proj.	❖ KPIL has reaffirmed its commitment to improving PBT margins by at least 50bp YoY in FY26, aided by favorable business mix. EBITDA margin would trend toward 9% in FY27.
KEC Int.	❖ KEC has retained its FY26 EBITDA margin guidance of 8-8.5%, implying 8.8-8.9% margin in 2HFY26.
Kirloskar Oil	❖ With improving product mix and export growth, the company aims to improve margins going forward.
L&T	❖ Core E&C margin is targeted to be at 8.5% on better operating leverage and efficiency gains in 2HFY26.
Thermax	❖ In Projects business at Industrial Infra level, Thermax reiterated its long-term target of 10% blended PBT margin once legacy underperforming projects are netted out. In Chemicals, margins may not be significantly dilutive. Volumes are recovering since Sep, and management expects profitability to return to 'teen' levels as 3QFY26 order book moves toward INR2.5b.
Triveni Turbine	❖ Management expects margins to remain stable, aided by a favorable product mix, high overhead absorption, and value-engineering efforts. While domestic and certain NTPC orders carry lower margins, these are not expected to have any material impact on overall profitability.
Zen Technologies	❖ Zen does not see any threat to margins; maintains its guidance of 35% EBITDA margin and PAT margin of 25% for FY26.

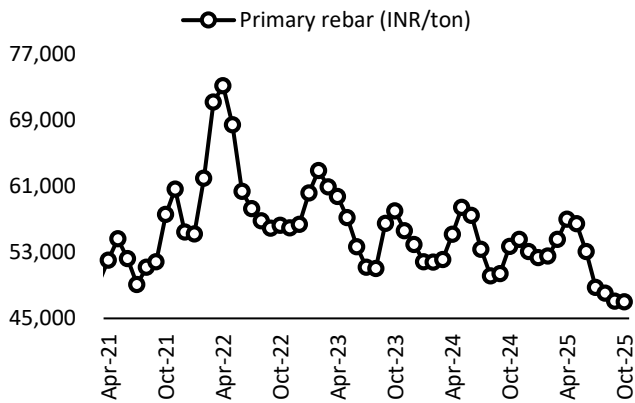
##### Not covered companies

GE T&D	❖ The company expects to maintain EBITDA margins in the mid-20s range for FY26, supported by operating leverage from capacity expansion and cost optimization. Pricing environment remains stable, with only limited pressure visible in certain product categories, and the company focuses on sustaining absolute EBITDA growth as scale increases.
TRIL	❖ Management noted that legacy low-margin orders are now largely complete and that the current order book carries much higher gross margins. With utilization improving in 2HFY26, supply bottlenecks easing, and backward-integration benefits flowing in, EBITDA margins are expected to recover toward ~16% in FY26.
Techno Electric	❖ Techno expects margins to remain stable, reiterating its long-standing guidance of 13.5-14% EBITDA margin for the business, with the exact level depending on the mix of projects executed. Management expects to sustain this range for 2HFY26.
CG Power	❖ Management expects margins across segments to only get better going forward. PBT margins are expected to bounce back to 14-15% range in the medium term, with power systems already delivering strong profitability at >20% EBITDA margins, which is expected to improve further.
Carborundum Universal	❖ CUMI reaffirmed its FY26 margin guidance across segments, indicating stability in profitability despite near-term pressures. For FY26, consolidated PBIT margins are expected to remain in the range of 8.2%-8.5%. Segment-wise, the company maintained its outlook of 23.5%-23.7% PBIT margins for Ceramics, 4.5%-5.5% for Electromineral, and 6%-6.5% for Abrasives.
TD Power	❖ TD expects margins to return to normal levels by 3Q and 4Q, supported by strong order execution in the coming quarters.
Texmaco Rail	❖ Management is targeting overall EBITDA margins to move beyond mid-teens in coming quarters/years through both core business improvements and new growth initiatives.
Titagarh	❖ Titagarh expects EBITDA margins in passenger rail business (Metro/Vande Bharat) to remain at 11-12%, with 4-5% upward bias once its in-house propulsion systems are deployed. Propulsion margins are guided at 15-20%, while services business may deliver 20-25% EBITDA margins. Shipbuilding margins may track the industry range of 15-17% as the segment scales up.
Jupiter Wagons	❖ Jupiter aims to maintain its EBITDA margin guidance of 14-15% for FY26. It expects margins to improve in 2H, aided by focus on executing high-margin orders, such as complex wagons and private sector projects, which generally yield better margins.
Mazagon Dock	❖ The company maintains its guidance of 15%+ PBT margins for FY26.
Garden Reach	❖ The margin profile on complex naval projects like P-17 Alpha and forthcoming projects such as P-17 Bravo is expected to remain healthy, with the company targeting PAT margins exceeding 7.5%.
Astra Microwave	❖ Astra expects FY26 gross margins to remain at the current level and noted that EBITDA/PBT margins should be maintained through the year. For FY27/28, it expects gross margins to stay in the 45-50% range, as seen in the past two years, and indicated that follow-up margins should remain broadly similar with a slight positive improvement.
Solar Industries	❖ The company expects EBITDA margins to remain around 27% in FY26, in line with the guidance given at the start of the year.

Source: Company

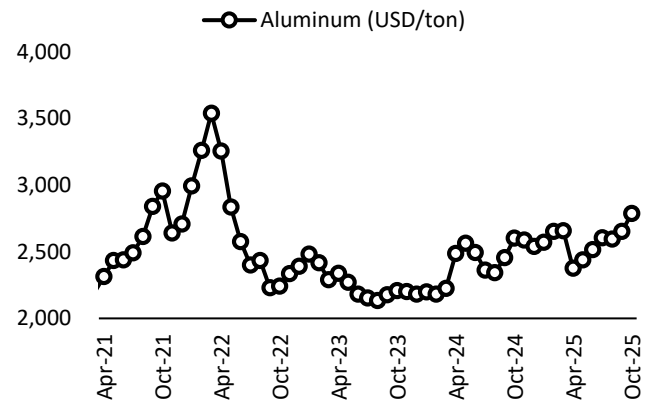
## Commodity prices have started inching up

**Exhibit 9: Primary rebar price trend (INR/ton)**



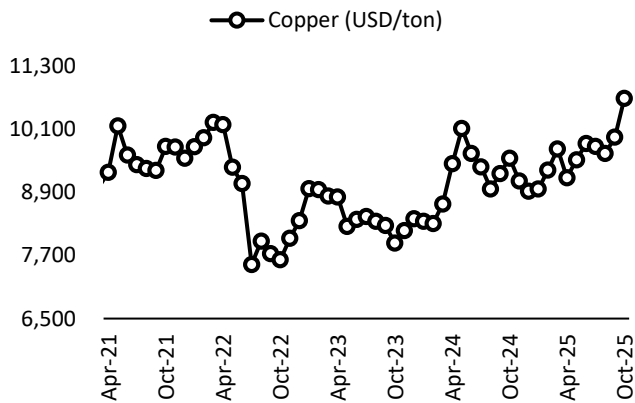
Source: Bloomberg, MOFSL

**Exhibit 10: Aluminum price trend (USD/ton)**



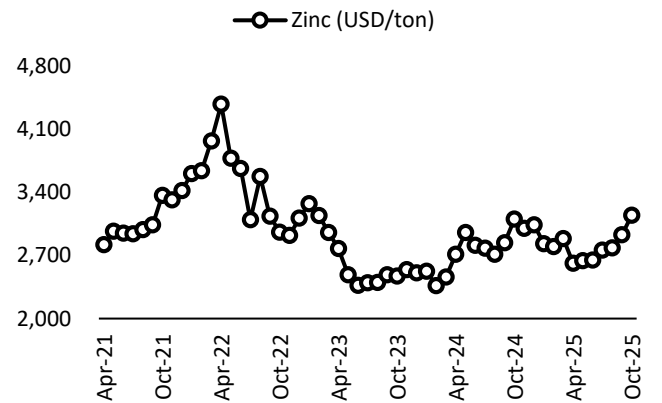
Source: Bloomberg, MOFSL

**Exhibit 11: Copper price trend (USD/ton)**



Source: Bloomberg, MOFSL

**Exhibit 12: Zinc price trend (USD/ton)**



Source: Bloomberg, MOFSL

## Companies growing at higher rate see potential of valuation re-rating while weak growth companies may stay range bound

**Exhibit 13: Target valuations for the core business and expected growth over FY25-28**

Companies	Target Multiple	TP (INR)	CAGR FY25-28 (%)		
			Revenue	EBITDA	PAT
ABB India*	DCF-based	5,800	11.1	5.5	5.7
Bharat Dynamics	42x	2,000	34.6	63.8	51.4
Bharat Electronics	45x	500	17.8	16.9	16.6
Cummins India	42x	4,950	16.2	16.3	17.0
Hindustan Aeronautics	DCF-based	5,800	23.6	18.3	16.5
Hitachi Energy	60x	18,000	29.5	51.6	62.8
Kalpataru Proj.	18x	1,500	17.3	20.8	29.6
KEC International	20x	920	17.2	23.1	33.4
Kirloskar Oil	SoTP	1,400	16.8	20.4	22.0
Larsen & Toubro	28x	4,500	15.2	16.2	20.1
Siemens#	45x	3,350	11.2	16.5	10.5
Siemens Energy*	60x	3,800	29.3	43.5	46.4
Thermax	38x	3,000	10.3	19.1	15.8
Triveni Turbine	40x	640	14.4	13.9	14.2
Zen Technologies	30x	1,400	18.3	22.1	22.3
Amber Enterprises	DCF-based	8,400	21.7	29.4	48.0
Dixon Technologies	DCF-based	22,500	35.5	41.2	45.9

Source: Company, MOFSL

Note: \*ABB India CAGR for CY24-27 (Dec ending), Siemens Energy CAGR for Sep'24-Sep'27

#Siemens CAGR for 3.5 years from Oct'24-Mar'28

**Exhibit 14: Capital Goods & Defense – relative valuation**

Companies	CMP	TP	% upside	Rating	Mcap (INR b)	EPS (INR)			P/E (X)			RoE (%)			RoCE (%)		
						FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
ABB India	5,173	5,800	12	BUY	1,096	79.1	89.3	104.4	65.4	57.9	49.6	22.6	23.4	25.0	22.8	23.5	25.2
BDL	1,514	2,000	32	BUY	555	28.3	37.9	52.0	53.5	40.0	29.1	21.5	23.3	25.2	22.1	23.8	25.6
BEL	412	500	21	BUY	3,008	8.3	9.9	11.5	49.5	41.7	35.9	24.2	23.0	21.6	27.2	25.6	23.9
Cummins India	4,480	4,950	10	BUY	1,242	87.6	98.5	114.9	51.1	45.5	39.0	32.3	31.9	32.8	30.9	30.4	31.3
HAL	4,542	5,800	28	BUY	3,038	142.9	161.0	197.8	31.8	28.2	23.0	22.8	21.7	22.1	23.6	22.3	22.6
Hitachi Energy	22,068	18,000	-18	SELL	984	203.2	266.4	334.5	108.6	82.8	66.0	17.8	18.9	19.3	18.3	19.4	19.6
KEC	686	920	34	BUY	183	31.1	40.3	50.9	22.1	17.0	13.5	14.6	16.7	18.2	13.9	15.0	15.6
KOEL	1,124	1,400	25	BUY	163	35.5	44.6	52.3	31.6	25.2	21.5	16.2	17.7	18.0	15.8	17.4	17.8
KPIL	1,200	1,500	25	BUY	205	52.7	73.5	85.6	22.8	16.3	14.0	11.9	14.7	14.9	10.9	13.1	13.5
L&T	4,069	4,500	11	BUY	5,593	133.2	164.6	195.2	30.5	24.7	20.8	17.6	19.2	19.9	9.6	10.6	11.3
Siemens*	3,300	3,350	2	NEUTRAL	1,175	74.3	64.6	76.7	44.4	51.1	43.0	14.7	11.3	11.8	15.0	11.5	12.0
Siemens Energy	3,159	3,800	20	Buy	1,125	30.9	41.9	61.6	102.2	75.4	51.3	25.1	25.4	27.2	26.9	26.7	28.2
Thermax	2,921	3,000	3	SELL	329	62.2	72.2	86.5	47.0	40.5	33.8	13.5	14.0	14.9	11.5	12.0	12.8
Triveni Turbine	537	640	19	BUY	171	11.8	14.0	16.8	45.6	38.3	32.0	27.7	27.1	26.7	27.9	27.2	26.9
Zen Tech	1,406	1,400	-0	NEUTRAL	127	21.6	40.5	53.3	65.2	34.8	26.4	10.9	17.7	19.3	10.8	17.7	19.3
Amber	7,194	8,400	17	BUY	252	90.4	158.0	224.9	79.5	45.5	32.0	10.8	14.3	17.3	11.3	14.9	18.1
Dixon	14,600	22,500	54	BUY	880	174.9	276.9	363.8	83.5	52.7	40.1	30.0	34.7	32.8	40.0	45.6	42.0

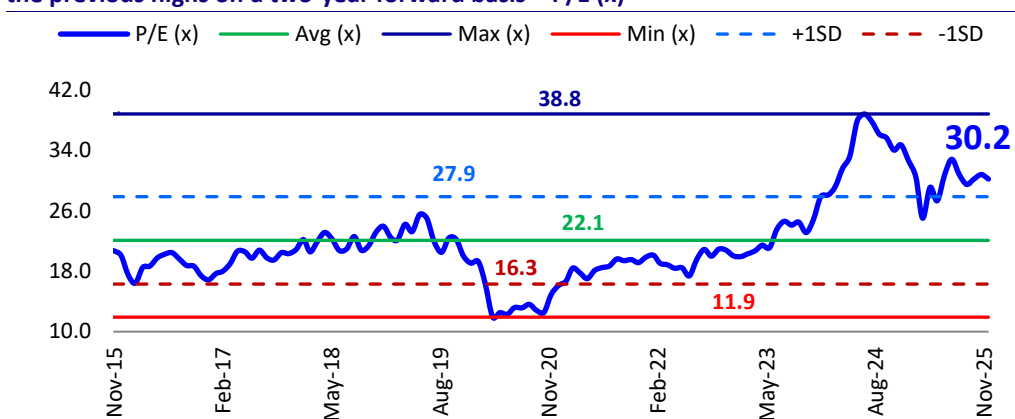
Source: Company, MOFSL

Note: For ABB India, FY26E/FY27E/FY28E indicate datapoints for year-ends Dec'25/Dec'26/Dec'27

For Siemens Energy, FY26E/FY27E/FY28E indicate datapoints for year-ends Sep'25/Sep'26/Sep'27

\* For Siemens, FY26E data is for 18 months Mar'26 Y/E, FY27E/FY28E is for 12 months Mar Y/E

**Exhibit 15: Overall valuations for capital goods and the defense sectors are still down from the previous highs on a two-year forward basis – P/E (x)**



Source: Bloomberg, MOFSL



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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