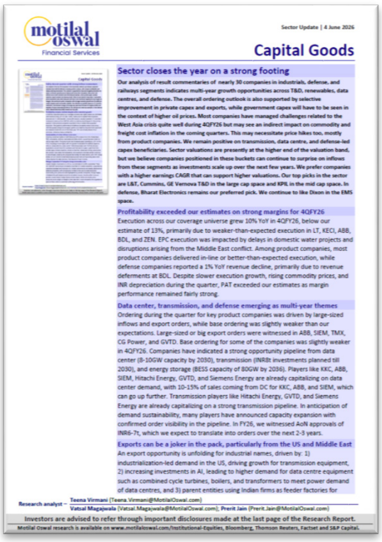
Capital Goods


Sector Update | 4 June 2026

Capital Goods

Sector closes the year on a strong footing

Profitability exceeded our estimates on strong margins for 4QFY26

Data center, transmission, and defense emerging as multi-year themes

Exports can be a joker in the pack, particularly from the US and Middle East

Higher RM prices weighed on performance

Result commentaries of nearly 30 companies in industrials, defense, and railways segments continue to indicate long-term growth opportunities across T&D, renewables, data centres, and defense. Ordering trend remained mixed, with visible improvement seen across data center and private sector ordering, and it has now started reviving in the Middle East geography too. Margin performance was weak for product companies on higher RM prices and price hikes coming into effect with a lag. Commodity prices remain a key monitorable and, hence, price hikes taken by companies play an important role in maintaining or improving margins. Sector valuations have come off a bit but still remain high. We continue to prefer companies with strong earnings CAGR that can support higher valuations. We prefer Cummins, GE Vernova T&D, and Siemens Energy in the large cap space and KPIL in the mid cap space. In defense, Bharat Electronics remains our preferred pick. We continue to like Dixon in the EMS space.

1QFY27: Execution beat and margin miss lead to in-line profitability

Execution across our coverage universe grew 11% YoY in 1QFY27, above our estimate of 5% YoY growth, mainly due to better-than-expected execution in LT, BHE, GVTD, Hitachi Energy, ABB, BDL, TRIV, and Atlanta. While overall execution saw a beat versus estimates, lower-than-expected margins led to in-line PAT performance. Among EPC players, overall revenue increased 6% YoY. West Asia-related disruptions and project timing caused some moderation in select overseas projects. Among product companies, there was a beat in execution across most companies, while margins were impacted by timing lag between RM price increase and pass through to the end users. Defence PSUs saw healthy execution in 1QFY27, while private defence players reported a YoY decline. We expect this to pick up over the full year, given the back-ended nature of defence execution.

Data center, transmission, and defense pipeline remains strong

Ordering momentum remained mixed during the quarter, with transmission and defence sector ordering remaining relatively weak. For product companies, the absence of large-sized orders was offset by a sharp pick up in base ordering during the quarter, mainly driven by data center and private sector. In addition, EPC players witnessed healthy traction across domestic and international markets, and ordering from the Middle East has also started ramping up well. Data centers remain the strongest near-term demand driver, with ABB, SIEM, KKC, CG Power, TMX, and TRIV among the companies seeing healthy data center-related enquiry or execution, while TD Power is also targeting gas-generator opportunities linked to data-center demand in US markets. Transmission ordering remained subdued, though the TBCB pipeline has started improving from Jun-Jul'26 onwards, which should start converting into orders from 2Q onwards. Defence ordering is also expected to pick up, with significant number of approvals coming through and project finalizations expected 2HFY27 onwards.

Exports face near-term headwinds due to West Asia conflict

Export performance was impacted in 1QFY27, with the Middle East emerging as the principal drag due to geopolitical disruption, slower project execution, and elevated

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logistics costs. For EPC companies such as LT, KPIL, and KEC, the issue has been more visible through delayed execution and slower revenue booking, while product companies saw a limited direct impact given their relatively lower exposure to the region. The decline in Middle East demand has been largely offset by stronger demand in Europe, US, and APAC regions, which continue to see healthy traction across industrial, power T&D, and data-center-related applications. There are also early signs of improving enquiries and order momentum from the Middle East, though project execution remains constrained and freight rates stay elevated.

Private sector witnessing a broad-based pick up

Private sector ordering also saw a broad-based pick up, with improvement visible across industrial, transmission, power generation, and data centers. EPC companies saw a sharp pick up in private sector ordering, with LT mentioning that private sector formed 40% of the overall order book and 45% of the prospect pipeline. Private capex-led companies such as TRIV, TMX, ABB, and SIEM also reported healthy pick-up in inflows during the quarter across their segments and highlighted an even stronger pipeline over the medium term. Data centers remained strong as well, with ABB, SIEM, KKC, KOEL, and CGPOWER all showing a healthy uptick in data center-related inflows and execution.

Margins impacted by higher commodity and logistics costs

EBITDA margin for our coverage universe came at 11.7% (vs est. of 12.4%). Margins remained under pressure as elevated commodity prices, currency movements, and logistics costs offset the healthy execution. The West Asia disruption added pressure through higher freight costs and weaker execution, particularly for EPC companies such as **LT, KPIL, and KECI**. Now commodity prices have started coming down, with aluminum and HRC correcting 10-15% from their six-month highs in July'26, and product companies such as **ABB, SIEM, KKC, and CG Power** have also incorporated price hikes. We expect the full benefit of both price hikes and RM price correction to be visible from 3QFY27 onwards. Few also believe that further hikes remain possible depending on commodity prices and customer acceptance. Overall, the cost environment is improving, and we expect margins to improve gradually.

EMS growth supported by new client additions and expanded portfolio

Within EMS, Dixon has maintained FY27 volume guidance of ~30-33m (ex. Vivo) despite a double-digit industry contraction, implying continued market share gains. Exports are targeted to add ~15-20m units/INR180-200b to overall revenue over the next two years. PN3 approval for Vivo JV was received in Jul'26, with JV consolidation expected to reflect in Dixon's numbers from 3QFY27 onwards. Memory prices are expected to remain elevated, supporting realizations but keeping margins lower. Margins are expected to improve as backward integration initiatives ramp up and PLI 2.0 comes into effect after a few quarters. For Amber, the company expects the Consumer Durables segment revenue to grow 13-15%, in line with RAC industry growth in FY27. In electronics, Amber is targeting strong growth of 40% YoY in FY27, with growth broad-based across PCBA, PCB, and industrial & automation, while its upcoming mobile manufacturing opportunity provides another avenue for scale-up.

Key future monitorables

Key future monitorables include: 1) resolution of the West Asia crisis, which can ease out commodity and logistic cost inflation, 2) improvement in inflows and finalization of large tenders in T&D, data center, and defense, 3) trend in memory prices for electronic manufacturing companies, 4) movement in commodity prices, and 5) price hike announcements from companies.

Recommendation

We maintain our positive thesis on transmission, data center, and defense-led capex beneficiaries. Strong inflows seen for the companies so far will support execution growth over next two years. Commodity prices remain a key monitorable and, hence, price hikes taken by companies play an important role in maintaining or improving margins. Sector valuations have come off a bit, and we continue to prefer companies with a higher earnings CAGR. Our top picks in the sector are L&T, Cummins, and GE Vernova T&D in the large cap space and KPIL in the mid cap space. In defense, Bharat Electronics remains our preferred pick. We continue to like Dixon in the EMS space.

Sector performance during 1QFY27 remained mixed vs. estimates

Exhibit 1: Sector performance was healthy on a sequential basis

Companies	Revenue (INR b)				EBITDA (INR b)				PAT (INR b)			
	1QFY27	Growth (%) YoY	Growth (%) QoQ	Var. over Exp. (%)	1QFY27	Growth (%) YoY	Growth (%) QoQ	Var. over Exp. (%)	1QFY27	Growth (%) YoY	Growth (%) QoQ	Var. over Exp. (%)
ABB India*	35.6	12.1	11.8	17.6	4.5	8.0	9.5	10.1	3.7	4.6	7.6	4.6
Atlanta Electricals	4.7	48.0	-37.6	13.7	0.8	58.1	-48.4	13.9	0.5	50.4	-54.2	34.2
Astra Microwave	1.8	-11.5	-63.8	-21.6	0.3	-19.3	-79.6	-26.6	0.1	-24.1	-88.3	-52.8
Bharat Dynamics	5.7	130.8	19.2	80.2	0.8	LP	50.4	74.4	1.2	547.4	5.0	42.8
Bharat Electronics	55.3	25.3	-45.6	8.3	13.9	12.0	-53.1	-6.2	10.5	8.2	-52.4	-6.8
CG Power	32.8	14.0	-4.7	-5.1	4.0	4.2	-15.5	-12.9	3.1	16.3	-13.9	-7.4
Cummins India	34.3	17.9	13.8	6.6	6.2	-1.2	-4.0	-10.0	5.4	-2.2	-13.2	-13.0
GE Vernova T&D	18.4	38.0	12.2	10.1	4.6	18.9	3.6	6.3	3.6	24.7	4.4	10.6
Hind.Aeronautics	55.2	14.4	-60.4	4.6	15.3	19.1	-69.8	11.4	15.9	14.9	-62.1	4.1
Hitachi Energy	24.9	68.6	-9.5	26.4	4.2	157.8	-5.4	30.1	3.5	151.2	-2.2	30.0
Kalpataru Proj.	54.8	8.8	-21.3	3.3	4.9	13.9	-27.4	8.2	2.7	32.2	-27.8	37.8
KEC International	50.2	0.0	-21.4	0.0	2.9	-16.9	-35.1	-10.9	0.7	-41.7	-62.0	-2.2
Kirloskar Oil	14.7	15.7	-4.1	3.6	1.7	-3.6	-14.2	-16.8	1.0	-9.3	-16.1	-22.2
Larsen & Toubro	679.4	6.7	-17.9	5.6	61.2	-3.2	-29.0	-2.1	41.2	14.0	-23.2	7.5
Siemens#	47.1	14.8	2.1	1.8	4.3	-16.7	-2.9	-6.8	3.5	-16.8	-4.9	-11.2
Siemens Energy**	24.9	39.3	3.8	4.7	5.9	72.1	17.5	24.0	4.4	67.8	17.7	24.5
Thermax	23.0	6.7	-32.8	-5.5	0.7	-69.5	-81.7	-66.5	0.2	-85.6	-91.0	-80.7
Triveni Turbine	4.4	19.2	-34.9	4.8	0.5	-30.3	-59.9	-26.4	0.5	-20.7	-50.0	-15.9
Zen Technologies	1.0	-7.3	43.2	-5.6	0.3	-25.8	686.9	-9.2	0.3	-21.3	98.1	-12.3
Amber Enterp.	38.9	12.7	-6.3	-14.3	3.1	21.6	-12.9	-8.0	1.4	39.5	106.0	5.4
Dixon Tech.	155.5	21.1	47.9	1.7	4.6	-4.0	13.4	-8.2	2.2	-2.9	12.3	-1.2

Source: Company, MOFSL

Note: *For ABB, 1QFY27 denotes 2QCY26 data.

#For Siemens, the company has now switched from Sep Y/E to Mar Y/E

**For Siemens Energy, 1QFY27 denotes 3QFY26 (Sep Y/E) data.

Exhibit 2: Revenue growth was supported by a broad-based pick up in execution

Revenue YoY %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
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	5.7	0.8	12.1
Atlanta Electricals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.1	17.3	79.7	81.7	48.0
Astra Microwave	25.8	-2.9	8.9	7.9	-17.5	8.8	4.9	37.0	16.0	20.8	11.9	15.2	28.7	-6.5	0.7	19.7	-11.5
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	-31.9	-73.0	130.8
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	23.7	11.6	25.3
CG Power	58.6	16.7	14.5	28.2	12.5	18.0	11.5	15.2	18.9	20.5	27.1	25.6	29.2	21.1	26.2	25.0	14.0
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	-1.0	22.6	17.9
GE Vernova T&D India	-7.1	-17.7	-15.0	6.2	21.0	-0.4	8.0	29.9	33.6	58.8	28.0	26.2	38.8	38.9	58.4	42.0	38.0
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	10.7	1.8	14.4
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	28.5	46.2	68.6
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	12.2	-7.0	0.0
KOEL	NA	22.4	19.5	16.4	26.5	4.8	13.5	20.7	6.2	12.8	2.5	1.5	-5.3	22.2	18.6	8.7	15.7
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	19.9	12.2	8.8
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	10.5	11.3	6.7
Siemens*#	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-9.4	-3.0	9.2	9.9	14.0	14.6	14.8
Siemens Energy**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	20.2	27.3	26.0	27.4	39.3
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	-1.2	-5.3	5.1	11.1	6.7
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	24.0	26.3	19.2
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	-17.9	-75.5	-7.3
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	37.9	10.5	12.7
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	2.1	2.1	21.1

Source: Company, MOFSL

Note: *For ABB, 1QFY27 denotes 2QCY26 data.

#For Siemens, the company has now switched from Sep Y/E to Mar Y/E

**For Siemens Energy, 1QFY27 denotes 3QFY26 (Sep Y/E) data.

Exhibit 3: Profit growth remained healthy for most companies barring few

PAT YoY %	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
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	-9.1	-27.9	4.6
Atlanta Electricals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25.3	-6.6	99.7	129.1	50.4
Astra Microwave	-33.4	507.1	142.5	24.1	NM	46.3	56.7	302.3	NM	-15.4	9.3	35.1	125.9	-5.9	-1.3	44.2	-24.1
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	-50.4	-58.5	547.4
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	20.8	4.7	8.2
CG Power	168.0	86.4	53.5	124.1	52.6	21.6	-1.2	-0.6	22.7	2.0	22.3	13.5	11.6	29.8	33.2	33.7	16.3
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	7.0	19.9	-2.2
GE Vernova T&D India	-133.0	-184.4	-5269.9	-84.8	344.0	469.5	854.6	-428.5	376.4	289.1	189.1	181.3	116.4	107.1	140.1	86.4	24.7
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	29.6	5.5	28.8
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	1252.8	381.1	241.2	83.5	151.2
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	34.5	-28.8	-41.7
KOEL	NA	80.3	169.8	-40.6	59.9	-19.3	20.5	81.3	30.5	89.6	-20.9	-10.2	-18.7	20.2	57.1	12.1	-9.3
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	48.2	38.2	32.2
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	22.1	4.5	14.0
Siemens*#	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49.2	-10.4	-3.2	-7.2	-42.8	-36.4	7.5
Siemens Energy**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	80.2	31.4	57.4	52.2	67.8
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	43.6	17.9	-85.6
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	11.3	8.0	-20.7
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	23.8	-82.6	-21.3
Amber	238.4	NA	-55.9	81.7	8.5	133.1	NA	-8.9	58.6	NA	NA	22.6	43.5	NA	111.5	-39.4	39.5
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	6.4	5.4	-2.9

Source: Company, MOFSL

Note: *For ABB, 1QFY27 denotes 2QCY26 data.

#For Siemens, the company has now switched from Sep Y/E to Mar Y/E

**For Siemens Energy, 1QFY27 denotes 3QFY26 (Sep Y/E) data.

T&D, renewables, defence and data centers remain incremental growth levers

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

Companies	Management Comments
ABB India	❖ Government capex is seeing continued investment in power, infrastructure, and renewable energy, with ABB seeing a pickup in conventional power generation. On the private side, commercial building activity remains faster than residential, while data-center customers are taking decisions quickly and ABB is seeing a strong pipeline. Refining and downstream capex remains somewhat sluggish, although announced projects are moving ahead, with potential for new upstream projects to be announced.
Atlanta Electricals	❖ The transformer industry continues to benefit from structural demand, driven by sustained investment across the power value chain. This is a multi-year investment cycle supported by transmission expansion, renewable integration, battery energy storage, industrial and railway electrification, and rapid data-center growth, creating long-term opportunities for transformer manufacturers.
Astra Microwave	❖ Astra expects ordering momentum to remain healthy, with around INR80-90b of identifiable opportunities over the next 3-4 years across QRSAM, Astra Rafael Comsys, Su-30 Virupaksha, and Angad, alongside further opportunities in Tejas Mk1A, MMICs, counter-UAV systems, and other programmes.
Bharat Electronics	❖ BHE maintained its FY27 order inflow guidance of over INR550b, including the QRSAM (INR300b), next-generation corvettes (NGC), P-75(I), Shatrughat and Samaghat (~INR90b), Shakti Phase IV (~INR20b), and HAMMER (~INR25b). Beyond FY27, the company sees opportunities arising from Project Kusha (~INR400b expected by FY29), Next Generation Destroyers (NGD), P-17B, AMCA, missile electronics, counter-drone systems, next-generation radar, and exports.
CG Power	❖ The bid pipeline for power systems remains healthy across domestic T&D, utilities, renewables, data centers, and exports. The current wave of industry capacity additions is still insufficient to meet the growing domestic and global demand. In the Industrial business, management witnesses healthy momentum across cement, metals & mining, and OEM segments for the motors business.
Cummins India	❖ In Powergen, the company is witnessing strong demand across both, CPCB IV+ portfolio and HHP gensets, with inflow continuing from manufacturing, data centers, residential, and commercial real estate. In industrial, KKC is witnessing improved tendering in railways, mining, and marine.
GE Vernova T&D	❖ The domestic TBCB pipeline has improved materially during Jun-Jul'26, with several large projects already under developer evaluation.
Hitachi Energy	❖ The company expects transmission ordering to improve as project approvals gather pace, while railway and metro orders that were delayed during the quarter are expected to recover in 2HFY27. On HVDC, at least one major greenfield project is already under bidding and is expected to be awarded over the next ~6 months.
Kalpataru Proj.	❖ Domestic T&D remains strong with annual TAM of ~INR1.0-1.25t over the next five years, including 1-2 HVDC projects annually. B&F demand is broad-based across residential, offices, data centers, airports, and industrial projects, supported by PSU and private capex, while O&G has bids of USD100m-500m across Saudi Arabia, UAE, Qatar, and Kuwait with orders expected over the next 3-6 months.
KEC International	❖ The company has a strong tender pipeline exceeding INR2t across domestic and international markets, split roughly evenly between T&D and non-T&D opportunities.
Kirloskar Oil	❖ KOEL expects continued demand across its domestic power generation franchise, with further opportunities in HHP applications and data centers. The company also sees continued ordering opportunities across industrial segments such as railways, marine, and defense, alongside growing opportunities in international HHP and aftermarket businesses as export markets normalize.
L&T	❖ Prospect pipeline for the remaining 9MFY27 stands at INR15.1t vs. INR14.8t last year. Of this, INR7.45t is from domestic and the balance is from international. Infrastructure and utility prospects stand at INR7.8t, energy conventional at INR4.4t, green energy at INR2.43t, and manufacturing and product at INR0.46t.
Siemens energy	❖ Siemens Energy sees strong demand for grid technologies and grid flexibilization solutions, supported by India adding 30+ GW of renewable capacity in 1HCY26 and global power demand rising on electrification, industrial, and AI-enabled data centers.
Thermax	❖ Thermax sees strong opportunities across domestic thermal power, waste-to-energy, and US data centers. Bio-CNG and Green hydrogen ordering could revive from 2Q-4QFY27 with supportive policy changes.
Triveni Turbine	❖ Management expects domestic demand to gradually recover in the coming months despite softer inquiry levels and longer order finalization cycles.
Zen Technologies	❖ The company expects a healthy pipeline across simulators and anti-drone systems. Simulator orders worth INR7-8b remain in the pipeline, with additional orders expected over the next few months as government procurement gains momentum.
Amber	❖ Amber expects Consumer Durables to grow in line with 13-15% RAC industry growth, with mixed inventory from the mandatory tonnage disclosure requirement temporarily disrupting ordering patterns. Inventory is expected to largely normalize by Diwali, with demand likely to normalize thereafter, supported by pre-buying for a stronger summer season from Nov'26.
Dixon Technologies	❖ Management expects mobile volumes to increase 20-25% QoQ to ~9.0-9.2m in 2QFY27, taking 1HFY27 volumes to ~16-16.5m units, while maintaining FY27 volumes guidance of ~30-33m (excluding Vivo) despite a double-digit industry contraction, implying continued market share gains.

Source: Company, MOFSL

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

Companies	Management Comments
TRIL	❖ TRIL has a strong inquiry pipeline across transmission. Additionally, demand is strong from data centers, railway electrification, EV charging infra, and renewable energy integration for transformer manufacturing over the coming years.
Techno Electric	❖ The company sees strong demand across T&D, with ~INR9t of capex planned during FY26-FY32, 8-10 concessions finalized monthly and fresh tenders for synchronous condensers, dynamic reactive compensation, HVDC corridors, and digital substations.
Voltamp Transformers	❖ The company started FY27 with an order backlog of INR12b (10,270 MVA) and added new orders worth INR11.4b (2,107 MVA) from Apr'26 till date. It expects to sustain the growth momentum, as inflows are expected to continue at market prices.
Carborundum Universal	❖ Management expects volume-driven growth in the domestic business, with demand momentum across engineered ceramics, metallized cylinders, SOFC, semiconductor wafer-fabrication equipment components, aerospace and defence, electronic substrates, and refractories. Within Abrasives, management sees a positive trend from easing Chinese import competition, while Metallized Cylinders are supported by demand from power generation and distribution.
TD Power	❖ Management expects domestic demand for steam turbine and generators to grow at around 10-12%, while gas turbine demand is expected to develop across data centres, oil & gas, grid stability, and conventional power generation. The company also sees combined-cycle adoption as a potential growth opportunity from data centers.
Texmaco Rail	❖ Management expects order momentum to remain strong, led by private and export demand in freight rolling stock, while it also expects Indian Railways to come up with new wagon tenders. Beyond freight rolling stock, the company sees opportunities in railway signaling, electrification and transmission infrastructure, Kavach, renewables, defence, metro, and Vande Bharat.
Titagarh	❖ Strong freight ordering is expected for private wagons. The larger Indian Railways tender may be delayed but not dropped, given the 3 billion-tonne freight target. Passenger rail systems demand remains strong across Metro, Vande Bharat, mainline, and EMU coaches, with Metro expansion from 25 to 50 cities and planned capacity of 850 coaches and 12,000 freight wagons.
Jupiter Wagons	❖ Management expects strong railway freight demand, with private-sector wagon orders and 0.1m-wagons Indian Railways tender target. Beyond wagons, it sees opportunities in rail wheels, freight brake systems, and BESS, targeting a ~INR10b BESS order book by FY27 across utility-scale and C&I applications.
Garden Reach	❖ Pipeline across defence and non-defence remains strong. Defence pipeline of ~INR1.5t, with ~INR800b RFP out and INR700b RFP expected soon. These include the Next Generation Corvette, 120 fast interceptor crafts (~INR35b), 31 Water Jet FACs (INR35b), 22 Interceptor Boats (~INR12b-13b), six NGOPVs (~INR25b), and P-17 Bravo (~INR700b). Further, 12 MCMVs (~INR360b) and 4 LPDs (~INR350b) are expected, alongside non-defence orders from GAIL, ONGC, and BPCL for MR tankers, VLGCs, etc.
Apar Industries	❖ Management sees continued ordering momentum in conductors and cables, with further HVDC and high-voltage transmission ordering expected from India and overseas, while the US cable order inflow is increasing across low- and medium-voltage copper cables for residential, industrial, and data-center applications.

Source: Company, MOFSL

Export demand remains strong, supported by global T&D, renewables, defense, rail, and data centers

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

Companies	Management Comments
Covered companies	
ABB India	❖ Exports formed 13% of business in 2Q. Exports were impacted by the West Asia situation, which led to some business being held back, particularly in Motion. The situation has since improved, with the held-back business beginning to move. ABB expects to continue expanding exports across markets and products.
Atlanta Electricals	❖ The company's export strategy remains centered on expanding its presence across Europe and Africa, and now in the US as well. It continues to engage its customers in these markets and targets for exports to contribute ~15% of total revenue.
Astra Microwave	❖ Management sees exports as an incremental growth opportunity, but meaningful export orders are expected to take another 1-2 years to materialize. MMIC components are seeing leads from the US and Europe.
Bharat Electronics	❖ The company continues to target export contribution in overall revenue to increase to 10% over the next five years. The current export order book stands at ~USD465m, while the active opportunity pipeline is estimated to be 4-5x of this across 15-20 major products.
CG Power	❖ The company expects exports to remain well-diversified across the US, Europe, and the MENA region. It is expecting exports to benefit from growing investments in power infrastructure and data centre-related opportunities globally.
Cummins India	❖ Exports may remain lumpy amid geopolitical and freight challenges, but stronger demand from Europe and Asia Pacific is increasingly offsetting West Asia weakness. The company has also sought higher RPT approvals for ~INR30b of FY27 sales vs. INR19.3b in FY26, enabling greater flexibility to capture export opportunities through the global Cummins network without repeated shareholder approvals.
GE Vernova T&D	❖ Exports formed 46% of total inflows in 1Q. The company remains bullish on exports across the US, Europe, Middle East, and Asia, with limited direct Middle East exposure and an India-for-the-world strategy. Certain orders from the parent entity for exports were delayed and shifted to 2HFY27.
Hitachi Energy	❖ Exports contributed ~25% of both the order backlog and revenue and ~34% of inflows in 1Q. The company received export orders from Europe, North America, and South Asia for grid integration and power quality products. The company expects exports to remain supported by increasing investments in renewable integration and transmission infrastructure globally.
Kalpataru Proj.	❖ Exports remain focused on LATAM (excluding Brazil), Europe, and the Middle East, with Middle East opportunities gaining traction across T&D and O&G. Near-term O&G bids across Saudi Arabia, UAE, Qatar, and Kuwait range from USD100m-500m, with orders expected over the next 3–6 months, while demand is also supported by grid-capacity needs in Europe, the Middle East, and South America.
KEC International	❖ Middle East disruptions have mainly deferred execution. Exports will remain a growth lever, with international order intake targeted at INR90b-100b in FY27, a significant part from West Asia, while opportunities span across Americas, Africa, CIS, and SAARC.
Kirloskar Oil	❖ Export weakness in 1Q was largely execution-led, as the West Asia conflict disrupted shipping routes, delaying deliveries. The company has a larger exposure in Middle East market for exports, and we expect its exports to remain impacted in the near term.
L&T	❖ LT sees a healthy international outlook with the 9MFY27 prospect pipeline at ~INR7.6t. Middle East hydrocarbon and renewable tendering should improve from 2QFY27, with 70-80% of projects still in the engineering/procurement phase, and only peak construction facing logistics disruptions. In Europe, 8GW of TenneT North Sea HVDC offshore wind projects worth ~INR570-600b will be executed over 4-5 years, with further opportunities pursued across Europe, the UK, and other markets.
Thermax	❖ Thermax expects FY27 international ordering to be similar to FY26, led by the Middle East and Africa across large power, refining/petrochemical, and waste-to-energy projects, alongside US data-centre opportunities through TBWES. 1QFY27 exports were impacted by ~INR3b of delayed shipments due to elevated freight costs, but management expects this to normalize and is expanding TBWES capacity and its vendor ecosystem to capture the international thermal pipeline.
Triveni Turbine	❖ Exports were 57% of 1Q order booking, with healthy inquiries mainly from the US, Southeast Asia, and Europe, though Europe is only seeing early improvement while North Africa, SAARC, and the Middle East remain weak. US data center demand is gaining traction as ~4-year gas turbine lead times drive conventional/combined-cycle alternatives, with TRIV seeing higher inquiries and qualified with consultants, OEMs, and EPCs, some of which could convert to orders in FY27.
Zen Technologies	❖ Management expects exports to become a more meaningful growth driver, supported by higher global defense spending and demand for training simulators and anti-drone solutions. It is expanding from the Middle East, Africa, Southeast Asia, and CIS into North America and Europe via initial partnerships with established defense contractors.
Dixon Technologies	❖ Management expects exports to become a key incremental growth driver, with 1Q exports of ~INR11b/0.6-0.7m units potentially increasing to INR180-200b/15-20m units over the next 2 years through 2 anchor customers. Beyond mobile, feature-phone exports are on track with one anchor customer shifting its export base to India, microwave back haul radio exports expected in FY27, and lighting exports to major retail chains in the US and Germany are targeted from 2Q-3QFY27.

Source: Company, MOFSL

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

Companies	Management Comments
TRIL	❖ Export business will continue to form 10-15% of total revenues. For FY27, both domestic and export markets are expected to grow 30% YoY. The company is currently looking at North America, South America, and some of the Australian orders where it is confident to witness good growth.
Carborundum Universal	❖ Management highlighted that Electro Minerals growth remains predominantly export-led, with strong demand from both domestic and international markets. Management also indicated that Ceramics is increasingly export-oriented, with export contribution moving from ~20% to ~35% last year and now tracking toward ~40%. Europe's shift away from China could provide further opportunities for CUMI in Electro Minerals, while the company continues to see healthy international demand.
TD Power	❖ Management remains positive on the export pipeline, particularly from the US and Europe for gas engine and turbines, driven by data centres, grid stabilization, industrial, and energy-transition applications, while steam turbine exports are expected to grow 10–12%. Tariff-related disruptions are being mitigated through the Turkey facility for direct US exports.
Texmaco Rail	❖ Management highlighted a sharp shift toward international and private-sector demand, with export/private orders accounting for 96.4% of the freight-car order book in 1QFY27. This included the INR20b order for wagons from South Africa, with execution expected to contribute significantly from FY28.
Jupitor Wagons	❖ Exports were not a major current revenue driver, but management is using its partnership with Italy's Lucchini RS and SIMEST, which acquired a 25% stake in JTRWF for ~INR2.9b, to bring railwheel technology, engineering expertise, and global market access. Going forward, the company aims to establish a strong export base in railwheels and leverage the partnership to expand its global presence.
Garden Reach	❖ Exports were deliberately moderated as GRSE selectively pursuing attractive, profitable, and visible opportunities from Europe and other friendly foreign customers, while focusing capacity on domestic defence, research vessels, and water-metro/ferry opportunities. Defence exports are largely pursued through G2G channels.
Apar Industries	❖ Management expects demand across North America, Latin America, and Europe for conventional ACSR/AAAC, premium ACCC/OPGW and HTLS, and cables, with U.S. growth supported by approvals for data-center projects serving Meta, Microsoft, and Google. The Middle East crisis disrupted the UAE Hamriyah oil facility due to port closures and initially affected vessel movements and metal prices, though customer clearances have since resumed.

Source: Company, MOFSL

Margins impacted due to commodity price inflation and higher logistics costs

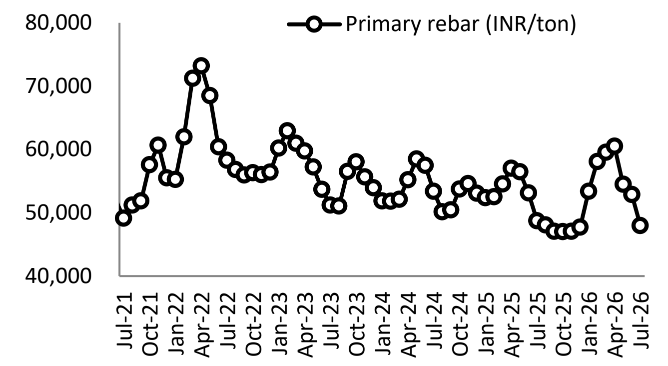
Exhibit 8: Management comments on future margins

Companies	Management Comments
Covered companies	
ABB India	❖ EBITDA margin contracted in 2Q due to higher RM prices, forex volatility, lower exports, and lower-margin project execution. ABB has initiated pricing actions, including two price hikes in Electrification, with benefits to flow through by 3Q-4QCY27.
Atlanta Electricals	❖ Raw material procurement remains on job-to-job basis, limiting inventory-related pricing risks. Management expects margins to remain stable or improve with higher utilization levels.
Astra Microwave	❖ Management expects FY27 EBITDA margins to remain broadly in line with FY26, with modest improvement possible. Margins on larger systems and DCPPs may vary based on order size. Non-defence entity is expected to be in the 18-20% range in the first year.
Bharat Electronics	❖ Management reiterated FY27 guidance of 28% for FY27. Long-term margin profile will be supported by accelerated indigenization.
CG Power	❖ Power systems: No pricing pressure despite industry-wide capacity additions, as demand continues to outpace supply. Industrial systems: Margins to benefit from continued price hikes, including the 5% price hike in 1QFY27 (above the 17% hike earlier). Semiconductor: Near-term margins will remain under pressure on continued investments in capacity, talent, and technology.
Cummins India	❖ Margins remained under pressure from unprecedented commodity inflation and higher logistics costs. To mitigate these headwinds, KKC implemented a price hike at the beginning of 2QFY27, with benefit to accrue with a quarter lag.
GE Vernova T&D	❖ Management attributed the ~400bp QoQ contraction in margin to lower export revenue (100-150bp), elevated commodity prices (100-150bp), and increased share of high-voltage business (200-250bp). Management maintained full-year margin guidance of mid-20s.
Hitachi Energy	❖ Commodity inflation had no material impact in 1Q, with ~70% of contracts carrying variable-price clauses, and the company expects margins to benefit over time from operating leverage.
Kalpataru Proj.	❖ Management retained guidance for 75 bps+ PBT margin improvement, led by T&D, B&F, and O&G at double digit level. 50% of the order book has variable pricing, while steel and diesel remain key risks on fixed-price contracts.
KEC International	❖ Management indicated that margins will gradually improve as execution across slow-moving projects move up.
Kirloskar Oil	❖ Margins were impacted by lower exports, higher costs, and a timing lag between cost inflation and price realization. Management expects margins to improve in future on pricing actions, revenue mix, and operating leverage.
L&T	❖ Management retained core E&C margin guidance at 7.8%. 1Q margins were impacted by slower execution, higher ECL provisions, and forex, while cost pressures were mainly from Middle East logistics disruptions rather than commodities. LT defers non-critical procurement until reimbursement is agreed, limiting structural margin erosion.
Thermax	❖ Higher commodity costs and legacy project execution impacted margins. Management expects inflated commodity prices to get absorbed by 2HFY27 and margins to improve. Industrial infra margins are likely to reach 10%+ once legacy orders are concluded.
Triveni Turbine	❖ Management reiterates its long-term objective of maintaining PBT margins above 20%. Management clarified that orders are booked on a fixed-price, fixed-BOP-cost basis, with lower margins reflecting revenue mix.
Zen Technologies	❖ The company reiterated mid-30% FY27 EBITDA margin guidance. 1Q margins were hit by negative operating leverage, higher warranty provisions, incremental R&D, and absence of prior-year provision reversals.
Amber	❖ Management expects margins to stay around current normalized levels barring further commodity or forex disruptions. PCB sub-segment margins are expected to reach 15-16% from 3QFY27 onwards, while railways are targeted to be 15-16% for FY27.
Dixon Technologies	❖ Margins are expected to remain under pressure throughout FY27 due to elevated memory costs, with no improvement anticipated until backward integration initiatives kicks in.
Not covered companies	
TRIL	❖ The company has maintained its FY27 guidance of 16% EBITDA margin and 9-10% PAT margins at standalone level. The company has built up inventory till Dec'26 and has price variation clauses in place.
Techno Electric	❖ Management expects standalone EBITDA margin to be around 13-14% in FY27, while consolidated margins are expected to remain broadly in line with historical levels.
Carborundum Universal	❖ Management retained its FY27 consolidated margin guidance of 9.5-10% for Abrasives, 20.5-21% for Ceramics, and 9-9.5% for Electrominerals. 1Q margins were impacted by the West Asia conflict, with Abrasives facing ~INR160m of cost push and ~INR80-90m from lower volumes, while Ceramics faced higher fuel and alumina costs.
TD Power	❖ Management expects EBITDA margin of 18-19% for FY27. Tariff-related costs from rerouting production through Turkey are expected to remain manageable, and margins are expected to stay at guided levels.
Texmaco Rail	❖ Management is focused on sustaining or improve margins supported by the healthier railway, private-sector and export mix.
Titagarh	❖ Management expects wheels JV margins to remain in line with a standard forging business, while the passenger business is expected to ramp up with higher production and its existing order book.
Jupiter Wagons	❖ Management expects stronger profitability as volumes and operating leverage improve, while Stone India is expected to turn profitable from 3Q and JEM from FY28, with Stone India targeting ~15% EBITDA margin FY28 onwards.
Garden Reach	❖ 1Q PAT margin improved to 9.0% from 8.7%, with management expecting healthy profitability as execution progresses.
Apar Industries	❖ During 1QFY27, the company benefited from low cost inventory, while in 2QFY27, this is likely to reverse. Overall, for the full year, the company has maintained its guidance.

Source: Company, MOFSL

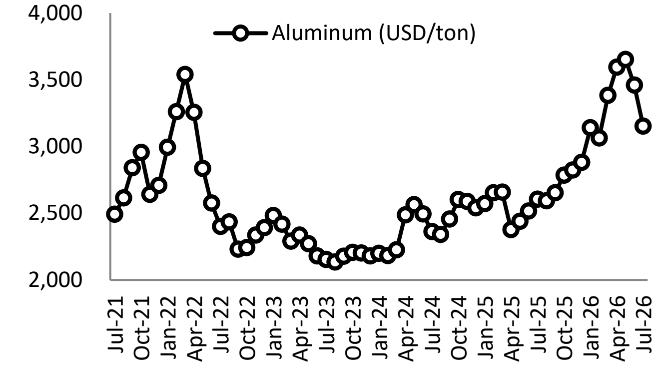
Commodity prices have corrected from six-month highs

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



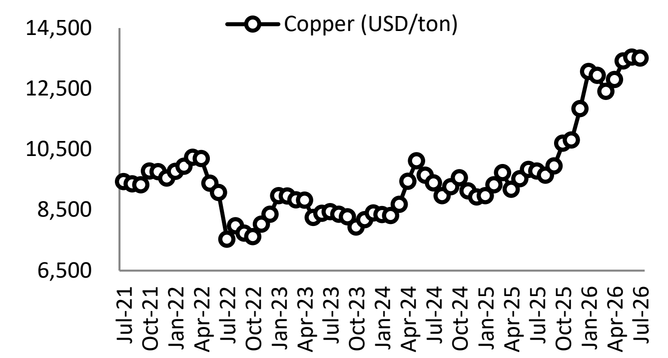
Source: Bloomberg, MOFSL

Exhibit 10: Aluminum price trend (USD/ton)



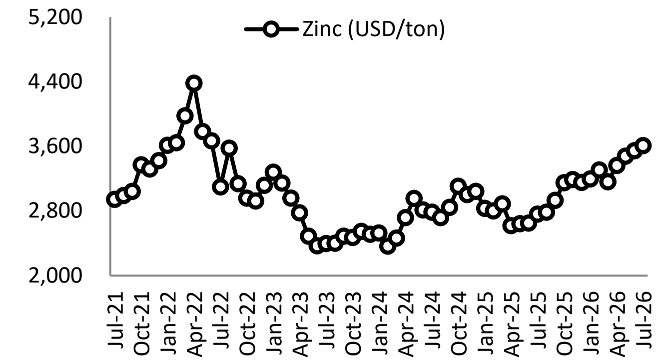
Source: Bloomberg, MOFSL

Exhibit 11: Copper price trend (USD/ton)



Source: Bloomberg, MOFSL

Exhibit 12: Zinc price trend (USD/ton)



Source: Bloomberg, MOFSL

Order inflow growth, margins, and PAT growth critical to sustain valuations

Exhibit 13: Target valuations for the core business and expected growth over FY26-29

Companies	Target Multiple	TP (INR)	CAGR FY26-29 (%)		
			Revenue	EBITDA	PAT
ABB India*	DCF-based, Implying 55x Sep'28E EPS	6,700	15.7	15.7	16.1
Atlanta Electricals	32x 2Y forward EPS	1,950	31.0	34.2	39.5
Astra Microwave	42x 2Y forward EPS	1,900	25.0	23.2	34.7
Bharat Dynamics	42x Sep'28E EPS	1,270	42.4	77.4	43.2
Bharat Electronics	45x Sep'28E EPS	530	14.7	13.9	15.0
CG Power	SoTP	975	24.8	33.2	28.4
Cummins India	Avg DCF and 45x 2Y forward EPS	6,400	17.9	18.2	18.9
GE Vernova T&D	Avg DCF and 58x 2Y forward EPS	5,100	26.0	24.2	23.6
Hindustan Aeronautics	Avg DCF and 30x 2Y forward EPS	5,800	22.5	19.2	16.9
Hitachi Energy	60x 2Y forward EPS	36,000	30.7	42.1	39.3
Kalpataru Proj.	18x Sep'28E EPS for the core business	1,600	14.2	14.5	17.7
KEC International	16x 2Y forward EPS	580	14.6	13.6	17.7
Kirloskar Oil	SoTP	2,800	27.1	33.1	37.0
Larsen & Toubro	25x Sep'28E EPS on Core E&C	4,550	15.3	15.0	20.1
Siemens#	45x 2Y forward	3,500	15.8	21.5	22.7
Siemens Energy**	55x 2Y forward	3,700	25.7	31.9	34.1
Thermax	40x P/E for core business	4,000	18.7	23.7	22.1
Triveni Turbine	40x 2Y forward	680	17.7	18.3	18.7
Zen Technologies	30x Sep'28E EPS	1,600	60.4	67.2	53.9
Amber Enterprises	DCF-based	8,250	38.7	31.9	63.4
Dixon Technologies	DCF-based	16,100	23.4	33.4	46.6

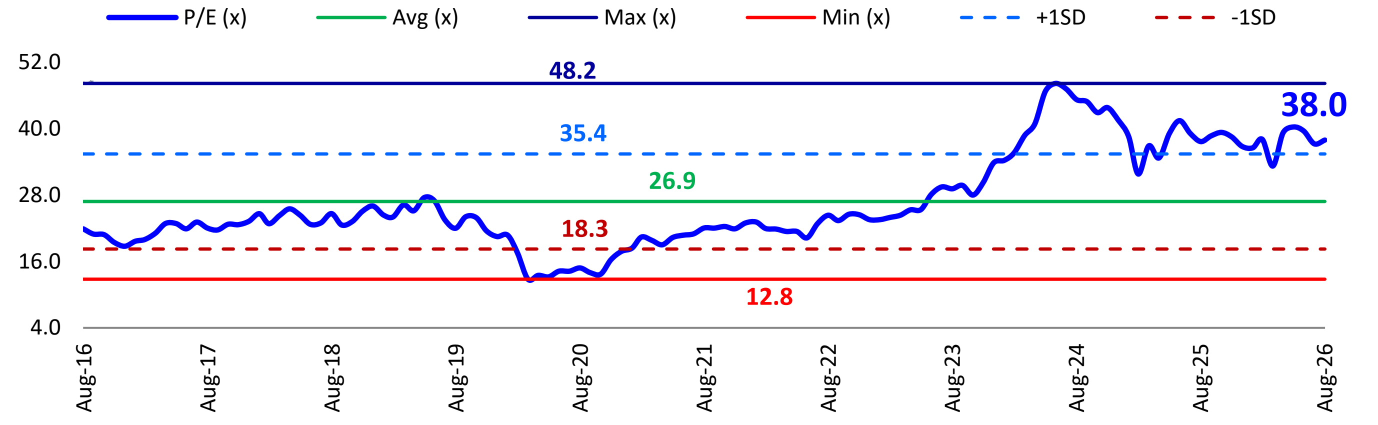
Note: *ABB India CAGR for CY25-28 (Dec ending), Siemens Energy CAGR for Sep'25-Sep'28; #Siemens CAGR for 3 years from 12MFY26-Mar'29;
Source: Company, MOFSL

Exhibit 14: Capital Goods & Defense - relative valuation

Companies	CMP	TP	% upside	Rating	Mcap (INR b)	EPS (INR)			P/E (X)			RoE (%)			RoCE (%)		
						FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
ABB India	7,505	6,700	-11	Neutral	1,590	81.1	79.4	105.5	92.5	94.5	71.2	23.0	18.8	21.0	23.2	19.0	21.1
Atlanta Electricals	1,745	1,950	12	BUY	134	26.4	36.9	56.0	66.1	47.3	31.2	21.8	23.4	26.2	24.4	23.2	26.8
Astra Microwave	1,703	1,900	12	BUY	162	20.3	25.8	35.3	83.8	66.1	48.3	16.0	17.0	19.4	14.5	14.9	16.8
BDL	1,305	1,270	-3	Neutral	478	11.5	18.2	26.7	113.8	71.7	48.9	9.9	14.3	18.3	10.2	14.7	18.7
BEL	411	530	29	BUY	3,003	8.3	9.6	11.2	49.6	42.9	36.8	25.5	23.1	21.5	27.8	25.9	24.0
CG Power	889	975	10	BUY	1,399	7.9	9.9	13.2	112.9	90.0	67.5	21.0	18.0	20.5	20.9	18.1	20.5
Cummins India	5,185	6,400	23	BUY	1,437	87.8	102.8	127.8	59.1	50.4	40.6	32.6	33.7	36.4	31.9	32.1	34.9
GE Vernova T&D	4,341	5,100	17	BUY	1,112	50.0	62.9	82.4	86.8	69.0	52.7	57.4	48.4	44.0	57.9	48.8	44.3
HAL	4,845	5,800	20	BUY	3,240	136.3	149.9	179.6	35.5	32.3	27.0	22.2	20.9	21.1	22.7	21.3	21.4
Hitachi Energy	33,350	36,000	8	NEUTRAL	1,487	234.6	363.0	492.2	142.2	91.9	67.8	20.2	24.1	24.7	20.8	24.6	25.1
KEC	426	580	36	BUY	113	25.0	23.9	32.9	17.1	17.8	12.9	11.5	10.0	12.7	11.7	10.1	11.4
KOEL	2,127	2,800	32	BUY	309	31.9	41.1	61.0	66.7	51.8	34.9	14.6	16.6	21.2	14.4	16.3	20.9
KPIL	1,383	1,600	16	BUY	236	58.6	69.6	81.0	23.6	19.9	17.1	13.0	13.6	14.0	11.7	12.3	12.9
L&T	4,041	4,550	13	BUY	5,555	123.7	147.9	179.4	32.7	27.3	22.5	16.4	17.5	18.7	9.5	10.4	11.5
Siemens*	4,075	3,600	-12	NEUTRAL	1,451	79.4	53.4	70.8	51.3	76.3	57.5	20.4	10.8	12.6	17.4	11.0	12.7
Siemens Energy#	3,245	4,100	26	Buy	1,155	30.9	45.3	61.1	105.0	71.6	53.1	25.1	27.1	26.8	26.9	28.6	27.8
Thermax	3,942	4,000	1	SELL	444	60.1	56.8	88.8	65.6	69.4	44.4	12.9	11.1	15.5	10.7	9.5	12.8
Triveni Turbine	581	680	17	BUY	185	11.5	10.8	15.0	50.6	53.9	38.7	27.1	21.8	25.6	27.3	22.0	25.8
Zen Tech	1,819	1,600	-12	NEUTRAL	164	16.2	33.6	47.0	112.6	54.2	38.7	8.3	15.4	18.2	8.3	15.5	18.3
Amber	7,681	8,250	7	BUY	270	61.7	124.2	187.1	124.4	61.8	41.1	6.5	9.5	12.8	10.2	10.5	13.4
Dixon	14,660	16,100	10	BUY	891	139.7	156.5	259.5	105.0	93.7	56.5	22.1	17.7	23.1	24.5	23.7	30.6

Note: Price close as 28 Aug, 2026; For ABB India, FY26/FY27E/FY28E indicate datapoints for year-ends Dec'25/Dec'26/Dec'27
*For Siemens, FY26 data is for 18 months Mar Y/E, FY27E/FY28E is for 12 months Mar Y/E
#For Siemens Energy, FY26/FY27E/FY28E indicate datapoints for year-ends Sep'25/Sep'26/Sep'27 Source: Company, MOFSL

Exhibit 15: Overall valuations for capital goods and defense have remained range-bound over the last six months on a two-year forward basis – P/E (x)



Source: Bloomberg, MOFSL

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

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