



Company

ABB India
Bharat Electronics
Cummins India
Hitachi Energy India
Kalpataru Projects International
KEC International
Kirloskar Oil Engines
L&T
Siemens
Thermax
Triveni Turbine
Zen Technologies

Eyes on execution growth and margins

The capital goods sector stocks have declined over the last six months on account of concerns around order inflow improvement, the sustainability of execution growth, as well as high margins. With FY25 being an election year, order inflow was expected to be weak, but it is anticipated to ramp up from 4QFY25 onwards. However, ordering has remained strong across thermal power, renewables, T&D, data centers, buildings, and factories, while it has been weak in water and railways. Defense sector ordering is also expected to ramp up based on recent approvals. For genset players, as highlighted in our recent [note](#), demand was initially impacted in October and November for low-to-mid kVA nodes but has started to recover. Overall, we believe that despite selective order inflow improvement, the strong existing order books provide healthy revenue visibility for companies in the sector. We expect a 19% YoY growth in execution for 3QFY25. We expect margins to remain largely stable QoQ, given the benign commodity prices. As a result, we expect a ~20bp YoY expansion in EBITDA margin for our coverage universe. For 3QFY25, we estimate our coverage companies to report revenue growth of 19% YoY, EBITDA growth of 21% YoY, and PAT growth of 26% YoY.

Expectations line up for inflow revival in 4QFY25

Due to the impact of elections (center and state) during 9MFY25, ordering activity was selective. We have witnessed continued traction across sectors such as power T&D, renewables, thermal, semiconductors, data centers, and electronics, while ordering from traditional sectors remained weak, although there is a build-up in the inquiry pipeline now. However, despite weaker ordering, strong inflows during FY24 have supported order books. We expect ordering to pick up from 4QFY25, primarily from government capex, which has been weak so far. The upcoming union budget is expected to provide more clarity regarding the government's policy direction. Defense sector ordering is also expected to materialize in 4QFY25 as the focus on indigenization continues. During the quarter, LT bagged an ultra-mega order from NTPC for thermal power plants in MP and Bihar, addressing some concerns on domestic ordering ramp-up. LT announced orders worth ~INR225b, BHE won ~INR23.6b, KECI secured ~INR60.1b, and KPIL acquired ~INR54.3b worth of orders. With strong existing order books, we estimate 19% YoY growth in execution in 3QFY25 for our coverage universe.

Stable margins to be supported by benign RM inflation

EPC companies are expected to continue reporting sequential margin recovery, in line with their guidance, as execution takes place at favorable terms and commodity prices remain at comfortable levels. We expect EBITDA and gross margin for select large product companies to be either flat or witness slight moderation QoQ due to pricing corrections amid select demand weakness. Product companies are continuously focusing on high-margin areas, tech-led offerings, and deeper penetration in tier 3 and 4 markets; hence, we expect margins to remain high YoY. Prices of key inputs continue to be at manageable levels. Since May'24, copper/aluminum/HRC prices have corrected by 12%/1%/13%, respectively, while zinc prices have risen 3%. We expect ~20bp YoY margin expansion in 3QFY25 for our coverage universe.

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Exports bottom out; expect to improve QoQ

International ordering has remained healthy during the quarter, primarily backed by the global push for renewable energy and infrastructure investments, as reflected in inflows for KECI and KPIL. The ongoing situation in the Middle East merits a closer observation as the trajectory of crude prices has a direct bearing on the fiscal health, and consequently on the capex outlay of key markets such as Saudi Arabia, Qatar, and the UAE. For companies such as KKC, the exports trajectory has shown a sequential uptick and appears to have bottomed out, with improved traction from Europe and LatAm, while other markets are still experiencing weakness. On the other hand, TRIV is clocking healthy export growth, driven by its focus on expanding its international presence.

Long-term capex cycle remains intact

While there have been some near-term hiccups, we believe these are transient in nature. Our long-term thesis on the capex cycle remains intact, supported by policy continuity and a relatively stable macro environment. Sectors such as renewables, transmission, PLI, and defense continue to witness robust traction, wherein the government has already initiated policy measures that provide long-term visibility. These factors, along with healthy bank and corporate balance sheets, create an enabling environment for private sector capex, which has so far been selective. Companies are sitting on healthy order books, which should provide visibility for a healthy revenue CAGR going forward.

Our top picks

Our top picks in the sector are ABB, LT, and BHE. We expect ABB to be a key beneficiary of an improved addressable market for short-cycle orders from the private sector, as well as transmission, railways, data center, and PLI-led spending. We expect LT to continue benefiting from international spending and a potential revival in domestic spending, while maintaining strong control over its working capital. We favor BHE for its strong presence in defense electronics, ability to grow revenue and PAT in mid-teens CAGR, and improving return ratios.

Exhibit 1: Summary of quarterly earnings estimates

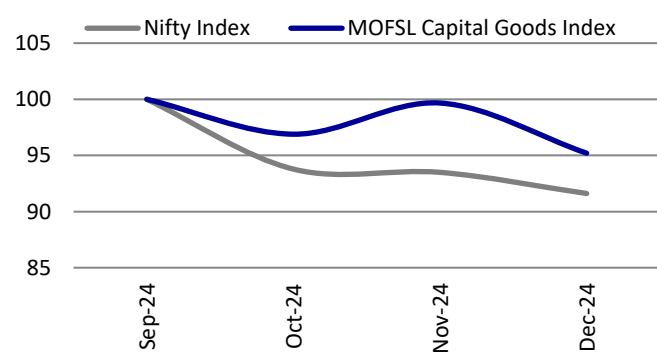
Sector	CMP (INR)	RECO	SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
			Dec-24	Var % YoY	Var % QoQ	Dec-24	Var % YoY	Var % QoQ	Dec-24	Var % YoY	Var % QoQ
ABB India	6929	Buy	31,440	14.0	8.0	5,751	37.8	6.5	4,690	35.8	6.5
Bharat Electronics	294	Buy	49,662	20.1	8.4	12,415	18.3	-10.6	10,306	15.4	-5.6
Cummins India	3230	Buy	26,881	6.1	7.9	5,242	-2.6	9.0	4,694	2.9	4.2
Hitachi Energy	15479	Neutral	17,047	33.8	9.7	1,568	130.6	42.9	887	286.3	69.7
KEC International	1201	Neutral	57,915	15.7	13.3	3,880	26.0	21.2	1,502	55.0	75.8
Kalpataru Proj.	1312	Buy	49,405	19.1	19.4	4,199	22.1	20.5	1,956	35.8	47.8
Kirloskar Oil	1009	Buy	13,140	15.7	10.0	1,550	16.7	-6.0	1,012	23.1	-8.9
Larsen & Toubro	3667	Buy	6,63,515	20.4	7.8	69,292	20.3	8.9	37,937	28.7	11.7
Siemens	6633	Buy	54,874	13.7	-15.1	7,179	20.4	-23.5	5,970	18.1	-28.2
Thermax	3929	Neutral	28,249	21.5	8.2	2,647	41.2	-4.8	1,722	22.7	-13.0
Triveni Turbine	754	Buy	5,020	16.3	0.2	1,054	25.9	-5.4	892	30.0	-2.0
Zen Technologies	2476	Buy	2,310	135.6	-4.4	859	94.3	8.2	637	101.1	-2.4
Capital Goods			9,99,458	19.3	7.1	1,15,638	21.4	4.0	72,204	25.9	4.0

ABB: December ending; SIEM: September ending

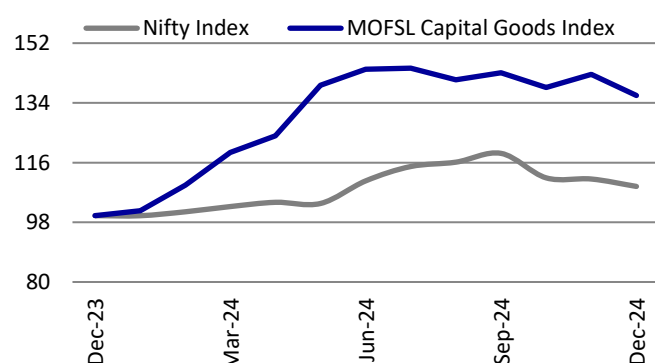
Exhibit 2: Comparative valuations

Company Name	CMP INR	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Capital Goods						49.2	39.1	32.6	8.6	7.4	6.3	17.5	18.9	19.2
ABB India	6,929	Buy	88.7	102.5	119.3	78.1	67.6	58.1	19.1	15.2	12.3	27.6	25.1	23.4
Bharat Electronics	294	Buy	6.7	8.2	9.9	44.2	36.0	29.8	10.6	8.5	6.8	24.0	23.5	22.9
Cummins India	3,230	Buy	71.1	86.2	101.5	45.4	37.4	31.8	12.9	11.4	10.0	30.1	32.3	33.4
Hitachi Energy	15,479	Neutral	75.2	155.5	232.3	205.9	99.5	66.6	39.1	28.1	19.8	19.0	28.2	29.6
Kalpataru Proj.	1,312	Buy	46.2	64.8	84.7	28.4	20.2	15.5	3.0	2.7	2.3	12.0	14.0	15.9
KEC International	1,201	Neutral	23.7	39.6	48.8	50.7	30.3	24.6	5.9	5.2	4.5	13.3	18.3	19.7
Kirloskar Oil	1,009	Buy	32.7	42.9	55.9	30.9	23.5	18.0	4.9	4.3	3.6	16.9	19.4	21.8
Larsen & Toubro	3,667	Buy	111.1	137.2	160.3	33.0	26.7	22.9	5.1	4.5	3.9	16.5	17.9	18.2
Siemens	6,633	Buy	76.3	84.6	107.0	86.9	78.5	62.0	15.4	13.4	11.6	19.1	18.3	20.1
Thermax	3,929	Neutral	63.1	81.4	97.9	62.3	48.3	40.1	8.9	7.7	6.6	15.1	17.1	17.8
Triveni Turbine	754	Buy	11.5	14.3	19.4	65.4	52.7	38.8	19.6	15.4	12.0	33.6	32.8	34.8
Zen Technologies	2,476	Buy	31.7	49.0	68.1	78.1	50.5	36.3	12.9	10.2	8.0	26.1	22.6	24.7

ABB: December ending; SIEM: September ending

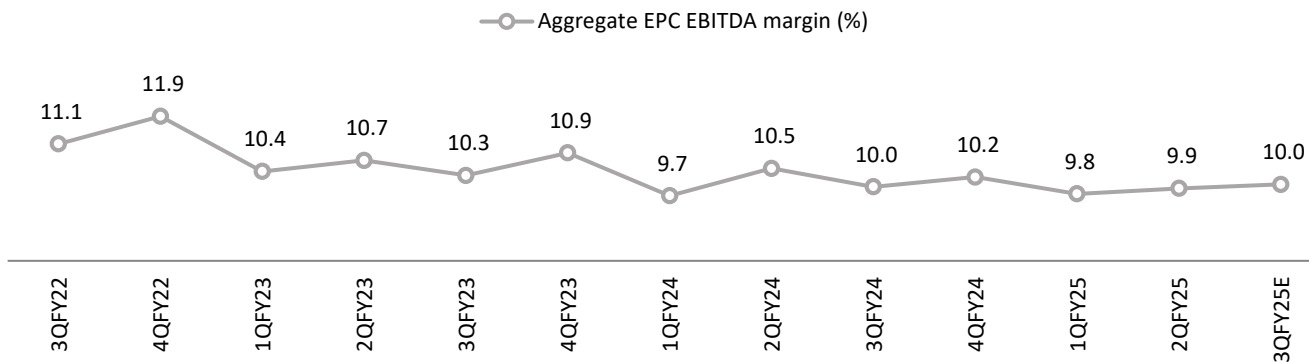
Exhibit 3: Relative performance – three months (%)

Source: Bloomberg, MOFSL

Exhibit 4: Relative performance – one year (%)

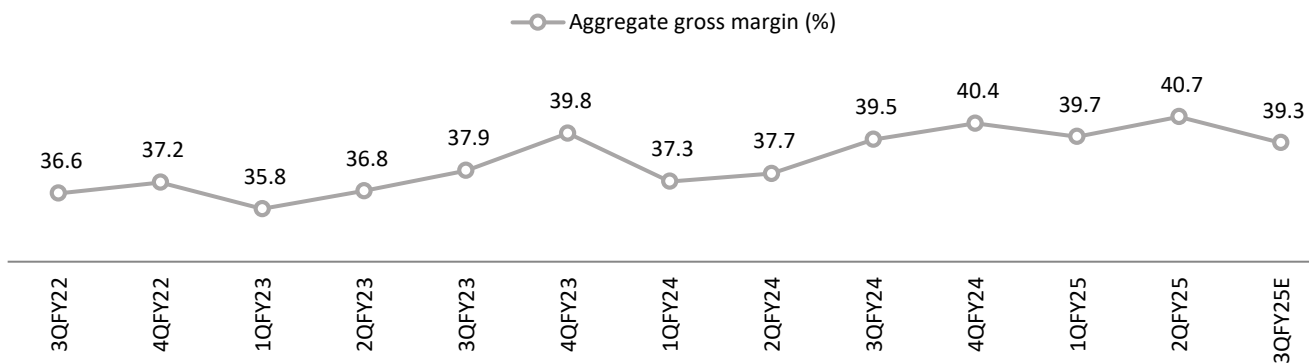
Source: Bloomberg, MOFSL

Exhibit 5: EBITDA margin snapshot for EPC companies under our coverage



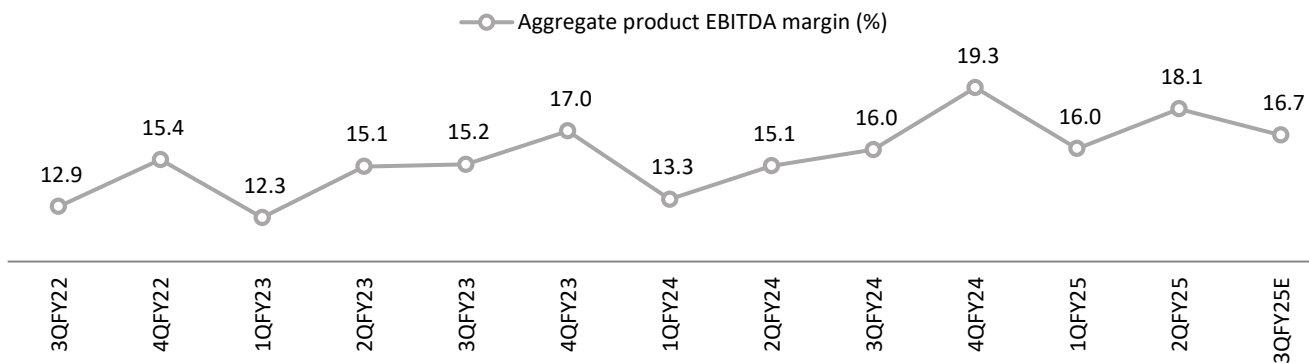
Source: Company, MOFSL

Exhibit 6: Gross margin snapshot for product companies under our coverage



Source: Company, MOFSL

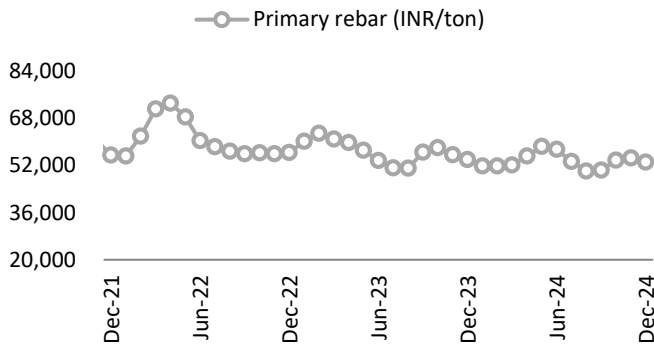
Exhibit 7: EBITDA margin snapshot for product companies under our coverage



Source: Company, MOFSL

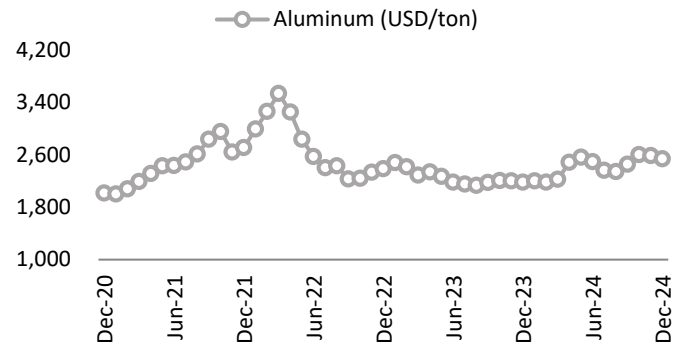
Input prices are stable QoQ

Exhibit 8: Primary rebar price trend (INR/ton)



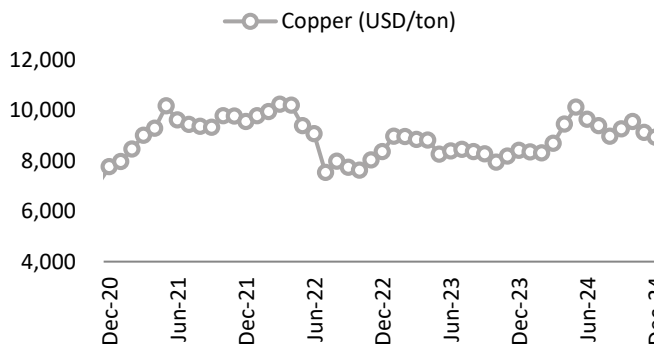
Source: Bloomberg, MOFSL

Exhibit 9: Aluminum price trend (USD/ton)



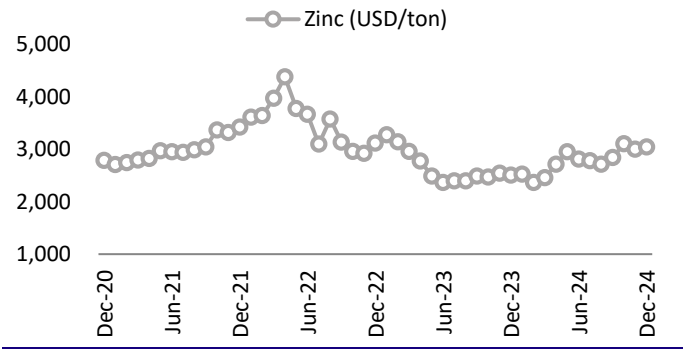
Source: Bloomberg, MOFSL

Exhibit 10: Copper price trend (USD/ton)



Source: Bloomberg, MOFSL

Exhibit 11: Zinc price trend (USD/ton)



Source: Bloomberg, MOFSL

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

ABB India

Buy

CMP: INR6,929 | TP: INR8,500 (+23%)

EPS CHANGE (%): CY24 | CY25: -|-

- ABB's revenue growth moderated in 3QCY24 due to a change in the composition of the order book. Execution would be the key monitorable in light of the same.
- We expect revenue to grow 14% YoY, driven by the Robotics & Motion and Electrification segments. Strong demand traction continues, which should result in order inflow growth.
- We expect margin to expand ~320bp YoY, aided by a better product mix, share of services, and operating leverage.
- We would watch out for incremental inflows from transmission, railways, data center, and private capex to support order inflow growth. Key monitorables include sustainability of inflows and margins, outlook on exports, and localization levels.

Standalone - Quarterly Snapshot

Y/E December	CY23				CY24E				CY23	CY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	24,112	25,086	27,692	27,575	30,804	28,309	29,122	31,440	1,04,465	1,20,347
YoY Change (%)	22.5	22.2	30.6	13.6	27.8	12.8	5.2	14.0	21.9	15.2
Total Expenditure	21,259	21,599	23,307	23,403	25,152	22,884	23,719	25,689	89,567	97,443
EBITDA	2,853	3,487	4,385	4,172	5,652	5,425	5,402	5,751	14,898	22,904
Margins (%)	11.8	13.9	15.8	15.1	18.3	19.2	18.6	18.3	14.3	19.0
Depreciation	274	292	303	329	314	310	328	345	1,199	1,297
Interest	22	14	9	82	38	45	30	31	127	144
Other Income	723	750	768	776	871	868	929	989	3,017	3,657
PBT before EO expense	3,279	3,931	4,842	4,537	6,171	5,938	5,973	6,366	16,589	25,120
PBT	3,279	3,931	4,842	4,537	6,171	5,938	5,973	6,366	16,589	25,120
Tax	827	972	1,222	1,085	1,575	1,511	1,568	1,676	4,106	6,330
Rate (%)	25.2	24.7	25.2	23.9	25.5	25.5	26.3	26.3	24.8	25.2
Reported PAT	2,452	2,959	3,620	3,452	4,596	4,426	4,405	4,690	12,483	18,790
Adj PAT	2,452	2,959	3,620	3,452	4,596	4,426	4,405	4,690	12,483	18,790
YoY Change (%)	-34.3	110.9	84.0	13.1	87.4	49.6	21.7	35.8	79.5	51.2
Margins (%)	10.2	11.8	13.1	12.5	14.9	15.6	15.1	14.9	11.9	15.6

Bharat Electronics

Buy

CMP: INR294 | TP: INR360 (22%)

EPS CHANGE (%): FY25 | FY26: -|-

- We expect revenue growth of 20% YoY, led by healthy execution of the record OB of INR746b.
- Gross margin is expected to normalize post the 2Q spike.
- Key monitorables include update on order inflows, status of QRSAM/MRSAM, execution of orders for LRSAM and EW projects, share of exports, and working capital cycle.
- We expect margins to return to FY24 levels and contract ~40bp YoY, reaching 25%. Margins in BHE are a function of the project mix and can vary sharply during a quarter.
- Further indigenization of modules, subsystems, etc are expected to support BEL in future margin expansion.

Standalone - Quarterly Snapshot

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	35,108	39,933	41,367	85,285	41,988	45,834	49,662	99,001	2,01,694	2,36,484
Change (%)	12.8	1.2	0.1	32.1	19.6	14.8	20.1	16.1	14.3	17.2
EBITDA	6,644	10,044	10,494	22,800	9,367	13,885	12,415	23,715	49,982	59,383
Change (%)	29.4	17.4	23.0	24.9	41.0	38.2	18.3	4.0	23.5	18.8
Margin (%)	18.9	25.2	25.4	26.7	22.3	30.3	25.0	24.0	24.8	25.1
Depreciation	1,013	1,004	998	1,109	997	1,032	1,110	1,413	4,124	4,552
Interest	11	15	5	39	12	13	18	28	70	70
Other Income	1,417	1,705	2,232	2,205	2,015	1,668	2,388	3,720	7,558	9,792
PBT	7,038	10,729	11,723	23,856	10,373	14,509	13,676	25,994	53,346	64,552
Tax	1,729	2,606	2,790	6,021	2,612	3,596	3,370	6,329	13,146	15,907
Effective Tax Rate (%)	24.6	24.3	23.8	25.2	25.2	24.8	24.6	24.3	24.6	24.6
Reported PAT	5,308	8,123	8,933	17,835	7,761	10,913	10,306	19,665	40,200	48,645
Change (%)	23.0	32.9	49.2	30.6	46.2	34.3	15.4	10.3	33.7	21.0
Adj PAT	5,308	8,123	8,933	17,835	7,761	10,913	10,306	19,665	40,200	48,645
Change (%)	23.0	32.9	49.2	30.6	46.2	34.3	15.4	10.3	33.7	21.0

Cummins India**Buy****CMP: INR3,230 | TP: INR4,250 (+32%)****EPS CHANGE (%): FY25 | FY26: -|-**

- We expect revenue to grow 6% YoY on a high base of 3QFY24, which witnessed the delivery of a large data center order. Sequentially, we expect 8% overall revenue growth.
- Key monitorables include demand outlook across segments, pricing environment in Powergen, and the export trajectory.
- We expect EBITDA margin to contract ~170bp YoY as 3QFY24 margins had the impact of higher data centre volumes too. Sequentially, we expect a ~20bp expansion.
- Within segments, we expect powergen segment portfolio under transition to benefit from price hikes. We also expect exports to grow 41% YoY on a low base.
- With other players launching their CPCB 4+ products, pricing dynamics across nodes will be key monitorable.

Standalone - Quarterly Snapshot**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	22,087	18,997	25,341	23,162	23,042	24,923	26,881	28,231	89,586	1,03,077
YoY Change (%)	31.0	-2.6	16.2	20.3	4.3	31.2	6.1	21.9	15.7	15.1
Total Expenditure	18,681	15,611	19,961	17,719	18,369	20,113	21,639	22,330	71,972	82,450
EBITDA	3,406	3,386	5,379	5,443	4,673	4,810	5,242	5,901	17,614	20,627
Margins (%)	15.4	17.8	21.2	23.5	20.3	19.3	19.5	20.9	19.7	20.0
Depreciation	358	379	419	420	439	452	418	404	1,576	1,713
Interest	77	67	63	62	48	26	72	150	268	295
Other Income	1,175	1,322	1,136	2,045	1,322	1,611	1,428	1,495	5,678	5,856
PBT before EO expense	4,146	4,263	6,034	7,006	5,509	5,944	6,181	6,843	21,448	24,476
Extra-Ord expense			17						17	0
PBT	4,146	4,263	6,017	7,006	5,509	5,944	6,181	6,843	21,431	24,476
Tax	989	978	1,467	1,390	1,311	1,438	1,486	1,651	4,824	5,886
Rate (%)	23.9	22.9	24.4	19.8	23.8	24.2	24.0	24.1	22.5	24.0
Reported PAT	3,157	3,285	4,549	5,615	4,198	4,506	4,694	5,192	16,606	18,590
Adj PAT	3,157	3,285	4,562	5,615	4,198	4,506	4,694	5,192	16,619	18,590
YoY Change (%)	50.6	30.2	26.7	76.3	33.0	37.2	2.9	-7.5	45.7	11.9
Margins (%)	14.3	17.3	18.0	24.2	18.2	18.1	17.5	18.4	18.6	18.0

Hitachi Energy India**Neutral****CMP: INR15,479 | TP: INR13,800 (-11%)****EPS CHANGE (%): FY25 | FY26: -|-**

- We expect revenue growth of 34% YoY to INR17b, led by healthy execution of the opening OB of INR89.1b.
- Key monitorables include further ramp-up in margins, progress on HVDC projects, and STATCOM order finalization. It recently won the Khavda-Nagpur HVDC order from PGCIL, in consortium with BHEL.
- We expect EBITDA margin to expand ~390bp, aided by operating leverage gains and easing of supply chain-related issues.
- The execution of the Mumbai HVDC project is expected to provide near-term support to revenue.
- We increase our TP to INR13,800 on roll forward to Mar'27.

Standalone - Quarterly Snapshot -**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	10,401	12,280	12,742	16,953	13,272	15,537	17,047	22,331	52,375	68,188
Change (%)	5.5	10.2	23.2	27.1	27.6	26.5	33.8	31.7	17.2	30.2
EBITDA	337	653	680	1,820	479	1,097	1,568	2,675	3,490	5,820
Change (%)	31.3	-13.7	72.4	91.4	42.3	68.0	130.6	47.0	47.9	66.8
Margins (%)	3.2	5.3	5.3	10.7	3.6	7.1	9.2	12.0	6.7	8.5
Depreciation	223	225	227	225	221	228	238	290	900	978
Interest	110	107	137	112	109	164	145	145	466	563
Other Income	29	2	22	39	1	1	16	16	93	34
PBT	34	324	338	1,522	150	706	1,201	2,256	2,217	4,314
Tax	10	76	108	385	46	183	314	584	579	1,127
Effective Tax Rate (%)	28.7	23.6	32.0	25.3	30.8	25.9	26.1	25.9	26.1	26.1
Extra-ordinary Items										
Reported PAT	24	247	230	1,137	104	523	887	1,673	1,638	3,187
Change (%)	79.9	-33.3	401.5	123.7	332.4	111.4	286.3	47.2	74.4	94.6
Adj PAT	24	247	230	1,137	104	523	887	1,673	1,638	3,187
Change (%)	79.9	-33.3	401.5	123.7	332.4	111.4	286.3	47.2	74.4	94.6

Kalpataru Projects International**Buy****CMP: INR1,312 | TP: INR1,500 (+14%)****EPS CHANGE (%): FY25 | FY26: -|-**

- We expect revenue growth of 19% YoY as execution has been healthy across segments, barring the Water segment, which is still weak.
- Key monitorables include execution ramp-up, margin trajectory, customer collections, and outlook on the urban infra and B&F division.
- We expect EBITDA margin of 8.5% (+20bp YoY/+10bp QoQ) with further expansion in 4QFY25.
- We would also watch out for the working capital cycle and debt levels, which would have likely come down sequentially post the QIP and receipt of certain payments in the Water segment.

Standalone - Quarterly Earning Model**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	36,220	38,440	41,470	51,470	37,220	41,361	49,405	69,632	1,67,600	1,97,618
YoY Change (%)	15.4	16.7	18.2	17.1	2.8	7.6	19.1	35.3	16.9	17.9
Total Expenditure	33,080	35,360	38,030	47,470	34,080	37,877	45,205	63,559	1,53,940	1,80,721
EBITDA	3,140	3,080	3,440	4,000	3,140	3,485	4,199	6,073	13,660	16,897
Margins (%)	8.7	8.0	8.3	7.8	8.4	8.4	8.5	8.7	8.2	8.6
Depreciation	930	880	940	930	930	914	971	1,070	3,680	3,886
Interest	750	850	830	940	860	998	874	763	3,370	3,494
Other Income	290	250	270	320	290	264	275	270	1,130	1,099
PBT before EO expense	1,750	1,600	1,940	2,450	1,640	1,836	2,629	4,511	7,740	10,616
Extra-Ord expense	0	0	0	350	0	0	0	0	350	0
PBT	1,750	1,600	1,940	2,100	1,640	1,836	2,629	4,511	7,390	10,616
Tax	490	470	500	600	470	513	673	1,062	2,060	2,718
Rate (%)	28.0	29.4	25.8	28.6	28.7	27.9	25.6	23.5	27.9	25.6
Reported PAT	1,260	1,130	1,440	1,500	1,170	1,323	1,956	3,449	5,330	7,898
Adj PAT	1,260	1,130	1,440	1,750	1,170	1,323	1,956	3,449	5,582	7,898
YoY Change (%)	-23.2	8.7	29.7	52.6	-7.1	17.1	35.8	97.1	19.1	41.5
Margins (%)	3.5	2.9	3.5	3.4	3.1	3.2	4.0	5.0	3.3	4.0

KEC International**Neutral****CMP: INR1,201 | TP: INR1,050 (-13%)****EPS CHANGE (%): FY25 | FY26: -|-**

- We expect 16% YoY revenue growth, driven by a strong opening order book of INR327b.
- Key monitorables include order pipeline in both T&D and civil, execution ramp-up, and margin expansion. Recently, KECI has hived off its Cables business to its subsidiary.
- We expect EBITDA margin to expand 60bp YoY/40bp QoQ, in line with guidance.
- We would watch out for the payment cycle, debt levels, and NWC improvement.

Consolidated - Quarterly Snapshot**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	42,436	44,990	50,067	61,648	45,119	51,133	57,915	68,584	1,99,141	2,22,751
YoY Change (%)	27.9	10.7	14.4	11.6	6.3	13.7	15.7	11.2	15.2	11.9
Total Expenditure	39,992	42,247	46,988	57,768	42,415	47,931	54,035	62,627	1,86,996	2,07,008
EBITDA	2,444	2,743	3,079	3,880	2,704	3,202	3,880	5,957	12,146	15,743
Margins (%)	5.8	6.1	6.1	6.3	6.0	6.3	6.7	8.7	6.1	7.1
Depreciation	418	465	488	483	465	453	531	584	1,853	2,033
Interest	1,587	1,778	1,644	1,543	1,550	1,681	1,413	1,281	6,551	5,924
Other Income	28	158	260	78	431	66	82	104	524	683
PBT before EO expense	467	658	1,207	1,933	1,120	1,135	2,018	4,196	4,265	8,470
Extra-Ord expense										
PBT	467	658	1,207	1,933	1,120	1,135	2,018	4,196	4,265	8,470
Tax	44	100	239	415	245	281	517	1,126	798	2,168
Rate (%)	9.4	15.2	19.8	21.5	21.8	24.7	25.6	26.8	18.7	25.6
Reported PAT	423	558	969	1,517	876	854	1,502	3,070	3,467	6,301
Adj PAT	423	558	969	1,517	876	854	1,502	3,070	3,467	6,301
YoY Change (%)	36.8	1.0	449.5	110.2	106.9	53.1	55.0	102.3	96.9	81.7
Margins (%)	1.0	1.2	1.9	2.5	1.9	1.7	2.6	4.5	1.7	2.8

Kirloskar Oil Engines**Buy****CMP: INR1,009 | TP: INR1,540 (+53%)****EPS CHANGE (%): FY25|26: -|-**

- We expect revenue growth of 16% YoY, led by Industrial and Distribution segments. We expect the Powergen segment's performance to pick up after some weakness seen during October and November.
- Key monitorables include outlook on genset demand, pricing environment, and export ramp-up.
- We expect the EBITDA margin to be flattish YoY as certain low-to-mid kVA nodes have seen some price correction.
- Ramp-up of the US business, B2C business, and Arka Fincap performance will be closely observed.

Standalone - Quarterly Snapshot**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	12,647	10,590	11,352	13,917	13,429	11,944	13,140	16,237	48,505	54,749
YoY Change (%)	26.5	4.8	13.5	20.7	6.2	12.8	15.7	16.7	17.8	12.9
Total Expenditure	11,102	9,603	10,023	12,135	11,452	10,294	11,589	14,296	42,864	47,632
EBITDA	1,545	986	1,329	1,782	1,977	1,650	1,550	1,940	5,642	7,117
Margins (%)	12.2	9.3	11.7	12.8	14.7	13.8	11.8	12.0	11.6	13.0
Depreciation	213	243	257	257	247	266	250	236	970	999
Interest	14	16	20	29	27	26	33	46	78	132
Other Income	70	64	57	85	108	118	96	62	274	383
PBT before EO expense	1,388	791	1,109	1,581	1,810	1,476	1,364	1,721	4,868	6,370
PBT	1,388	791	1,109	1,581	1,810	1,476	1,364	1,721	4,868	6,370
Tax	355	205	287	405	462	365	352	463	1,252	1,642
Rate (%)	25.6	25.9	25.9	25.6	25.5	24.7	25.8	26.9	25.7	25.8
Reported PAT	1,032	586	822	1,176	1,347	1,111	1,012	1,258	3,616	4,727
Adj PAT	1,032	586	822	1,176	1,347	1,111	1,012	1,258	3,616	4,727
YoY Change (%)	59.9	-19.3	20.5	81.3	30.5	89.6	23.1	6.9	33.8	30.7
Margins (%)	8.2	5.5	7.2	8.5	10.0	9.3	7.7	7.7	7.5	8.6

Larsen & Toubro**Buy****CMP: INR3,667 | TP: INR4,300 (+17%)****EPS CHANGE (%): FY25|26: -|-**

- We expect consolidated revenue growth of 20% YoY, led by 24% YoY revenue growth for Core E&C.
- Key monitorables include domestic order pipeline, margin performance, as well as working capital cycle. Notably, the company has bagged thermal and defense orders in 3QFY25, allaying concerns on domestic ordering.
- We expect Core E&C EBITDA margin of 8.1%, up 40bp YoY/50bp QoQ.
- We would also look out for execution ramp-up in Saudi projects and trend in the GCC order pipeline.

Consolidated - Quarterly Snapshot**(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	479	510	551	671	551	616	664	808	2,211	2,638
YoY Change (%)	33.6	19.3	18.8	15.0	15.1	20.6	20.4	20.4	20.6	19.3
Total Expenditure	430	454	494	598	495	552	594	717	1,976	2,358
EBITDA	49	56	58	72	56	64	69	91	235	280
Margins (%)	10.2	11.0	10.4	10.8	10.2	10.3	10.4	11.3	10.6	10.6
Depreciation	8	9	9	10	10	10	10	10	37	41
Interest	9	9	9	9	9	9	8	8	35	32
Other Income	11	11	8	10	9	11	9	9	42	37
PBT before EO expense	43	50	48	63	47	56	60	83	204	244
Extra-Ord expense	0	0	0	-1	0	0	0	0	-1	0
PBT	43	50	48	64	47	56	60	83	205	244
Tax	12	11	12	14	12	14	16	22	49	63
Rate (%)	28.1	22.8	24.7	22.1	26.4	26.0	26.2	26.1	24.1	25.8
MI & P/L of Asso. Cos.	6	6	6	6	7	7	6	7	25	26
Reported PAT	25	32	29	44	28	34	38	54	131	155
Adj PAT	25	32	29	43	28	34	38	54	130	155
YoY Change (%)	46.5	44.6	20.0	8.4	11.7	5.4	28.7	25.3	49.8	19.2
Margins (%)	5.2	6.3	5.3	6.4	5.1	5.5	5.7	6.7	5.9	5.9

Siemens**Buy****CMP: INR6,633 | TP: INR8,000 (+21%)****EPS CHANGE (%): FY25|26: -|-**

- We expect 14% YoY revenue growth with execution ramp-up in Energy, Smart Infra, and Mobility segments.
- Key monitorables include margin trajectory, execution progress of the locomotive order, demand trajectory of the digital industries segment, and the private capex pipeline.
- We expect EBITDAM to expand ~70bp on account of healthy improvement in Energy and Smart Infra divisions.
- Demand outlook from both government and private sector and export outlook to be watched keenly.

Consolidated - Quarterly Snapshot**(INR m)**

Y/E September	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	48,252	57,499	52,035	64,611	54,874	66,708	61,189	79,695	2,22,397	2,62,466
YoY Change (%)	20.2	18.4	6.8	11.3	13.7	16.0	17.6	23.3	13.7	18.0
Total Expenditure	42,291	48,717	45,120	55,230	47,695	57,562	52,471	67,639	1,91,358	2,25,366
EBITDA	5,961	8,782	6,915	9,381	7,179	9,146	8,718	12,057	31,039	37,100
Margins (%)	12.4	15.3	13.3	14.5	13.1	13.7	14.2	15.1	14.0	14.1
Depreciation	785	800	855	856	865	865	865	865	3,296	3,461
Interest	34	313	53	205	151	151	151	151	605	605
Other Income	1,641	3,210	1,568	2,833	1,870	1,870	1,870	1,870	9,252	7,479
PBT before EO expense	6,783	10,879	7,575	11,153	8,032	9,999	9,571	12,910	36,390	40,513
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	6,783	10,879	7,575	11,153	8,032	9,999	9,571	12,910	36,390	40,513
Tax	1,726	2,851	1,794	2,841	2,063	2,568	2,458	3,315	9,212	10,403
Rate (%)	25.4	26.2	23.7	25.5	25.7	25.7	25.7	25.7	25.3	25.7
Reported PAT	5,057	8,028	5,781	8,312	5,970	7,432	7,114	9,595	27,178	30,110
Adj PAT	5,057	8,028	5,781	8,312	5,970	7,432	7,114	9,595	27,178	30,110
YoY Change (%)	9.3	70.2	26.9	45.4	18.1	-7.4	23.1	15.4	38.5	10.8
Margins (%)	10.5	14.0	11.1	12.9	10.9	11.1	11.6	12.0	12.2	11.5

Thermax**Neutral****CMP: INR3,929 | TP: INR4,400 (+12%)****EPS CHANGE (%): FY25|26: -|-2**

- We expect revenue to grow 22% YoY and EBITDA margin to expand 130bp YoY to 9.4%. Sequentially, margin is estimated to contract ~220bp due to the one-off government incentive received in 2QFY25.
- Key monitorables include the large order pipeline, margin outlook, and industrial Infra and Chemicals segment.
- We expect healthy YoY EBITDA and PAT growth of 41% and 23%, respectively.
- The performance of key subsidiaries (FEPL, TOESL) needs to be monitored closely.
- We reduce our FY26/27 estimates baking in slightly lower revenue growth.

Consolidated - Quarterly Snapshot**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	19,330	23,025	23,244	27,637	21,844	26,116	28,249	34,264	93,235	1,10,474
YoY Change (%)	16.8	10.9	13.4	19.6	13.0	13.4	21.5	24.0	15.2	18.5
Total Expenditure	18,008	20,978	21,369	24,905	20,433	23,336	25,603	31,002	85,261	1,00,373
EBITDA	1,322	2,046	1,874	2,732	1,412	2,780	2,647	3,263	7,974	10,101
Margins (%)	6.8	8.9	8.1	9.9	6.5	10.6	9.4	9.5	8.6	9.1
Depreciation	294	330	358	499	360	421	440	440	1,481	1,660
Interest	134	198	266	278	275	294	348	348	876	1,265
Other Income	531	659	584	553	841	598	447	447	2,326	2,332
PBT before EO expense	1,425	2,177	1,834	2,507	1,617	2,663	2,306	2,921	7,943	9,507
Extra-Ord expense	506	0	-1,261						-755	0
PBT	919	2,177	3,095	2,507	1,617	2,663	2,306	2,921	8,698	9,507
Tax	315	589	721	633	519	683	583	621	2,258	2,405
Rate (%)	34.3	27.0	23.3	25.2	32.1	25.6	25.3	21.2	26.0	25.3
Reported PAT	600	1,586	2,371	1,876	1,094	1,980	1,722	2,305	6,432	7,102
Adj PAT	932	1,586	1,403	1,952	1,094	1,980	1,722	2,305	5,873	7,102
YoY Change (%)	58.1	45.3	11.0	24.9	17.4	24.9	22.7	18.1	42.7	10.4
Margins (%)	4.8	6.9	6.0	7.1	5.0	7.6	6.1	6.7	6.3	6.4

Triveni Turbine**Buy****CMP: INR754 | TP: INR880 (+17%)****EPS CHANGE (%): FY25|26: -|-**

- We expect revenue growth of 16% YoY on account of robust traction in exports and aftermarket, while domestic has started to inch up.
- Key monitorables include domestic order inflow, inquiry pipeline, and trend in the US business.
- We expect EBITDA margin to expand ~160bp YoY, led by higher aftermarket and exports share.
- Domestic ordering, update on API turbines, and performance of 30-100MW segment need to be observed.

Consolidated - Quarterly Snapshot**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	3,764	3,878	4,317	4,581	4,633	5,011	5,020	5,665	16,539	20,328
YoY Change (%)	45.3	32.4	32.5	23.9	23.1	29.2	16.3	23.7	32.6	22.9
Total Expenditure	3,055	3,134	3,480	3,682	3,677	3,897	3,966	4,418	13,351	15,957
EBITDA	709	744	837	898	956	1,114	1,054	1,246	3,188	4,371
Margins (%)	18.8	19.2	19.4	19.6	20.6	22.2	21.0	22.0	19.3	21.5
Depreciation	49	51	55	53	62	61	62	64	208	249
Interest	7	6	6	7	10	8	8	5	27	30
Other Income	134	146	172	171	194	196	207	207	622	804
PBT before EO expense	786	832	949	1,009	1,078	1,241	1,191	1,385	3,576	4,895
PBT	786	832	949	1,009	1,078	1,241	1,191	1,385	3,576	4,895
Tax	177	190	264	252	274	331	299	326	883	1,231
Rate (%)	22.4	22.8	27.8	25.0	25.4	26.7	25.1	23.5	24.7	25.1
MI & Profit/Loss of Asso. Cos.	0	-2	-2	5	0	0			2	
Reported PAT	610	644	686	751	804	910	892	1,059	2,691	3,665
Adj PAT	610	644	686	751	804	910	892	1,059	2,691	3,665
YoY Change (%)	59.2	39.0	30.4	35.1	31.8	41.4	30.0	40.9	39.5	36.0
Margins (%)	16.2	16.6	15.9	16.4	17.4	18.2	17.8	18.7	16.3	18.0

Zen Technologies**Buy****CMP: INR2,476 | TP: INR2,750 (+11%)****EPS CHANGE (%): FY25|26: +7|+7**

- We expect revenue to continue on a sharp incline on account of strong execution of orders in both domestic and export markets.
- Key monitorables include order inflows for both training simulators and anti-drones in domestic and export markets in the following years, as well as working capital days expected to return to normal levels.
- We expect EBITDA/PAT to increase 94%/101% YoY and margin to be at 1HFY25 levels.
- We revise our full-year estimates on lower tax rate assumptions and increase our TP based on March'27 EPS.
- The launch of new remote-controlled weapon systems, grant of patents, and expansion into foreign markets are expected to support future growth.

Consolidated - Quarterly Snapshot**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	1,324	640	981	1,357	2,540	2,417	2,310	2,778	4,303	10,045
YoY Change (%)	298.5	203.1	197.8	83.0	91.7	277.4	135.6	104.7	166.5	133.5
Total Expenditure	663	423	539	906	1,508	1,623	1,451	1,647	2,530	6,228
EBITDA	662	218	442	451	1,032	794	859	1,132	1,772	3,817
Margins (%)	50.0	34.0	45.1	33.2	40.6	32.9	37.2	40.7	41.2	38.0
Depreciation	15	18	19	22	22	23	22	22	73	90
Interest	4	4	4	6	10	21	17	17	18	64
Other Income	26	48	42	23	30	84	35	35	139	185
PBT	670	243	461	422	1,030	835	856	1,128	1,796	3,848
Tax	199	70	144	140	288	182	219	296	552	985
Rate (%)	29.6	28.7	31.2	33.2	28.0	21.8	25.6	26.2	30.7	25.6
Reported PAT	471	173	317	282	742	652	637	832	1,244	2,863
Adj PAT	471	173	317	306	742	652	637	832	1,268	2,863
YoY Change (%)	474.2	279.1	467.2	77.3	57.4	276.1	101.1	171.7	237.0	125.7
Margins (%)	35.6	27.1	32.3	22.6	29.2	27.0	27.6	29.9	29.5	28.5

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NOTES

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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

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