Industrials

Growth momentum to continue

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We expect our Industrial coverage universe 1QFY26 revenue to grow by c.11.8% YoY driven by strong opening orderbook and demand. Factoring stable commodity prices and execution mix, EBITDA margin for most of the companies are expected to expand YoY (except for AIA, Cummins and ideaForge which is expected to decline on a high base and change in revenue mix). On the order inflow front, we believe domestic ordering prospects remain strong from sectors such as Defence, Data Centre, T&D, Power, Railways, Renewables, etc. The sequential growth momentum in domestic genset volume is likely to continue. Overall export markets are expected to improve on sequential basis, however current geopolitical issues will be key monitorable. We remain positive on the sector, factoring in continued push by the government on infrastructure development and making India a manufacturing hub.

- **Momentum in defence to continue:** We expect BEL to report revenue growth of 16.1% YoY, (opening order book of INR 716bn); EBITDA margin is expected to be healthy at 22.5%, (up 20bps YoY). BEL reported order inflows of INR 73bn in 1QFY26 (FY26 order inflow guidance stands at INR 270bn, excluding QRSAM order). For Data Patterns, we expect revenue to grow 14.4% YoY aided by revenue booking for spill over from last 2-3 quarters. EBITDA margin is likely to expand 80bps YoY to 36.5% driven by operating leverage. Product offtake by customers will be a key monitorable.

- **Mining consumables:** Within Mining consumables we expect AIAE to report YoY decline in volume and realisation, factoring in, destocking at customer end, delay in customer conversion, supply chain constraints and declining ferro chrome prices. Resulting in revenue decline of 6.7% YoY and EBITDA margins declining 180bps YoY. While, Tega is expected to report revenue growth of c.17.7% YoY, factoring 40% YoY growth in Equipment business on low base and consumable segment growing 15% YoY, aided by revenue booking of 4QFY25 revenue spill over. Margins expansion will be largely due to positive margins in equipment business vs loss YoY.

- **Diesel genset on recovery path post emission norms changes:** Genset players like Cummins and KOEL are expected to see recovery in genset volumes on a sequential basis, and further recovery in volume is expected, going forward. Revenue is likely to be supported by volume growth, stable pricing in powergen segment, continued traction in industrial segment and exports picking up sequentially for Cummins. Management commentary on genset demand scenario pick-up and export outlook will be a key monitorable.

- **Other Industrials:** Techno-electric growth will be driven by strong opening order book for T&D segment, execution of Railtel data centre order. Order prospects for Techno are strong, especially in the T&D sector. Management commentary on data centre commissioning and status on client on-boarding will be a key monitorable during the quarter. ideaForge will continue to report disappointing numbers due to lower opening order book, delay in order finalisation of L1 orders and muted ordering activity. Revenue for ideaForge will be driven by run rate business. However in 1QFY26 ideaForge has won orders worth INR 1.4bn, which will drive revenue from 1HFY26. Management commentary on ordering activity will be a key monitorable.

- **Continue to maintain positive outlook:** We maintain our positive stance on the sector given government-led infrastructure capex, continued growth momentum in data centres, PLI scheme-led capex in multiple sectors, focus on defence product localisation and pick-up in private sector capex (data centres, renewables, cement, steel, etc.).

- **JM Top pick:** Our top pick is BEL.

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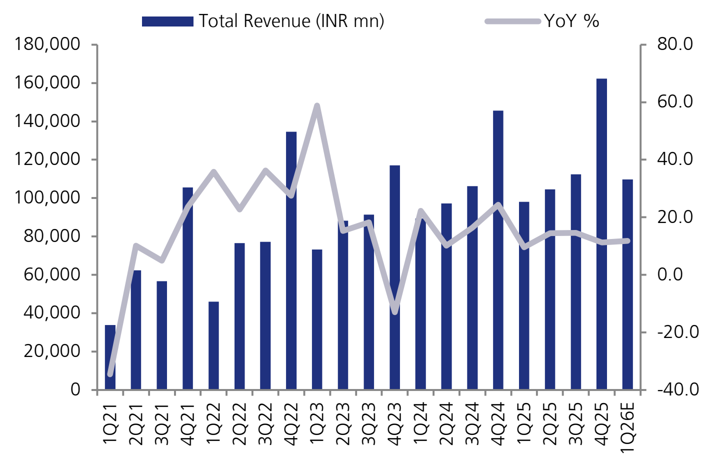
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. JM coverage universe

INR (mn)	Net Sales (INR mn)					EBITDA (INR mn)			EBITDA Margin (%)			Adj PAT (INR mn)		
	1QFY25	1QFY26E	YoY (%)	4QFY25	QoQ (%)	1QFY25	1QFY26E	YoY (%)	1QFY25	1QFY26E	YoY (%)	1QFY25	1QFY26E	YoY (%)
Defence														
Bharat Electronics	41,988	48,731	16.1	91,197	-46.6	9,367	10,964	17.0	22.3	22.5	20bps	7,761	8,700	12.1
Data Patterns	1,041	1,190	14.4	3,962	-70.0	372	434	16.9	35.7	36.5	80bps	328	357	8.9
Mining Consumables														
AIA Engineering	10,200	9,520	-6.7	11,570	-17.7	2,889	2,523	-12.7	28.3	26.5	-180bps	2,596	2,341	-9.8
Tega Industries	3,400	4,001	17.7	5,361	-25.4	642	796	23.9	18.9	19.9	100bps	367	477	29.9
Diesel Genset														
Cummins India	23,042	25,107	9.0	24,569	2.2	4,673	4,871	4.2	20.3	19.4	-90bps	4,198	4,375	4.2
Kirloskar Oil Engines	13,429	14,350	6.9	14,125	1.6	1,736	1,866	7.4	12.9	13.0	10bps	1,107	1,239	11.9
Other Industrials														
Techno Electric	4,137	6,659	60.9	8,119	-18.0	565	919	62.6	13.7	13.8	10bps	556	906	62.9
ideaForge	862	136	-84.2	203	-33.0	25	-185	-853.0	2.9	-136.1	NA	12	-211	NA
Total	**98,098**	**109,694**	**11.8**	**159,106**	**-31.8**	**20,270**	**22,188**	**9.5**	**20.7**	**20.2**	**-40bps**	**16,925**	**18,184**	**7.4**

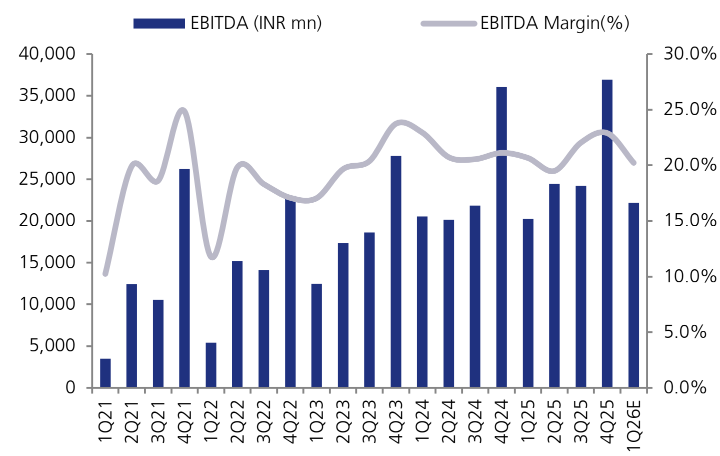
Source: Company, JM Financial

Exhibit 2. Net sales expected to grow 11.8% YoY



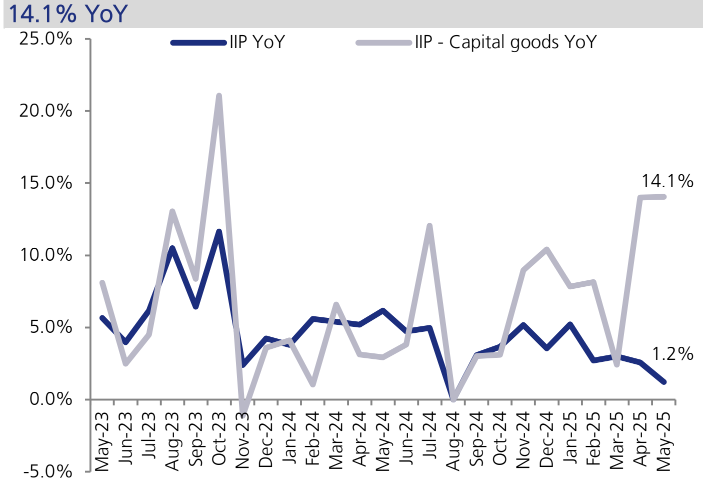
Source: Company, JM Financial

Exhibit 3. Aggregate EBITDA margin to decline 40bps YoY



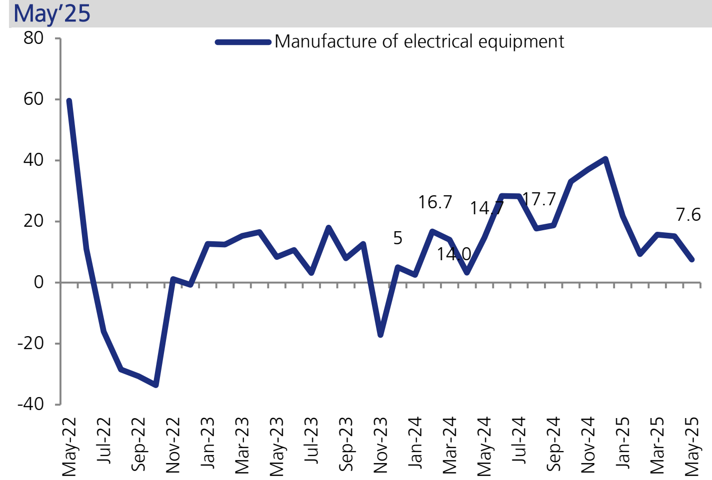
Source: Company, JM Financial

Exhibit 4. May'25, IIP was up 1.2% YoY, Cap Goods index up 14.1% YoY



Source: Company, JM Financial

Exhibit 5. Electrical equipment manufacturing index grew 7.6% in May'25



Source: Company, JM Financial

Exhibit 6. Company-wise commentary

Company	Remarks
Defence	
Bharat Electronics	Strong opening order book (INR 716bn) to drive strong revenue growth and margins are likely to be flattish on YoY basis. YTD order inflow came in at INR 7.3bn.
Data Patterns	Strong opening order book of INR 7.3bn will drive revenue growth of 14.4% in 1QFY26. Margins are expected to expand driven by execution mix change. Product pickup from customer will be monitorable for the company.
Mining Consumables	
AIA Engineering	We expect volumes to decline on YoY basis factoring in excess stock with couple of client and expected volume decline in USA due to Anti-Dumping Duty. Management commentary on volume outlook and capex in China and Ghana will be key monitorable.
Tega Industries	Tega is expected to report a healthy revenue growth, driven by Dynaprime and spill-over revenue expected to be booked in consumable business. Margins are expected to expand with equipment business reporting better margins v/s loss last year.
Other Industrials	
Cummins India	Revenues will be supported by industrial and exports market growth, while domestic power genset market volume is witnessing a sequential improvement.
Kirloskar Oil Engines	We expect growth in Aftermarket, water management solution to drive the revenue growth for the company. Power genset market is witnessing volumes uptick in domestic market which will drive the power genset revenue. Management commentary on exports will be key monitorable.
Techno Electric	Revenue to report strong growth driven by execution of T&D, data centre and smart metering order on back of robust opening order book. Commentary on Data Centre commissiong and client on-boarding will be key monitorable.
ideaForge Technologies	Lower opening order book will impact the revenue execution for 1QFY26, thereby impacting profitability for the company. Status of L1 orders and outlook on new tendering activity will be key monitorable. In Jun'26 company has bagged order inflows of INR 1.4bn.

Source: JM Financial

APPENDIX I

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