

Capital Goods

Sector Update

July 03, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
ABB India	HOLD	6,950	6,523
Apar Industries	Hold	14,174	13,309
BEML	Accumulate	1,865	1,940
Bharat Electronics	Accumulate	418	453
BHEL	REDUCE	384	321
Carborundum Universal	REDUCE	1,140	986
Cummins India	REDUCE	5,478	5,133
Elgi Equipments	Accumulate	580	637
Engineers India	Buy	237	271
GE Vernova T&D India	Accumulate	4,402	4,650
Grindwell Norton	Accumulate	2,088	2,002
Harsha Engineers International	Hold	418	461
Hindustan Aeronautics	BUY	4,429	5,423
Hitachi Energy India	REDUCE	31,040	30,768
Ingersoll-Rand (India)	Accumulate	4,343	4,934
Kalpataru Projects International	BUY	1,384	1,466
KEC International	Accumulate	511	558
Kirloskar Pneumatic Company	BUY	1,826	1,715
Larsen & Toubro	BUY	4,027	4,632
Praj Industries	Accumulate	354	389
Siemens	Hold	3,536	3,750
Siemens Energy India	Accumulate	3,282	3,274
Thermax	REDUCE	4,608	3,969
Triveni Turbine	HOLD	658	638
Voltamp Transformers	Accumulate	9,702	10,503

Relaxation for Chinese firms raises competition concerns

Quick Pointers

- The 2-year exemption is aimed at improving equipment availability and reducing lead times for critical transmission projects amid robust T&D capex.
- Critical power product categories could witness pricing moderation, while the sector's multi-year demand cycle remains unchanged.

The Government of India has granted a 2-year exemption under the Public Procurement Order (PPO) to 4 Chinese-owned electrical equipment manufacturers: **TBEA Energy India, Nanjing Electric India, New Northeast Electric India and Taikai Electric (India)**. The exemption will allow them to participate in public sector tenders for select transmission equipment, and is likely to cover **critical transmission equipment**, including **bushings, insulators, circuit breakers, power transformers, GIS switchgears and others**.

We expect the exemption likely to have a negligible impact on the current order books of HVDC players such as **GE Vernova T&D India, Hitachi Energy and Siemens Energy**, given their **technological leadership, strong product portfolio and dominant market share** across the HVDC product basket. Moreover, these MNCs have envisaged total **capex of ~INR50bn** to strengthen domestic manufacturing capabilities for high-value HVDC equipment. On the other hand, the exempted Chinese players in India remain limited in terms of capabilities and manufacturing capacity. However, we believe the exemption **could lead to some price normalization** in overlapping product categories with HVDC players, although the strong multi-year demand outlook is likely to mitigate any meaningful impact.

However, the exemption could increase competitive intensity across select price-sensitive power equipment segments over the short to medium term. Domestic manufacturers with exposure to products such as **GIS, transformers, reactors, circuit breakers, insulators and bushings** could face heightened competition as the eligible supplier base expands. This is likely to result in more **competitive bidding and some moderation in pricing** across select product categories. At the same time, improved equipment availability and reduced procurement **lead times should support faster execution of transmission projects** amid a strong multi-year demand pipeline.

Even if the government were to extend market access for these Chinese-owned manufacturers beyond the current 2-year exemption, their ability to meaningfully gain market share would depend on **incremental investments in localization and manufacturing capacity** in India, in line with the government's long-term emphasis on domestic manufacturing and **minimum local content requirements** for HVDC and other T&D projects. Given the limited domestic manufacturing footprint of most exempted entities, we believe the move is a transitional measure to bridge the **near-term supply-demand gap** until **domestic capacity expands and procurement lead times** across key product categories normalize. However, these are our preliminary assessments, and we await the detailed government notification.

What has changed?

Following the latest notification, 4 Chinese-owned electrical equipment manufacturers have been granted a **2-year exemption** under the PPO.

Exhibit 1: Overview of the PPO exemption notification

Particular	Details
Exemption period	2 years
Companies covered	TBEA Energy India, Nanjing Electric India, New Northeast Electric India, Taikai Electric (India)
Equipment covered	Bushings, insulators, circuit breakers, transformers, GIS switchgear and others
Eligible customers	PSUs

Source: Company, PL

Why has the government granted this exemption?

India is witnessing an unprecedented transmission capex cycle led by renewable energy integration, green energy corridors, interstate transmission projects, and large-scale grid modernization. Simultaneously, **domestic manufacturers are operating at historically high capacity utilization levels, resulting in extended delivery schedules for critical power equipment.**

Against this backdrop, allowing select Chinese-owned manufacturers with established manufacturing facilities in India to participate in PSU tenders, is expected to improve **equipment availability, reduce procurement timelines and support the timely execution of strategic transmission projects**, while continuing to enforce domestic value addition through certain local content requirement. Although existing domestic manufacturers are aggressively **expanding capacity to address the strong demand outlook**, the **industry continues to face a near-term supply-demand mismatch**, particularly in critical transmission equipment. We believe the government's decision is **primarily aimed at bridging this temporary supply gap and preventing delays in the execution of large transmission projects.**

Chinese players: Capacity remains the key constraint

While the exemption broadens market access, manufacturing capability remains an important limiting factor. Among the exempted companies, **TBEA India** possesses meaningful transformer manufacturing capacity (**~20,000MVA as of Dec'25**) and established operations in India and is already supplying to private players, positioning it to participate more actively in PSU tenders. In contrast, **Nanjing Electric, New Northeast Electric and Taikai Electric** currently have relatively **limited domestic manufacturing capabilities** compared with established Indian OEMs. Consequently, their ability to significantly increase market share over the near term is likely to remain constrained. Furthermore, most **domestic manufacturers** continue to operate with **healthy order books** extending beyond FY27–28.

Exhibit 2: Domestic manufacturing footprint of exempted Chinese players

Company	Products Manufactured in India	Installed manufacturing capacity
TBEA Energy (India) Pvt Ltd	Power transformers – 110kV to 1000kV Instrument transformer - 35kV to 765kV Reactors - 500kV, controllable reactor, 800kV dry type smoothing reactor Chinese parent also makes reactors, cables & wires, EPC, AC grid & turnkey projects, trading business for transformer raw materials	~20,000MVA per annum
Nanjing Electric India Pvt Ltd	Composite insulators, transmission line hardware	NA
New Northeast Electric India Pvt Ltd	Power transmission equipment (switchgear/GIS components) GIS - 145kV to 1100kV	NA
Taikai Electric India Pvt Ltd	GIS, circuit breakers, disconnectors, high-voltage switchgear GIS - 145kV to 1100kV - includes dead tank, line tank, outdoor & three phased	NA

Source: Company, PL

Exhibit 3: Key Chinese vs. Indian players across critical electrical products

Product	Chinese company	Indian company	
Instrument transformer (35kV to 765kV)	TBEA India	Hitachi Energy India GE Vernova T&D India	Siemens Energy CG Power
Power transformer			
<220kV	TBEA India	CG Power, Bharat Bijlee, Indo Tech	Voltamp TARIL Shilchar Technologies
220-500kV	TBEA India	Hitachi Energy India Siemens Energy GE Vernova T&D India CG Power	TARIL Voltamp BHEL Atlanta Electricals
500-765kV	TBEA India	Hitachi Energy India Siemens Energy GE Vernova T&D India CG Power	TARIL Voltamp BHEL Atlanta Electricals
Reactors	TBEA India	Hitachi Energy India GE Vernova T&D	BHEL Transformers and Rectifiers
Gas Insulated switchgears	New Northeast Electric, Taiki Electric India	Hitachi Energy India GE Vernova India Siemens Energy	CG Power Schneider Electric
Bushings	TBEA India sources bushings from its parent company, TBEA Group	Hitachi Energy India Yash High Voltage	CG Power
Insulators	Nanjing Electric India	Hitachi Energy India	GE Vernova T&D
Circuit breakers	Taikai Electric India	Hitachi Energy India, GE Vernova T&D	Siemens Energy India CG power

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ABB India	HOLD	6523	7013
2	Apar Industries	Hold	13309	13426
3	BEML	Accumulate	1940	1721
4	Bharat Electronics	Accumulate	453	413
5	BHEL	REDUCE	321	377
6	Carborundum Universal	REDUCE	986	1102
7	Cummins India	REDUCE	5133	5881
8	Elgi Equipments	Accumulate	637	573
9	Engineers India	Buy	271	232
10	GE Vernova T&D India	Accumulate	4650	4385
11	Grindwell Norton	Accumulate	2002	1840
12	Harsha Engineers International	Hold	461	439
13	Hindustan Aeronautics	BUY	5423	4386
14	Hitachi Energy India	REDUCE	30768	35995
15	Ingersoll-Rand (India)	Accumulate	4934	4352
16	Kalpataru Projects International	BUY	1466	1258
17	KEC International	Accumulate	558	499
18	Kirloskar Pneumatic Company	BUY	1715	1448
19	Larsen & Toubro	BUY	4632	4055
20	Praj Industries	Accumulate	389	352
21	Siemens	Hold	3750	3879
22	Siemens Energy India	Accumulate	3274	3086
23	Thermax	REDUCE	3969	4678
24	Triveni Turbine	HOLD	638	638
25	Voltamp Transformers	Accumulate	10503	10002

PL's Recommendation Nomenclature (Absolute Performance)

BUY	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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