Capital Goods


Higher RM prices weighed on performance

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

Data center, transmission, and defense pipeline remains strong

Exports face near-term headwinds due to West Asia conflict

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RM volatility continues

Capital goods sector delivered a mixed performance during the quarter. Overall ordering improved, particularly for product companies focused on electrification, data center and the private sector. Ordering from the Middle East too ramped up sharply during 2QFY27. Strong starting order book and improved inflows led to healthy execution across our coverage universe. However, continued high raw material prices weighed on margins for companies where price hikes came with a lag. We expect impact of higher RM prices to continue for the next 1-2 quarters too till we see full impact of price hikes. Sector valuations have come down in the recent past due to global AI-related risks and higher RM prices. In such scenario, we prefer companies where earnings are not at risks and valuations have come to reasonable levels. We prefer ABB, GE Vernova T&D and Bharat Electronics in the large-cap space and KPIL and KOEL in the mid-cap space. We continue to like Dixon in the EMS space.

2QFY27: Execution and PAT beat, while margin miss our estimates

Strong opening order books and revival of order inflows led to better-than-expected execution growth of 16% YoY (vs est. of 9%) across our coverage universe in 2QFY27. This was mainly due to better-than-expected growth seen in LT, POWERIND, SIEM, ENRIN, CG Power, KOEL and MTAR. Execution was weak across private capex-led companies (TMX and TRIV) as West Asia-led logistics issues pushed export dispatches into 2H. Coverage EBITDA margin stood at 9.7% vs. our est. of 10.7%, with misses in powergen companies (KKC and KOEL), TMX, TRIV, Hitachi Energy and KEC, partly offset by beats at CG Power, GVTD, SIEM, ENRIN and ABB. Higher-than-expected other income led to PAT growth of 24% YoY (ahead of our est).

Outlook remains strong across T&D, data centers and private sector

Ordering remained healthy in 2Q as large Middle East orders supported EPC inflows and transmission ordering too started ramping up from Jul'26. T&D product companies have a healthy domestic pipeline, aided by 1) NCT recommendations of INR1.2t in FY27-YTD, 2) strong TBCB ordering in coming months, 3) 4-5 HVDC tenders over 12-24 months, and 4) 400kV/765kV expansions under GEC Phase 3. EPC players expect strong tenders across T&D, B&F, O&G and international markets over 3-6 months. Data center ordering remained strong for product companies and BESS is now emerging as a new growth segment. Private sector ordering remained strong across metals, cement, O&G, power and manufacturing. We expect overall inflows for coverage universe to remain healthy in 2HFY27.

Export inflows ramping up, though execution remains impacted

Export ordering remained strong in 2Q for T&D product companies. Execution, however, was weaker, as West Asia-led freight disruptions led to deferred dispatches for few product companies. Companies have indicated that there is no slowdown in US data center or T&D orders as their clients have maintained the original capex plans. EPC players continue to see strong Middle East bidding across hydrocarbon, infrastructure, T&D and O&G. We expect deferred Middle East dispatches to pick up in 2HFY27.

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Private capex pickup broadens across end-industries

Private capex is broadening, with ABB and SIEM reporting strong inflows from data centers, metals, cement and buildings, and KKC and KOEL seeing healthy genset demand from real estate, hospitality and manufacturing. LT's private sector share of its domestic order book rose to 39% from 30% a year ago. Conversion remains selective, and we expect private ordering to improve gradually, subject to commodity price stability.

RM prices weigh on margins where price hikes came with a lag

Coverage EBITDA margin contracted 120bp YoY to 9.7% (vs. our est. of 10.7%), as high RM prices weighed on profitability due to a lag in price hikes and a higher share of revenue from older orders. Companies are passing on costs through price hikes and repricing some of the older orders. Commodity prices still remain high on YoY basis, though as of date, aluminum/copper/zinc have corrected by 7%/12%/9% vs. the previous quarter's average, providing some support. We expect the impact of higher RM prices to persist for the next 1-2 quarters till we see completion of older priced contracts and full impact of price pass-through.

EMS volume guidance intact, margins to recover gradually

Dixon gained market share in 1HFY27 in a declining smartphone market and has retained its FY27 volume guidance of 33-34m units (ex. Vivo JV). Company expects exports to start scaling up from 4QFY27, with Motorola and Transcion exports under MPMS expected at 3.5-4m/5-6m units in FY27/FY28. With delays seen in display manufacturing, we expect margin to improve only gradually. For Amber, company expects to grow RAC segment in line with the domestic RAC industry at 20-22% in FY27, but cost pressure can dent overall margins by 50-100bp YoY. Electronics segment growth remained strong, while railway revenue growth guidance was cut by 15-20% on delayed offtakes, with railway margin of 8-10% this year normalizing to 14-16% beyond FY27.

Key future monitorables

Going ahead, we would keep a watch on 1) resolution of the West Asia crisis, 2) ordering momentum, 3) commodity prices and the pace of price-hikes, 4) finalization of large US export orders.

Recommendation

We remain positive on the multi-year capex cycle across transmission, renewables, data centers and the private sector. Sector valuations have come down in recent past due to global AI-related risks and higher RM prices. In such scenario, we prefer companies where earnings are not at risks and valuations have come to reasonable levels. We prefer ABB, GE Vernova T&D, Bharat Electronics in the large-cap space and KPIL and KOEL in the mid-cap space. We continue to like Dixon in the EMS space.

Sector performance during 2QFY27 remained mixed vs. estimates

Exhibit 1: Sector performance was healthy on a sequential basis

Company	Revenue (INR m)				EBIDTA (INR m)				PAT (INR m)			
	2QFY27	Growth (%)		Var. over Exp. (%)	2QFY27	Growth (%)		Var. over Exp. (%)	2QFY27	Growth (%)		Var. over Exp. (%)
		YoY	QoQ			YoY	QoQ			YoY	QoQ	
ABB India*	37,381	19	5	-2	5,520	14	23	5	4,405	10	20	1
Atlanta Electricals	3,901	23	-16	-1	596	9	-23	1	321	28	-31	15
CG Power & Inds.	38,015	30	16	5	5,396	43	36	14	4,120	44	32	18
Cummins India	33,012	4	-4	-2	5,063	-27	-18	-21	4,669	-27	-14	-20
GE Vernova T&D	20,270	32	10	2	5,497	39	19	11	4,314	44	19	16
Hitachi Energy	29,965	64	20	12	4,624	55	9	1	3,746	49	6	2
Kalpataru Proj.	62,127	15	13	4	5,234	17	7	-0	2,690	35	1	7
KEC International	54,677	-10	9	-8	2,713	-37	-7	-24	297	-81	-59	-74
Kirloskar Oil	17,390	19	18	5	1,911	-6	15	-12	1,152	-14	16	-18
Larsen & Toubro	7,87,499	16	16	9	68,447	1	12	-5	52,021	33	26	21
MTAR Tech	4,068	200	13	25	992	483	17	32	598	1,310	19	33
Siemens	57,340	17	22	9	6,260	3	45	27	5,036	4	43	25
Siemens Energy#	34,526	30	39	26	8,224	72	40	37	6,525	81	48	51
Thermax	27,559	11	20	-5	1,941	13	183	-16	1,131	-5	419	-13
Triveni Turbine	4,910	-3	11	-13	636	-45	24	-20	536	-41	5	-19
Capital Goods	**12,12,640**	**16.0**	**15.2**	**6.9**	**1,23,052**	**6.2**	**15.0**	**-1.0**	**91,562**	**24.0**	**22.7**	**14.1**

Source: Company, MOFSL

Note: *For ABB, 2QFY27 denotes 3QCY26 (Dec Y/E) data.

#For Siemens Energy 2QFY27 denotes 4QFY26 (Sep Y/E) results

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	2QFY27
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	5.8	21.0	19.4
Atlanta Electricals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.1	17.3	79.7	81.7	48.0	23.1
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	30.1
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	4.1
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	31.8
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	63.5
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	-10.2
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	19.1
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	14.7
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	15.8
MTAR	68.4	38.2	75.4	99.2	67.6	32.2	-26.1	-27.2	-15.9	14.0	47.4	28.1	22.1	-28.7	59.3	67.2	130.4	200.0
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	17.0
Siemens Energy#	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	20.2	27.3	26.0	27.4	39.3	30.5
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	11.4
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	-3.0
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	59.5
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	46.7

Source: Company, MOFSL

Note: *For ABB, 2QFY27 denotes 3QCY26 data and latest 3 quarters growth have been adjusted to show growth excluding robotics.

#For Siemens Energy 2QFY27 denotes 4QFY26 (Sep Y/E) results

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	2QFY27
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	-25.9	6.7	9.9
Atlanta Electricals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25.3	-6.6	99.7	129.1	50.4	28.0
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	43.7
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	-26.8
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	44.0
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	48.9
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	-81.5
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	-13.7
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	34.6
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	32.5
MTAR	86.4	29.6	65.1	57.0	25.4	-17.1	-66.8	-84.3	-78.2	-8.2	52.8	181.7	144.2	-77.4	135.0	222.6	364.5	1309.7
Siemens	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49.2	-10.4	-3.2	-7.2	-42.8	-36.4	-16.8	3.9
Siemens Energy#	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	80.2	31.4	57.4	52.2	67.8	81.5
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	-5.3
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	-41.4
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	NM
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	18.5

Source: Company, MOFSL

Note: *For ABB, 2QFY27 denotes 3QCY26 data and latest 3 quarters growth have been adjusted to show growth excluding robotics

#For Siemens Energy 2QFY27 denotes 4QFY26 (Sep Y/E) results

T&D, renewables, data centers, and private sector order remain growth levers

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

Companies	Management Comments
Covered companies	
ABB India	❖ Management expects the company to benefit from investments in data centers, grid modernization, renewable energy integration and energy-transition projects, alongside ongoing capex plans across metals, cement, rail, and buildings.
Atlanta Electricals	❖ The enquiry pipeline remains strong at ~INR195b, including a battery energy storage system (BESS) pipeline of ~3,400 MVA.
CG Power	❖ Power systems demand remains strong across domestic utilities, AI infrastructure, data centers across domestic and export markets. In Industrial systems, private sector revival has benefited demand for LT motors while HT motor demand is still weak.
Cummins India	❖ Powergen demand remains healthy across data centers, realty, residential and manufacturing. Industrial segment will start recovering over next few quarters on government capex ramping up. Distribution to benefit from an expanding service network and end-to-end support capabilities.
GE Vernova T&D	❖ The TBCB pipeline remained strong and company expects FY27 base ordering of INR70-80b. It expects 2-3 HVDC projects to be approved next year. Several states are planning 400kV and 765kV expansions through TBCB, alongside sizable STATCOM ordering expected in 4Q.
Hitachi Energy	❖ The pipeline remains supported by 1) 4-5 HVDC projects expected over 12-24 months, including India's first 800 kV VSC link, 2) strong base demand from traditional transmission sectors, 4) emerging opportunities in data centers and BESS, and 5) new transformer capacity coming up by 2028.
Kalpataru Proj.	❖ The company bid for ~INR2.5t of projects in 1H at a ~10% win rate and expects INR500-700b of T&D, B&F and O&G tenders over the next 3-6 months. 2-3 large data center bids also expected in 3Q. Order inflow guidance for FY27 stands at INR350-360b (+15% YoY).
KEC International	❖ KEC is L1 in INR35b worth of projects, and has a strong tender pipeline of INR2t across domestic and export markets. Management expects India T&D to drive growth, supported by GEC Phase 3, renewable integration and ROW reforms.
Kirloskar Oil	❖ KOEL is seeing strong traction across data centers, real estate, hospitality and manufacturing, and LHP/MHP volumes keep growing. In Industrials, price hikes with OEM partners are under discussion, and defense is a large opportunity being actively pursued.
L&T	❖ Prospect pipeline for the remaining 6MFY27 stands at INR10.3t, similar to last year. Infrastructure and utility prospects stand at INR5.84t, energy conventional at INR2.1t, green energy at INR2t, and manufacturing and product at INR0.33t.
Siemens	❖ Company continued to witness strong growth driven by continued capex spending in infrastructure and an increase in private capex.
Thermax	❖ Domestic demand remains healthy. Management expects Industrial Products ordering to jump in 3QFY27 (data center cooling orders of INR400m–1b), another supercritical order in FY27, a strong TOESL pipeline, and Bio-CNG orders from 4QFY27.
Triveni Turbine	❖ Domestic inquiries are also ramping up across steel, cement, sugar, and distillery, along with API-compliant turbines for the utility segment.
Siemens	❖ Management expects domestic growth to be supported by sustained public infrastructure and rising private capex, driving demand across its business.
Amber	❖ **Consumer durables** to grow in line with domestic RAC industry growth of 20-22% in FY27. **Railway** revenue growth guidance was lowered by 15-20% due to delayed offtakes. **Electronics** growth to ramp up from upcoming capex commissioning and new customers.
Dixon Technologies	❖ Despite a 26% YoY decline in India's smartphone market in 2QFY27, the company maintained broadly stable YoY volumes, manufacturing 9.7m units during the quarter and 17.2m units in 1HFY27. It retained its FY27 volume guidance of 33-34m units, excluding the Vivo JV, with 3Q/4Q volumes expected at 7.5m/9.5m units, respectively.
Not covered companies	
TRIL	❖ ~80% of the INR210b enquiry pipeline is domestic. Data centers, railway electrification, EV infrastructure, nuclear and energy transition drive demand. Company expects BESS orders 3Q onwards.
Techno Electric	❖ Management targets FY27 inflow of INR40b, with INR12b L1 positions and selective bidding in high-margin HVDC, STATCOM and digital protection. Data centers target 250MW by 2032 on hyperscaler/AI demand, with ~150MW already under discussion.
Voltamp Transformers	❖ Globally, the macro environment remains challenging amid geopolitical uncertainty, volatility and rising commodity-led inflation. However, the company is witnessing a healthy pipeline with FY27-YTD inflows increasing 41% YoY to INR19.4b (13,350 MVA).
Carborundum Universal	❖ Abrasives: management expects healthy demand from industrial, construction and infrastructure activity. Ceramics: Refractory project orders remain strong, while semiconductor equipment components and longer-term AMB power-electronics substrates are new vectors. Electrominerals: Chinese import pressure expected to taper.
Kanohar Electricals	❖ It sees a strong transmission pipeline, driven by renewable integration, grid modernization and Green Energy Corridor. 400kV transformers stay the largest segment, with shunt reactors and ~1,000 railway traction substations over 5-10 years adding demand.
TD Power	❖ The company continues to witness strong demand from US for data centers. While in India, management expects strong order inflow to continue, with Indian demand led by steel sector (40-100MW).
Texmaco Rail	❖ Management expects continued order momentum, with domestic private wagon inflows from Nov'26 and Indian Railways orders to follow. An RVNL JV tender outcome is expected this fiscal. Its Nymwag JV has initial RDSO G-105 approval, with the plant almost production-ready and prototype orders sought from Railways.
Titagarh	❖ Management sees clear wagon visibility for 3-4 quarters, with the railways' 3b-tonne freight target intact. Metro tenders are being pursued and traction-motor orders are awaited, though no new Vande Bharat tenders are expected soon.
Jupiter Wagons	❖ Management expects huge railway order inflows next year, aided by the 5,800 bottom discharger wagons tender, with private orders flowing regularly. It targets a INR10b BESS order book by FY27-end, and will bid for railway and metro passenger tenders.
Apar Industries	❖ Conductors: Company expects 2H volume recovery and faster reconductoring, with HTLS volumes holding and higher-fibre OPGW gaining. CTC volumes should rise with transformer expansions. Cables: Data centers will be a key growth segment, with more orders expected from Amazon's India sites.

Source: Company, MOFSL

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

Exhibit 5: Management commentaries on the international exposures of the companies under our coverage

Companies	Management Comments
Covered companies	
Atlanta Electricals	❖ Company secured its first US order and has inquiries for ~120 transformers (~9,300MVA). The company plans to build its own brand through two shortlisted long-term partners, starting with 220kV and below products supplied from India. Export is targeted to be 15% of revenue within two years.
CG Power	❖ Export order inflows in power systems increased approximately 200% sequentially, indicating improved traction in international markets. Qualification with US utilities remains a longer-term process, as the company needs to establish approvals and relationships with individual utilities.
Cummins India	❖ Exports performance remains impacted by geopolitical disruptions, though execution was broad-based across regions, supporting execution. The management in indicated near-term lumpiness in exports and healthy performance over medium-term.
GE Vernova T&D	❖ Export orders stood at INR10.3b in 1HFY27 (29% of inflows), already close to FY26 export order inflows of INR11.8. This is attributed to rising global grid investments, stretched supply chains and recent factory certifications. The ~USD151m US RPT, for transformers for US data centers, is valid until May'27 and is expected to be finalized in 2HFY27.
Hitachi Energy	❖ Export orders grew 41% YoY in 2QFY27, contributing ~25-30% of inflows, with wins across Asia, Africa, the Middle East, Europe and the US. It is leveraging its Indian manufacturing operations to cater to global utility, industrial and data center demand.
Kalpataru Proj.	❖ KPIL is witnessing strong T&D traction across the Middle East, Africa, Latin America and Europe, driven by investments in electrification and grid infrastructure and is also planning to scale up oil and gas in Middle-east.
KEC International	❖ The global push towards renewable energy, integration, grid resilience, electrification, AI-led data center expansion is creating a multiyear investment cycle in transmission infrastructure.
Kirloskar Oil	❖ Management targets a 30% international share by FY30, aided by the Deutz tie-up taking its 1.6-litre platform global from the Americas.
L&T	❖ Bidding activity is very strong in the Middle East, with several mega and ultra-mega projects from the Middle East on hydrocarbon, offshore projects, infrastructure and BESS announced in 1HFY27. LT is selected as one of four contractors under a six-year EPC framework agreement with Petroleum Development Oman which can open up TAM of USD6-7b for LT over next three to four years.
Thermax	❖ TMX expects at least one US data center order in FY27. Cooling orders are sized in billions each, supported by larger boiler orders. It aims to expand its presence among Middle East O&G customers, while chemicals face Chinese competition.
Triveni Turbine	❖ US enquiries are rising sharply across industrials, data-centre combined cycle, energy storage and carbon capture. Asia and Europe are flat and LATAM is declining. Middle East enquiries and deferred dispatches are expected to pick up in 2HFY27.
Siemens	❖ Management expects exports to pick up, led by increased parent sourcing from Indian facilities, particularly in Mobility following localization and capacity expansion, and Smart Infrastructure through data centre exports.
Dixon Technologies	❖ With Motorola and Transcion exports ramping up meaningfully from 4Q onwards under the MPMS scheme, exports are expected to contribute 3.5-4m/5-6m units in FY27/28.
Not covered companies	
TRIL	❖ Exports form ~20% of the INR210b enquiry pipeline. Management is pursuing overseas data centre demand and plans to scale UK and European presence via its new UK subsidiary.
Carborundum Universal	❖ Management expects engineered ceramics (incl. Bloom Energy-related) and metallised cylinders to keep driving growth, with refractory demand extending to exports. Hosur thin-wheel plant is qualifying with 6-7 international customers.
TD Power	❖ It expects US data-centre boom to continue, with visibility to 2030, and strong European grid-stabilisation and waste-to-energy orders. Nepal and Vietnam hydro orders to grow, as OEM turbine capacity expands.
Texmaco Rail	❖ Exports form 54% of the order book (9% a year ago). Management expects strong US rail-adjacency exports as tariffs stabilise, near-record foundry exports this fiscal and further export orders.
Titagarh	❖ Management sees export potential in metro coaches via a non-binding, non-exclusive MoU with Siemens, which opens access to the global market.
Jupitor Wagons	❖ Management sees global opportunities in passenger rail and targets international markets for wheelsets via its Lucchini partnership, subject to homologation.
Apar Industries	❖ It expects the US business to pick up, with increasing HTLS adoption and better-margin data-centre cables. Easing freight cost to make Europe and LATAM exports more feasible. CTC talks with European customers under discussion.

Source: Company, MOFSL

Margins impacted due to RM price inflation and on-going geopolitical issues

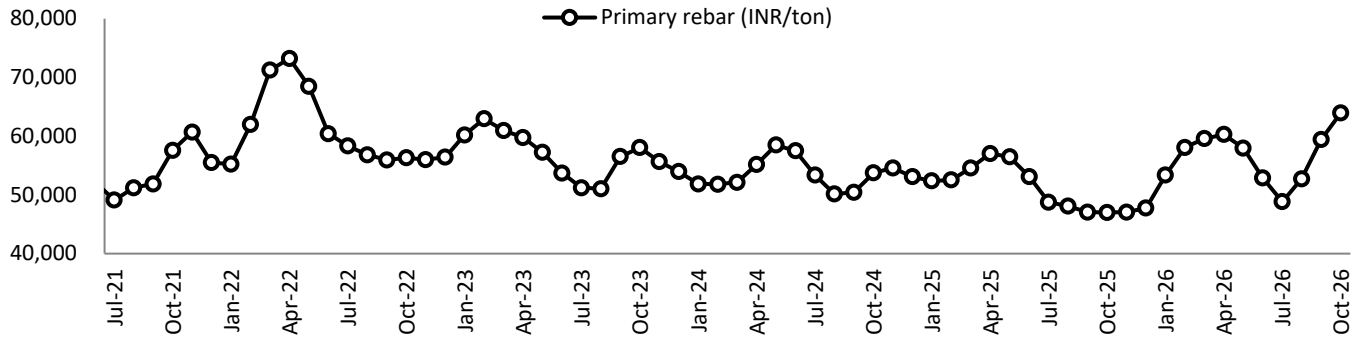
Exhibit 6: Management comments on future margins

Companies	Management Comments
Covered companies	
ABB India	❖ ABB has been increasing prices to pass on commodity price pressure. Management expects PBT margins of 13–15% over the next 6–8 quarters if commodities, forex and geopolitics stay stable.
Atlanta Electricals	❖ Firm-priced orders absorbing higher RM costs and rain-led dispatch deferrals hit margins. These orders (10-12% of order book) will be largely executed within 3QFY27, limiting future margin impact. Maintained guidance of 16-18% EBITDA margin for FY27-28.
CG Power	❖ Power systems: The company expects to sustain or improve margins on further price hikes, operational efficiency and product mix. Industrial systems: Motor business margins reached double digits. Company has taken more than 30% price hike in past 12 months to offset commodity cost inflation.
Cummins India	❖ Margin was impacted due to higher RM cost, product mix, execution of projects at earlier contracted prices, and one-off true-up in other expenses. KKC is following a three-pronged approach toward margin improvement through 1) better price realization from price hikes taken, 2) supplier cost optimization and 3) operational efficiencies.
GE Vernova T&D	❖ Management maintained its FY27 EBITDA margin guidance of mid-20s.. Management also instructed that FY27 will see a balanced execution of domestic and export orders maintaining margins.
Hitachi Energy	❖ RM cost increase was attributed to product mix in 2Q. However, management expects margins to normalize supported by increase in exports (which carry 300-400bp higher margin), as well as services.
Kalpataru Proj.	❖ Management expects to sustain margins in 2H unless commodity prices rise a further 20-30%. FY27 PBT margin guidance at +75bp YoY supported by efficiencies, scale and lower interest cost.
KEC International	❖ Legacy closures and execution issues have impacted margins, with closure targeted by 2QFY28. Freight costs are elevated but largely recoverable with a lag. Aluminium and copper are hedged.
Kirloskar Oil	❖ If inflation holds at current levels, the company expects 2Q could mark the margin bottom. Sequential improvement would come from price hikes, operating leverage and a growing share of HHP, exports and aftermarket.
L&T	❖ Management retained core E&C margin guidance at 7.8%. The company is discussing incremental logistics and insurance costs with customers and is hopeful of recovering additional costs.
Thermax	❖ Management expects high single-digit margin in FY27, with improvement in 2H as commodity costs ease after peaking in 2Q. It expects the sharpest recovery in Industrial Infra, while price hikes protect Chemicals segment, and FEPL losses persist.
Triveni Turbine	❖ It expects 2H margins to be significantly healthier, driven by export and aftermarket mix. Commodity-led cost disruptions to normalise by 4Q. The NTPC order, 15% left to bill across 2H, shouldn't hurt margins. FY27 EBITDA guided to be in line with FY26.
Siemens	❖ Margins remain impacted due to commodity inflation and forex movement. Management expects margin to recover gradually supported by pricing actions taken, cost pass through and higher localization.
Amber	❖ Consumer durables margins may dip 50–100 bps, recovering in H2 as commodity pass-through begins. Electronics pressure is partly behind, subject to commodity moves. Railway margins to stay 8–10% this year, normalising to 14-16% beyond FY27.
Dixon Technologies	❖ Margins are expected to remain impacted by the PLI expiry and elevated memory prices, though costs are passed through. Display and camera-module backward integration is expected to expand margin by 80-100bp over two years as localisation reaches ~25%.
Not covered companies	
TRIL	❖ Management guides ~16% EBITDA margin. Commodity prices remain elevated, but price-variation clauses and inventory cover till 3Q limit impact. Backward integration should add 200-300bp from FY28, fully by FY29.
Techno Electric	❖ Management maintains 13-14% EBITDA margin guidance for FY27. Input costs remain elevated due to the on-going war, though advance order placement and tight cost control support profitability.
Carborundum Universal	❖ Management raised FY27 Ceramics margin guidance to 22.5-23.5%, retained Electrominerals at 9-9.5%, but cut Abrasives to 8-8.5% (ex-AWUKO). Abrasives margins have bottomed, as price hikes are being pursued to pass on elevated resin/oil-linked costs.
Kanohar Electricals	❖ Management guides FY27 EBITDA margin towards 28%. Current order book's gross margins are at FY26 levels, with no pressure from added capacity, RM prices or tendering, though RM availability needs planning given 12-24-month bushing lead times.
TD Power	❖ Management sees ~19% margins as sustainable (19-20% in 2H), with upside past 20% as new plant utilization rises to 50-60%. Price-variation clauses protect margins from RM cost inflation, though new-plant start-up costs may cause a small dip.
Texmaco Rail	❖ Management is confident of retaining, if not improving, margins. Levers include 1) supply-chain efforts to cut raw-material costs, 2) power, fuel and freight savings, and 3) lower finance costs from a credit-rating upgrade.
Titagarh	❖ Management expects no margin impact from Vande Bharat delays, as contracts carry price-variation clauses, and 1-2 quarter slippages don't affect project margins. Higher-margin propulsion and backward integration could lift EBITDA margins, without extra capex.
Jupiter Wagons	❖ Management expects EBITDA margins to return to FY26 levels over the next few quarters, and very strong margins in FY28 as the wheel line starts. Brake margins should improve significantly, and Jupiter Electric Mobility expected to be EBITDA-positive from 3Q27.
Apar Industries	❖ Management expects margins to improve as the mix shifts to premium products, targeting ~₹35,000–36,000 EBITDA/tonne in conductors and 11–12% in cables over medium term. Easing freight and softer metal prices to provide tailwinds, while current oil margins are already above normal levels.

Source: Company, MOFSL

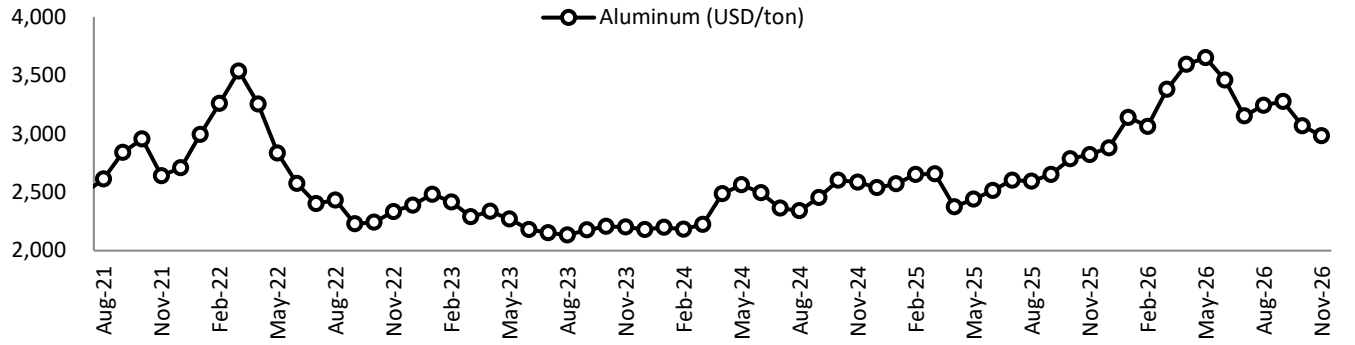
Commodity prices mostly copper, zinc and aluminum have come down lately from 2Q levels

Exhibit 7: Primary rebar price trend (INR/ton)



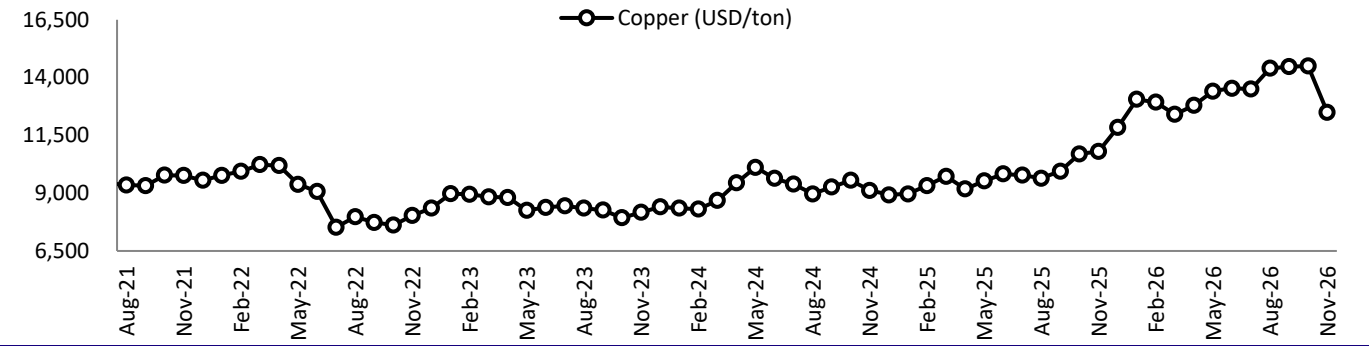
Source: Bloomberg, MOFSL

Exhibit 8: Aluminum price trend (USD/ton)



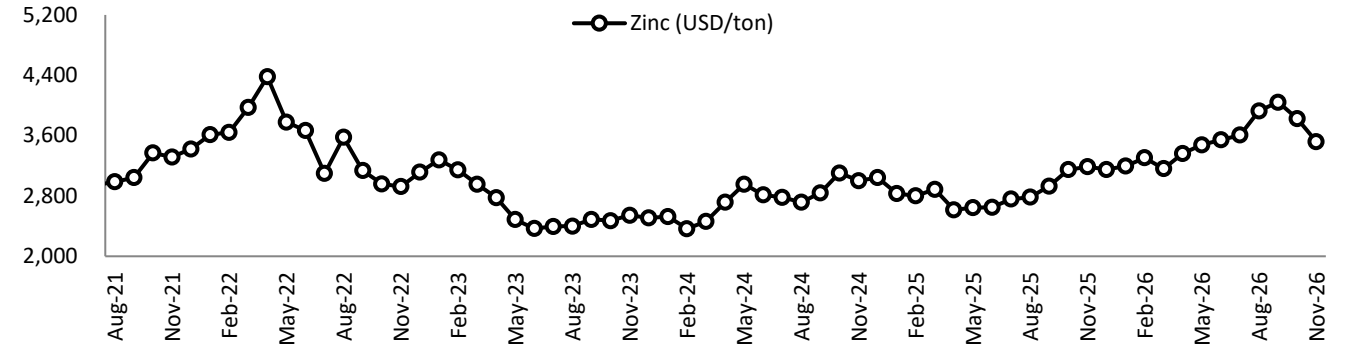
Source: Bloomberg, MOFSL

Exhibit 9: Copper price trend (USD/ton)



Source: Bloomberg, MOFSL

Exhibit 10: Zinc price trend (USD/ton)



Source: Bloomberg, MOFSL

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

Exhibit 11: 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 60x Dec'28E EPS	8,200	22.7	32.5	31.1
Atlanta Electricals	32x Dec'28E EPS	1,980	31.0	30.8	36.0
CG Power	SoTP	1,140	29.2	37.2	32.7
Cummins India	45x Dec'28E EPS	5,600	16.7	15.0	14.5
GE Vernova T&D	Avg DCF and 58x P/E Dec'28E EPS	5,100	25.7	24.0	24.3
Hitachi Energy	60x Dec'28E EPS	35,800	33.2	41.5	38.8
Kalpataru Proj.	18x Dec'28E EPS	1,650	14.2	14.0	17.3
KEC International	14x 2Y forward EPS	365	9.8	8.1	4.7
Kirloskar Oil	35x Dec'28E EPS for the core business	2,600	27.2	30.2	33.2
Larsen & Toubro	25x Dec'28E EPS on Core E&C	4,400	12.9	13.2	18.3
MTAR	55x FY28E EPS	9,000	64.6	77.5	90.8
Siemens#	45x Dec'28E EPS	3,700	16.7	22.4	22.6
Siemens Energy**	55x 2Y forward EPS	4,100	24.8	31.0	33.1
Thermax	30x Dec'28E for core business	2,700	17.1	19.6	16.0
Triveni Turbine	40x Dec'28E EPS	610	16.6	15.3	14.9
Amber Enterprises	DCF-based	7,830	40.0	32.4	60.5
Dixon Technologies	DCF-based	15,900	29.5	35.7	39.3

Note: *ABB India CAGR for CY26-28 (Dec Y/E); #Siemens CAGR for 3 years from 12MFY26-FY29; **Siemens Energy CAGR for Sep'25-Sep'28

Source: Company, MOFSL

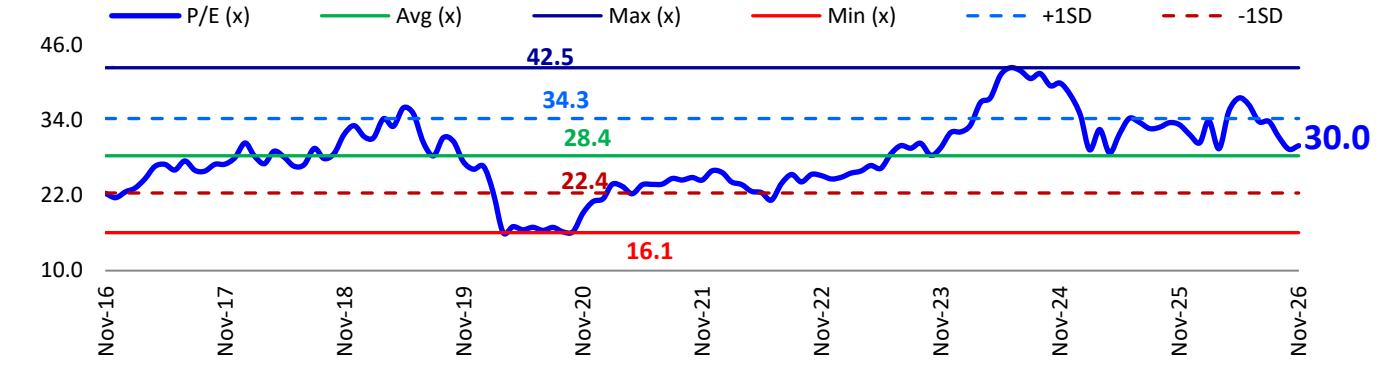
Exhibit 12: Capital Goods relative valuation

Companies	CMP	TP	% upside	Rating	Mcap (INR b)	EPS (INR)			P/E (X)			RoE (%)			RoCE (%)		
						FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
ABB India	6,991	8,200	17	Buy	1,481	79.4	111.8	136.3	88.1	62.6	51.3	18.8	22.1	23.7	18.9	22.2	23.8
Atlanta Electricals	1,444	1,980	37	BUY	111	34.3	51.6	66.4	42.1	28.0	21.8	22.1	25.0	24.3	22.1	25.6	24.4
CG Power	782	1,140	46	BUY	1,232	10.4	14.3	18.4	75.3	54.6	42.5	18.9	21.9	23.2	18.9	21.9	23.3
Cummins India	4,104	5,600	36	BUY	1,138	81.4	107.7	129.0	50.4	38.1	31.8	26.9	31.2	32.4	27.0	31.3	32.5
GE Vernova T&D	4,157	5,100	23	BUY	1,064	66.1	81.9	96.0	62.8	50.7	43.3	50.4	43.2	36.9	50.8	43.5	37.2
Hitachi Energy	30,318	35,800	18	BUY	1,352	374.5	502.0	626.7	81.0	60.4	48.4	24.9	25.1	23.9	25.4	25.5	24.2
KEC	298	365	23	BUY	79	15.0	21.6	28.0	19.8	13.8	10.6	6.4	8.8	10.7	8.0	8.9	9.9
KOEL	1,728	2,600	50	BUY	251	35.3	54.9	75.4	49.0	31.5	22.9	14.4	19.5	22.7	14.2	19.3	22.5
KPIL	1,315	1,650	25	BUY	225	67.6	80.3	94.6	19.4	16.4	13.9	13.3	14.0	14.5	12.1	12.9	13.5
L&T	4,141	4,400	6	BUY	5,692	148.2	179.4	204.9	27.9	23.1	20.2	17.5	18.8	18.9	9.9	10.0	9.7
MTAR	5,657	9,000	59	BUY	174	86.7	162.8	218.6	65.2	34.7	25.9	27.9	37.4	34.9	22.6	29.0	28.9
Siemens*	3,580	3,700	3	NEUTRAL	1,274	51.3	68.8	84.4	69.7	52.0	42.4	10.5	12.3	13.1	10.7	12.5	13.3
Siemens Energy#	3,050	4,100	34	BUY	1,086	45.3	58.0	72.8	67.3	52.6	41.9	27.1	25.8	24.5	28.6	26.8	25.2
Thermax	2,676	2,700	1	NEUTRAL	301	43.7	71.9	93.8	61.2	37.2	28.5	8.6	13.1	15.2	7.8	11.0	12.7
Triveni Turbine	458	610	33	BUY	146	8.9	13.2	17.3	51.4	34.7	26.5	18.3	23.3	25.5	18.5	23.4	25.7
Amber	6,833	7,830	15	BUY	240	94.1	175.0	255.4	72.6	39.0	26.7	7.3	12.3	15.6	6.8	10.7	12.7
Dixon	12,740	15,900	25	BUY	775	150.4	255.7	377.2	84.7	49.8	33.8	17.0	22.7	26.3	21.8	30.2	33.3

Note: For ABB India, FY27E/FY28E/FY29E indicate datapoints for year-ends Dec'26/Dec'27/Dec'28; For Siemens Energy, FY27E/FY28E/FY29E indicate datapoints for year-ends Sep'26/Sep'27/Sep'28

Source: MOFSL

Exhibit 13: Overall valuations for capital goods have corrected from their one-year highs on a two-year forward basis - P/E (x)



Source: Bloomberg, MOFSL

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