

## Quarterly Preview

## Capital Goods



## Defence shines; EPC sees drop in inflows

## Q3 inflows at INR 286bn, down 33% YoY on strong base

Major capital goods (CG) companies, excluding L&T, have announced orders with cumulative worth of INR 286bn in Q3FY24, down 33% YoY. Excluding a large order worth INR 260bn for 1,200 nos. 9,000 HP locomotive order in the base quarter, inflows in Q3FY24 rose 73% YoY. Order inflows from Defence PSUs rose 13.7x YoY to INR 177bn in Q3, driven by uptick in awarding by the government.

Bharat Electronics (BHE IN) saw a whopping INR 122bn inflow in Q3. Ex-Defence, inflows were led by Power – Thermal power and transmission & distribution (domestic & overseas), and water projects. Rail & metro rolling stock and civil inflows witnessed a slowdown amid delayed awarding in domestic and international orders.

## Elara CG universe – Q3FY24E sales may rise 18% YoY

Expect Elara CG universe's Q3FY24E revenue to grow 18% YoY, on healthy industrial demand, robust order book and better execution amidst improved supply chain. Siemens' Q1FY24E and ABB India's Q4CY24E revenue may surge 21%/16%, on higher order book and ease of supply chain. Thermax' Q3FY24E revenues may rise 16% on better execution across segments. KEI Industries' Q3E revenues may surge 17% YoY on robust infra demand in wires & cables. KECI's revenues may grow 16%, led by T&D and civil. Voltas' revenue may rise 21% YoY due to pick-up in room air conditioner (RAC) space ahead of the summer season. Cummins' Q3E revenue could drop 1% YoY as demand is yet to stabilize for the new energy norm (CPCB IV) power gensets.

**Garden Reach Shipbuilders & Engineers' Q3E revenues may rise 60% YoY as it yields higher realization in the bell-curve phase. Bharat Dynamics' revenue may rise 60% on execution pick-up from Q3FY24. Bharat Electronics' revenue may rise 29% due to spill-over of LRSAM order from Q2. Hindustan Aeronautics' revenue could jump 7% and BEML's revenues may rise just 3% YoY amid delay in Mumbai metro order. RITES's Q3E revenues could fall 1% YoY amid drop in export realization and higher competition in quality assurance.**

## Consumer Electricals/Electronics – EMS, cables and RAC, key wins

Consumer Electricals/Electronics plays may see a 30% revenue growth YoY in Q3E, likely in anticipation of good summers for RAC, decent festive season demand, and execution of rising order book of electronics manufacturing service (EMS) companies. **Dixon's** Q3E revenue may grow 86% YoY on higher mobile phone volumes. **Kaynes' Q3E revenue may spike 60% on robust order book. Amber Enterprises' Q3E revenue may rise 19%, led by uptick in RAC segment and non-RAC components. V-Guard's revenue may grow 15%, led by healthy cables demand and Sunflame's portfolio addition. Havells' Q3E revenue could rise 13% YoY on strong growth in Lloyd (RAC) and wires & cables. Eureka Forbes'/Crompton's Q3E revenue may grow 9%/8%.**

We prefer Bharat Dynamics, Eureka Forbes, Hindustan Aeronautics, Amber Enterprises, Bharat Electronics, Crompton Greaves Consumer, Cummins India, Havells India, KEC International, KEI Industries, Siemens, V-Guard Industries, and Voltas.

Price performance (%)	3M	6M	12M
Nifty	10.2	11.4	18.0
BSE Cap Goods Index	14.1	35.7	64.4
BSE Mid Cap Index	14.6	28.5	45.3
Hindustan Aeronautics	46.6	52.3	126.1
Siemens	14.4	9.6	44.0
Bharat Electronics	31.0	47.4	81.7
Havells India	0.7	8.3	23.9
ABB	16.7	8.4	77.8
Cummins	17.5	4.3	41.3
Thermax	0.4	40.0	62.3
Dixon Technologies	19.9	45.7	61.9
Voltas	12.9	29.4	22.1
KEI Industries	19.5	40.7	112.9
CG Consumer	4.7	11.1	(8.1)
Bharat Dynamics	60.7	46.8	73.8
KEC International	(12.1)	7.0	25.9
Kaynes Technology	6.6	64.8	246.2
V-Guard Industries	(2.7)	2.6	12.5
RITES	6.0	39.6	53.8
Amber Enterprises	6.1	37.8	66.2
BEML	21.8	76.5	84.9
Eureka Forbes	1.5	(9.7)	4.7
Garden Reach Shipbuilders	4.6	50.4	76.3

Source: Bloomberg

Company	Revenues (INR mn)		
	FY24E	FY25E	FY26E
Siemens	224,146	267,143	324,879
Bharat Electronics	205,729	246,989	289,441
ABB	104,890	124,965	146,153
Hindustan Aeronautics	286,575	329,654	370,208
Havells India	190,328	219,291	253,882
Cummins	85,358	98,384	112,708
Thermax	92,595	107,591	123,927
Dixon Technologies	164,260	204,067	245,598
Voltas	111,679	132,754	153,655
Bharat Dynamics	35,408	50,744	67,635
KEI Industries	83,563	99,200	119,371
Crompton Greaves Consumer	72,524	80,497	90,754
KEC International	201,876	227,985	249,842
Kaynes Technology	17,761	24,070	31,500
V-Guard Industries	48,043	54,565	59,834
RITES	25,377	34,535	41,928
BEML	44,797	53,253	59,354
Amber Enterprises	79,487	95,832	110,830
Garden Reach Shipbuilders & Engineers	44,887	54,876	59,195
Eureka Forbes	22,930	26,598	30,588

Company	Adjusted PAT (INR mn)		
	FY24E	FY25E	FY26E
Siemens	22,191	26,751	32,654
Bharat Electronics	36,025	44,081	51,507
ABB	11,843	13,235	15,264
Hindustan Aeronautics	54,300	62,454	71,000
Havells India	13,778	18,113	23,002
Cummins	12,931	14,737	17,091
Thermax	5,321	7,144	8,911
Dixon Technologies	4,268	5,729	7,321
Voltas	5,107	8,258	10,482
Bharat Dynamics	7,073	9,538	12,176
KEI Industries	6,290	7,857	9,563
Crompton Greaves Consumer	5,321	6,543	7,880
KEC International	4,578	9,391	12,439
Kaynes Technology	1,857	2,634	3,437
V-Guard Industries	2,681	3,603	4,197
RITES	4,434	6,156	7,551
BEML	3,043	3,518	4,339
Amber Enterprises	2,165	3,305	4,256
Garden Reach Shipbuilders & Engineers	4,483	5,432	5,978
Eureka Forbes	1,855	3,043	3,710

Note: Pricing as on 3 January 2024

Source: Elara Securities Estimate

Elara CG universe – Key Financials

Company	Revenues (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q3FY24E	Q2FY24	Q3FY23	QoQ (%)	YoY(%)	Q3FY24E	Q2FY24	Q3FY23	QoQ (%)	YoY(%)	Q3FY24E	Q2FY24	Q3FY23	QoQ (%)	YoY(%)
Siemens	48,561	58,077	40,151	(16.4)	20.9	6,228	7,002	5,992	(11.1)	3.9	4,942	5,717	4,627	(13.6)	6.8
Bharat Electronics	52,316	39,181	40,461	33.5	29.3	12,365	10,044	8,535	23.1	44.9	9,810	8,123	5,988	20.8	63.8
ABB	29,977	27,692	24,269	8.3	23.5	4,207	4,385	3,643	(4.1)	15.5	3,502	3,620	3,059	(3.2)	14.5
Hindustan Aeronautics	60,505	56,357	56,655	7.4	6.8	13,604	15,363	9,854	(11.4)	38.0	11,021	12,453	7,277	(11.5)	51.4
Havells India	46,565	38,912	41,197	19.7	13.0	4,960	3,735	4,237	32.8	17.1	3,448	2,491	2,840	38.4	21.4
Cummins	21,553	18,997	21,805	13.5	(1.2)	3,778	3,386	4,122	11.6	(8.4)	3,469	3,285	3,601	5.6	(3.7)
Thermax	23,700	23,025	20,493	2.9	15.7	1,989	2,046	1,611	(2.8)	23.5	1,531	1,586	1,264	(3.5)	21.1
Dixon Technologies	44,761	49,432	24,047	(9.4)	86.1	1,754	1,989	1,112	(11.8)	57.8	949	1,134	519	(16.3)	82.9
Volta	23,935	22,674	19,823	5.6	20.7	1,506	1,310	530	15.0	184.0	1,165	1,216	269	(4.2)	333.2
Bharat Dynamics	7,360	6,158	4,616	19.5	59.5	1,572	1,340	889	17.3	76.9	1,517	1,471	837	3.1	81.1
KEI Industries	20,941	19,466	17,843	7.6	17.4	2,220	2,039	1,822	8.9	21.9	1,537	1,402	1,286	9.6	19.5
Crompton Greaves Consumer	16,317	17,841	15,162	(8.5)	7.6	1,674	1,757	1,524	(4.7)	9.9	1,094	1,094	882	0.0	24.0
KEC International	50,643	44,990	43,746	12.6	15.8	3,396	2,743	1,999	23.8	69.9	1,073	558	176	92.2	509.7
Kaynes Technology	4,625	3,608	2,891	28.2	60.0	659	488	412	35.1	60.2	422	323	229	30.6	84.5
V-Guard Industries	11,226	11,338	9,808	(1.0)	14.5	955	925	659	3.3	45.0	612	590	393	3.9	55.8
BITES	6,716	5,824	6,773	15.3	(0.8)	1,648	1,378	1,931	19.6	(14.6)	1,323	1,102	1,472	20.0	(10.1)
BEML	10,941	9,168	10,370	19.3	5.5	954	615	917	55.2	4.1	759	521	665	45.7	14.1
Amber Enterprises	16,028	9,271	13,483	72.9	18.9	1,057	596	785	77.4	34.6	267	(57)	151	(571.8)	76.9
Garden Reach Shipbuilders & Engineers	11,178	8,979	6,986	24.5	60.0	815	488	469	67.2	74.0	1,058	807	639	31.0	65.5
Eureka Forbes	5,161	5,914	4,735	(12.7)	9.0	590	521	386	13.1	52.7	367	258	219	42.1	68.1
<b>Total</b>	<b>513,008</b>	<b>476,904</b>	<b>425,315</b>	<b>7.6</b>	<b>20.6</b>	<b>65,931</b>	<b>62,150</b>	<b>51,428</b>	<b>6.1</b>	<b>28.2</b>	<b>49,867</b>	<b>47,695</b>	<b>36,393</b>	<b>4.6</b>	<b>37.0</b>
<b>EBITDA margin (%)</b>						<b>12.9</b>	<b>13.0</b>	<b>12.1</b>							

Company	Ticker	Rating	Mcap (INR bn)	CMP* (INR)	Target (INR)	Upside (%)	ROE (%)			P/E (x)		
							FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Siemens	SIEM IN	Accumulate	1,454	4,083	4,510	10	16.0	17.3	18.8	62.3	75.1	91.7
Bharat Electronics	BHE IN	Accumulate	1,333	182	185	1	24.2	25.7	25.9	4.9	6.0	7.0
ABB	ABB IN	Reduce	1,012	4,774	4,525	(5)	21.7	20.1	19.5	55.9	62.5	72.0
Hindustan Aeronautics	HNAL IN	Buy	960	2,870	2,500	(13)	22.2	23.6	24.5	81.2	93.4	106.2
Havells India	HAVL IN	Accumulate	876	1,398	1,480	6	19.6	22.6	24.3	22.0	28.9	36.7
Cummins	KKC IN	Accumulate	435	1,972	1,710	(13)	22.0	21.8	21.9	46.6	53.2	61.7
Thermax	TMX IN	Reduce	378	3,175	2,700	(15)	13.0	15.5	16.9	44.7	60.0	74.8
Dixon Technologies	DIXON IN	Reduce	378	6,349	4,460	(30)	28.9	29.6	28.6	72.9	97.9	125.0
Volta	VOLT IN	Accumulate	328	992	960	(3)	9.2	13.7	15.5	15.4	25.0	31.7
Bharat Dynamics	BDL IN	Buy	301	1,640	1,260	(23)	20.6	24.0	26.1	38.6	52.0	66.4
KEI Industries	KEI IN	Accumulate	291	3,228	2,700	(16)	21.8	22.1	21.8	69.7	87.1	106.0
Crompton Greaves Consumer	CROMPTON IN	Accumulate	203	319	315	(1)	27.9	30.7	32.6	8.4	10.3	12.4
KEC International	KECI IN	Accumulate	154	598	750	26	12.7	22.6	24.4	17.8	36.5	48.4
Kaynes Technology	KAYNES IN	Accumulate	148	2,546	2,610	2	17.7	20.7	22.1	31.9	45.3	59.1
V-Guard Industries	VGRD IN	Accumulate	127	295	315	7	15.7	18.4	18.4	6.2	8.3	9.7
BITES	RITE IN	Sell	125	519	350	(33)	17.1	23.2	26.7	18.5	25.6	31.4
BEML	BEML IN	Reduce	120	2,876	1,830	(36)	12.0	12.8	14.3	72.9	84.2	103.9
Amber Enterprises	AMBER IN	Accumulate	105	3,111	3,140	1	10.8	14.8	16.9	64.3	98.1	126.3
Garden Reach Shipbuilders & Engineers	GRSE IN	Sell	99	868	545	(37)	28.1	27.2	24.3	39.1	47.4	52.2
Eureka Forbes	EUREKAFO IN	Buy	98	505	600	19	4.4	6.9	7.8	9.6	15.7	19.2

Note: \*Pricing as on 3 January 2024; TP and estimates are as per last published notes; Source: Elara Securities Estimate

**Exhibit 1: Order inflows announced in Q3FY24**

Order details	Customers	Order size (INR mn)
<b>GE Power India</b>		
Supply of generator spares	NTPC	105
Supply of spares	Bokaro Power Supply Company (P)	99
<b>GE TD India</b>		
765kV power transformers and shunt reactors for PGCIL's various transmission system projects in India	PGCIL	5,000
HVDC convertor transformer	UK Grid Solutions	7,840
<b>BGR Energy</b>		
Air cooled heat exchanger	Mangalore Refinery and Petrochemicals	1,127
<b>Kalpataru Power</b>		
T&D business in India and overseas market		19,930
Buildings & factories order in India		2,240
T&D business in India and overseas market		15,640
Buildings & factories order		2,410
Water business order		4,580
Large-sized residential buildings project in South India		3,244
Design & construction of an underground metro rail project		
T&D business in overseas market		
<b>KEC International</b>		
765kV transmission line and 765kV AIS substation orders in India	PGCIL	13,150
Supply of towers in the Middle East, Australia and Americas		
Supply of hardware and poles in Americas		
Supply of various types of cables in India and overseas		10,050
220 kV and 400kV overhead transmission lines in the Middle East		
110kV transmission lines in Europe		
Supply of towers in the Middle East, Africa and Americas		
Supply of hardware and poles in Americas		
220kV cabling works in India from a global steel producer		
25kV overhead electrification (OHE) and associated works in the conventional segment in India		15,660
The business has secured orders for supply of various types of cables in India and overseas.		
400/220kV transmission lines and 220/132kV GIS & AIS substation orders in India		
Supply of towers, hardware and poles in Americas		
Order for commercial building		
Composite works for an oil terminal station in India		
The business has secured orders for supply of various types of cables in India and overseas		
<b>VA Tech Wabag</b>		
Consortium design, build, operate repeat order towards 345 MLD Bejaoua drinking water treatment plant	Societe Nationale D'exploitation Et De Distribution Des Eaux (SONEDE)	5,834
<b>Midhani</b>		
NA		3,570
<b>Mazagon Dock</b>		
One training ship	Indian Coast Guard	3,100
Part replacement of pipeline project (PRPP); laying ~44.4KMs of subsea pipelines in 19 segments	ONGC	11,451
Six nos. next generation offshore patrol vessel (NGOPV)	Indian Coast Guard	16,000
Construction of 3 nos. 7,500DWT multi-purpose hybrid powered vessels	European client	3,444

Order details	Customers	Order size (INR mn)
<b>Cochin Shipyard</b>		
Mid life upgrade of an Indian naval ship	Indian Navy	3,134
Repair and maintenance of equipment and systems onboard the naval vessel	Indian Navy	4,883
<b>Thermax</b>		
Setting up five bio-CNG plants across India	Indian conglomerate	5,000
<b>TD Power</b>		
Manufacture and supply of generators for oil & gas application, industry application and spare parts	BRUSH SEM s.r.o (Czech Republic)	
<b>TRIL</b>		
Order for reactors and designing, manufacturing, engineering and testing at manufacturers works.	Power Grid Corporation of India	2,190
Order of transformers	Uttar Pradesh Power Transmission Corporation	1,180
Order for reactors and designing, manufacturing, engineering and testing at manufacturers works	Power Grid Corporation of India	2,370
<b>Bharat Electronics</b>		
AMC of radars	Indian Army	5,800
AMC for airborne early warning & control (AEW&C) system, uncooled TI sights, software defined radios, SWIR payload, AMC for IACCS, passive night vision binoculars		33,350
Supply of fuses & various calibres	Indian Army	45,220
Order for electronic warfare testers, medical systems (exports), consumables and batteries for electronic voting machines, night vision devices spares and services		3,560
Supply of sensors for use on next generation offshore patrol vehicles (NGOPV)	Goa Shipyard	17,010
Supply of sensors for use on next generation offshore patrol vehicles (NGOPV)	Garden Reach Shipbuilders & Engineers	9,720
Miscellaneous spares & services		862
UP dial 112 project - supply of hardware, AI tools and cyber security solutions	UP government	4,450
Communication display units, thermal imaging cameras & miscellaneous spares & services		2,330
<b>Total</b>		<b>285,533</b>

Source: BSE India, Company, Elara Securities Research

**Exhibit 2: Disclosed order inflows (INR mn)**

Company	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
ABB India	-	-	-	-	-	-	-	-	-	-	-	-	-
ABB Power Product	1,000	11,100	-	-	-	1,600	1,600	-	-	-	-	-	-
Alstom India	560	-	-	-	-	-	8,635	-	-	-	-	-	-
Alstom T&D India	-	-	-	-	-	-	-	-	-	-	-	-	-
BGR Energy	-	-	-	-	-	-	-	-	3,300	-	-	-	1,127
BHEL	32,000	116,500	-	-	-	-	-	-	-	3,000	267,000	62,419	-
Crompton Greaves	-	-	-	-	-	-	-	-	-	-	-	-	-
GE Power India	-	-	-	-	-	-	8,635	-	-	-	-	6,272	204
GE TD India	-	-	-	-	-	-	-	-	-	-	-	-	12,840
Jyoti	-	-	-	-	-	-	-	-	-	-	-	-	-
Kalpataru Power	13,000	31,790	12,620	12,620	33,550	-	67,640	47,110	62,110	81,180	40,870	43,130	48,044
KEC International	24,710	42,500	36,960	36,960	64,320	32,680	31,840	47,770	74,050	67,420	36,030	52,710	38,860
Thermax	-	-	2,500	2,500	8,300	5,451	5,220	-	-	2,517	2,715	-	5,000
Siemens	-	-	-	-	9,000	-	-	-	260,000	-	6,780	-	-
Triveni Turbine	-	-	-	-	-	-	-	-	-	-	-	-	-
TD Power	-	-	-	-	-	-	-	-	-	-	-	-	-
VA Tech Wabag	-	20,366	-	-	-	100	11,838	-	2,600	-	4,200	-	5,834
Suzlon Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
BEML	5,010	9,264	-	-	-	-	-	-	-	3,780	8,081	32,800	-
Hindustan Aeronautics	-	-	-	-	-	-	38,870	8,600	-	74,954	-	4,589	-
Bharat Electronics	-	-	-	-	-	-	-	-	-	166,644	80,890	62,890	122,302
Bharat Dynamics	-	-	-	-	-	31,310	29,710	-	-	105,130	2,986	13,604	-
Cochin Shipyard	-	-	-	-	-	-	-	-	10,000	103,550	8,800	-	8,017
Garden Reach Shipbuilder	-	-	-	-	-	-	-	-	-	35,000	2,485	-	-
Mazagon Dock	-	-	-	-	-	-	-	-	-	-	27,246	-	33,995
Midhani	-	-	-	-	-	-	-	-	-	-	-	1,785	3,570
TRIL	-	-	1,470	1,470	720	3,080	1,860	-	2,680	1,840	3,230	1,340	5,740
<b>Total</b>	<b>76,280</b>	<b>231,519</b>	<b>53,550</b>	<b>53,550</b>	<b>122,314</b>	<b>74,221</b>	<b>205,848</b>	<b>103,480</b>	<b>424,740</b>	<b>645,014</b>	<b>491,313</b>	<b>281,538</b>	<b>285,533</b>
YoY (%)	(55.9)	357.2	72.9	(53.5)	60.3	(67.9)	284.4	93.2	247.3	769.0	138.7	172.1	(32.8)
QoQ (%)	(33.8)	203.5	(76.9)	0.0	128.4	(39.3)	177.3	(49.7)	310.5	51.9	(23.8)	(42.7)	1.4

Source: BSE India, Company, Elara Securities Research

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