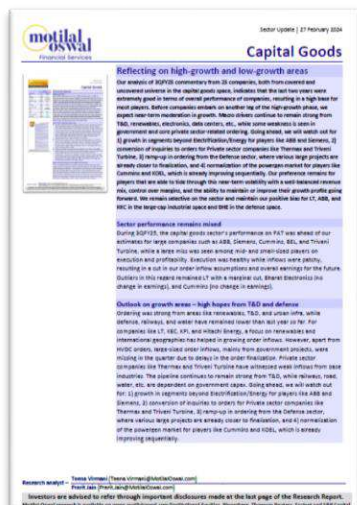


Capital Goods



T&D, Renewable, Defense continue to shine

Our analysis of management commentaries of 25 companies across industrials, defense, and railways after 4QFY25 results indicates that ordering activity from renewables, T&D, electronics, and B&F continues to grow at a fast pace while there are expectations that a broad-based demand revival from the government and private sector will happen in the coming quarters. Government-oriented sectors such as road and railways saw lower ordering activity in 4QFY25, while defense sector ordering is expected to revive in the coming quarters. As per the data on central government capex, a sharp uptick was seen in Mar'25 and Apr'25 across key segments. Private sector ordering too remained weak during the quarter, and enquiry pipelines are further shifted by a quarter. Going ahead, we will watch out for: 1) the finalization of an emergency procurement pipeline for the defense sector as well as contracts for large projects, 2) growth in segments other than Electrification/Energy for players like ABB and Siemens and also from government capex, 3) the conversion of inquiries to orders for private sector companies like Thermax and Triveni Turbine, and 4) stability in the powergen market for players like Cummins and KOEL. We remain selective on the sector and maintain our positive stance on LT, KKC and Bharat Electronics in the large cap space and KOEL and KPIL in the mid- and small-cap segments.

Sector performance was good on profitability

During 4QFY25, PAT performance of LT, Cummins, KOEL, HAL, BEL, Zen, KEC and KPIL was ahead of our estimates, whereas Triveni Turbine and Thermax reported in-line performance. Execution for ABB underperformed versus our expectations, while inflows for both ABB and Siemens remained strong. For combined financials of Siemens, the energy segment's financials were consolidated only for two months during the quarter. With healthy order inflows received for most players, revenue visibility remains fairly good.

EBITDA margin remained strong

Overall EBITDA margin particularly for product companies remained strong during the quarter, except in a few cases where legacy projects impacted margin. EPC companies also expect margin improvement as they close older projects with lower margins. With demand remaining soft in select segments such as those dependent on the private sector or select government sectors, we are already baking in 50-150bp EBITDA margin contraction over the next few years.

Order inflow surprised positively

Order inflows for most companies remained strong in 4Q, aided by either international ordering in the renewables segment or domestic T&D segments or high-growth areas as reflected in inflows of LT, Hitachi Energy, KPIL, ABB, and Siemens. Along with this, the prospect pipeline also remains strong for companies in these segments – e.g., LT's prospect pipeline is up 57% YoY particularly from international; Hitachi Energy's prospect pipeline is still strong from upcoming HVDC projects and export orders; KEC and KPIL too expect to benefit from a strong T&D pipeline. Even though ordering from defense remained lower than the initial guidance for few players, the expected emergency procurement in the near term and the finalization of bigger platforms will be positive for defense companies. As expected, ordering from the government and private sectors remained weak during the quarter.

Govt. capex gains momentum in Mar'25 and Apr'25

As per our economy team's report on capex growth ([Link](#)), the central government's capital spending surged to the highest-ever monthly level of INR2.4t in Mar'25 (68% YoY) compared with INR1.4t in Mar'24, and capital spending of the central govt. stood at INR10.5t in FY25P (10.8% YoY), up from INR9.5t in FY24 (28.3% YoY), surpassing its revised capex target of INR10.2t. For FY26, the govt. has budgeted INR11.2t for capital spending (6.6% YoY). Moreover, the central government has front-loaded capex in the current financial year (FY26), spending INR1.6t in Apr'25, up 61% from INR992b in Apr'24, when spending was muted in the initial months due to elections. Based on the provisional data of 20 states, total capital spending of all the states grew at a three-year high rate of 22% YoY in FY25 vs. 21.2%/16.6% growth in FY24/FY23. Thus, total capital spending of all the states stood at INR9.9t in FY25 vs. INR8.1t in FY24. For FY26, it is budgeted at INR11.4t (14.9% YoY). If the positive trend in capex continues in the coming months, it will be positive for the sector particularly from the railways and defense sides.

Strong opportunities in international markets

Export performance is gradually improving for companies, with a hope to further benefit from increased exports to the US, Europe and the Middle East. EPC players are already benefiting from opportunities related to renewables and renewable transmission projects, and we expect a similar momentum to continue going forward. LT's international revenue accounted for 49% of total revenue. In terms of order book, LT/KPIL/KEC's international share stood at 46%/41%/33% of total order book. ABB's exports were weak at 7% of sales during the quarter, while for Siemens, exports stood at nearly 11.5% of sales in 1HFY25. Siemens also intends to increase the share of exports in both Smart infrastructure and Mobility. Cummins is too ramping up exports and is cautiously evaluating export markets in light of the current geopolitical situation. Triveni Turbine is already strong on exports, with an export share of 48% in total revenues in FY25. Defense companies are eyeing bigger opportunities from exports of larger platforms such as Akash missile, MRSAM and defense control systems, where domestic companies have already established their product quality in the domestic markets.

Things to watch out for going forward

We have witnessed a continued ramp-up in ordering from T&D and renewables and a strong pipeline for the defense sector during the quarter. The powergen market too seems to be stabilizing on the high base of last year, with one more quarter left with a base of pre-buying led volumes; post which we expect volume growth to normalize. Going ahead, we will watch out for: 1) the finalization of an emergency procurement pipeline for the defense sector as well as contracts for large projects, 2) growth in segments other than Electrification/Energy for players like ABB and Siemens, 3) the conversion of inquiries to orders for private sector companies like Thermax and Triveni Turbine, and 4) stability in the powergen market for players like Cummins and KOEL, which had seen the impact of a high base of last year.

Recommendation

We prefer companies with a well-balanced revenue mix, control over margins, and the ability to maintain or improve growth profile going forward. We remain selective on the sector and maintain our positive stance on **LT, KKC and Bharat Electronics** in the large-cap space and **KOEL and KPIL** in the mid- and small-cap segments.

Sector performance during 4QFY25 was strong on profitability

Exhibit 1: Sector performance was good on YoY as well as sequential basis

Companies	Revenue (INR b)				EBITDA (INR b)				PAT (INR b)			
	4QFY25	Growth (%)		Var. over Exp. (%)	4QFY25	Growth (%)		Var. over Exp. (%)	4QFY25	Growth (%)		Var. over Exp. (%)
		YoY	QoQ			YoY	QoQ			YoY	QoQ	
ABB India*	31.6	2.6	-6.1	-6.3	5.8	3.0	-11.4	-7.4	4.7	3	-11	-7.3
Bharat Electronics	91.2	6.9	58.4	2.7	27.9	22.3	68.7	35.0	21.0	18	60	23.1
Cummins India	24.6	6.1	-20.4	-14.0	5.2	-4.5	-13.4	-5.0	5.2	-7	1	4.4
Hitachi Energy	18.8	11.1	16.3	-19.4	2.7	49.1	62.5	4.7	2.0	74	131	14.8
Kalpataru Proj.	68.7	11.5	28.5	0.5	5.4	38.9	43.9	-3.6	2.7	77	107	10.9
KEC International	62.0	20.5	28.6	2.9	5.2	30.8	30.2	5.0	2.7	52	69	14.5
Kirloskar Oil	14.1	1.5	21.4	7.6	1.7	-2.3	48.8	10.8	1.1	-10	62	9.8
Larsen & Toubro	743.9	10.9	15.0	-7.0	82.0	13.4	31.1	-1.0	51.3	19	53	6.4
Siemens*#	53.9	-6.3	7.4	-5.9	7.0	-20.2	-3.2	-10.5	5.8	-27	-5	-9.7
Thermax	30.8	11.6	23.0	6.0	3.0	9.7	58.6	5.4	2.1	5	81	-8.3
Triveni Turbine	5.4	17.5	6.9	-1.9	1.2	34.0	10.2	3.7	0.9	26	2	-4.3
Zen Technologies	2.9	116.3	107.4	11.2	0.9	109.4	157.0	-1.7	0.8	177	120	15.2

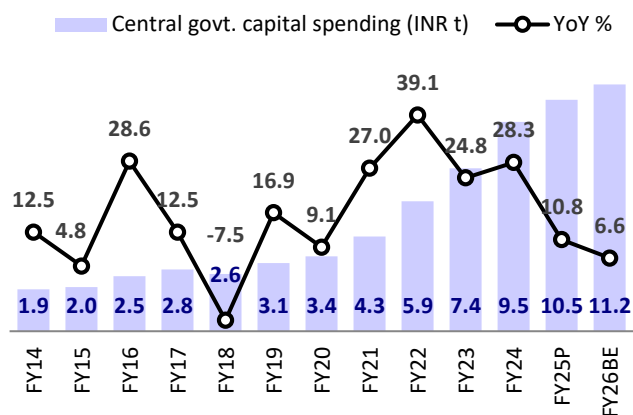
Source: Company, MOFSL

Note: #Siemens combined financials include Energy segment financials for only 2 months during Jan-Mar'25 quarter;

* ABB India/Siemens have Dec/Sep year-end.

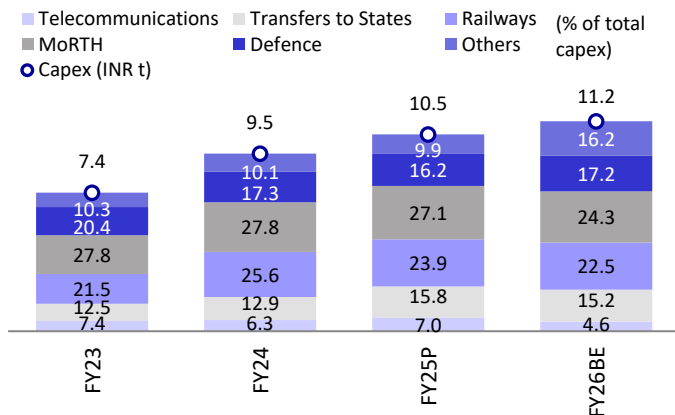
Government capital spending across sectors

Exhibit 2: Govt. surpassed its revised capex target of INR10.2t in FY25 to reach INR10.5t



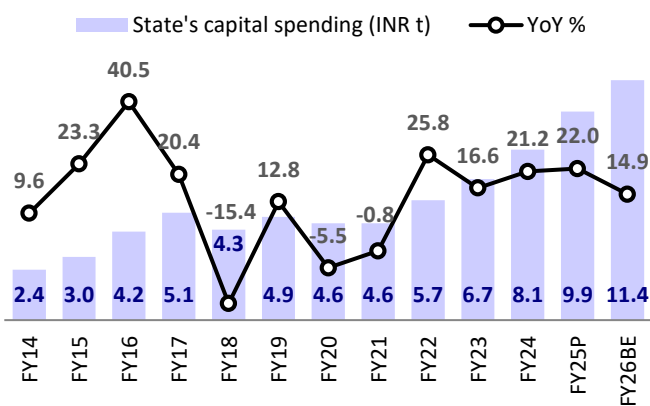
Source: Budget documents, CEIC, CGA, MOFSL

Exhibit 3: MoRTH, railways and defense were the major contributors to capex in FY25



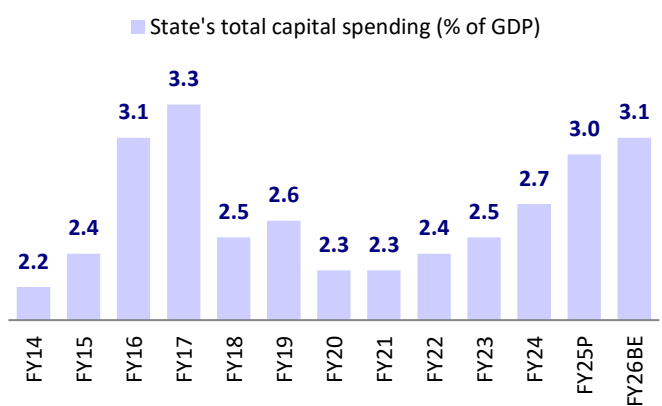
Source: Budget documents, CEIC, CGA, MOFSL

Exhibit 4: Aggregate states' capex grew at a 3-year high pace of 22% in FY25...



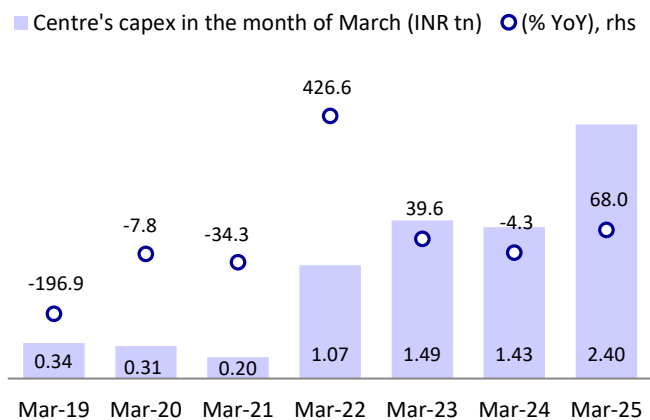
Source: Budget documents, CEIC, CGA, MOFSL

Exhibit 5: ...reaching 3% GDP, which is the highest in eight years



Source: Budget documents, CEIC, CGA, MOFSL

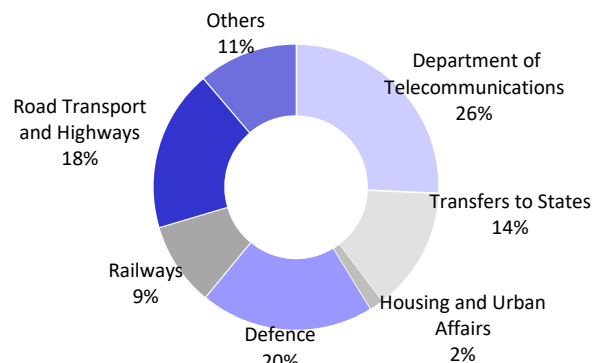
Exhibit 6: Centre's capex reached the highest-ever monthly level in Mar'25



Source: Budget documents, CEIC, CGA, MOFSL

Exhibit 7: Telecommunications, defense and MoRTH were the major contributors to capex in Mar'25

Breakup of Centre's capex in Mar'25 (%)



Source: Budget documents, CEIC, CGA, MOFSL

T&D, renewables and defense to remain growth drivers; private capex yet to pick up

Exhibit 8: Management comments on public and private capex across sector (covered companies)

Companies	Management Comments
ABB India	❖ ABB's order inflows were healthy despite a high base of last year. Going ahead, high-growth areas like data centers, electronics, smart buildings, traction/railways, and green cement are all benefiting from technological advancements and rapid execution cycles. Moderate-growth segments include core infrastructure and industrial markets with steady 8-12% growth. Low-growth but high-volume segments still contribute about 45% of ABB's portfolio. These segments are seen as future opportunities as capex cycles revive.
Bharat Electronics	❖ BEL is rightly positioned to benefit from the expected upcoming emergency procurement list, which will be finalized over the next 7-10 days. BEL is also eyeing inflows from various projects over the next two years, such as 1) QRSAM worth INR300b where BEL is the lead integrator and the project can be finalized by 4QFY26/1QFY27, 2) orders worth INR270b spread across next-generation corvettes from naval shipyards (worth INR60-100b), electronic warfare, electronic orders from Tejas Mk1A LCA, Atulya radar, ground-based electronic warfare systems, air defense fire control radar, etc. The company is also constantly eyeing opportunities from exports, particularly from Europe rearmament across platforms.
Cummins India	❖ Genset demand remains strong across residential, commercial, infra, and emerging segments like quick commerce warehouses. CPCB IV+ pricing is stable with moderated competition. Construction demand was steady, and rail orders remained strong, but mining lagged due to delayed Coal India tenders. The compressor segment is stable but may face a cyclical downturn.
Hindustan Aeronautics	❖ HAL has a strong pipeline valued at ~INR1t, which is expected to materialize over the next 1-2 years. Key opportunities include follow-on orders for 97 LCA Mk1A, 143 ALHs, and upgrades for 40 Dornier aircraft. In addition, the INR600b Sukhoi-30 avionics upgrade and Tejas Mk2 production program (set to start around FY31) represent a significant long-term inflow opportunity.
Hitachi Energy	❖ Hitachi Energy is continuously witnessing strong demand in transmission and renewables, driven by the ongoing energy transition. While sectors like data centers and industry saw temporary declines, management attributes this to seasonal and timing factors and expects significant recovery in the coming quarters due to growing electrification and digital infrastructure needs. The company is also expanding its service offerings with a new dedicated business unit.
Kalpataru Proj.	❖ KPIL expects strong FY26 order inflows in both domestic and international T&D markets, driven by active tendering (PGCIL, PFC, REC) and traction in Latin America, Europe, the Middle East, and Africa. Focus areas include HVDC, grid expansion, and energy transition. B&F outlook remains robust, supported by residential real estate, key clients, and opportunities in airports, industrial, commercial, and data centers. Oil & gas and urban infra see healthy momentum, while Railways may stay sluggish.
KEC International	❖ Domestic T&D segment growth is primarily being driven by increased power demand in the country and KECI's entry into the HVDC area, where it is already executing projects and is eyeing two more tenders from Gujarat and Leh Ladakh. International T&D order enquiries are building up in the Middle East, the Americas and Australia, while Africa remains slow.
Kirloskar Oil	❖ The company sees strong demand from the construction and defense sectors in the industrial business, and on the genset side, demand seems to be stabilizing, with HHP sales crossing INR1b in the year. Pricing and volumes are returning to normal growth levels after the acceptance of new CPCB IV+ products by customers.
L&T	❖ LT's prospect pipeline for FY26 stands at INR19t, up 57% YoY, due to a significant increase in infrastructure and energy segment prospects. The domestic prospect pipeline was flat YoY at INR7t, while international stood at INR12t. Strong growth in the international prospect pipeline is coming from GCC region, which is transitioning from oil to gas and renewable projects, and expected spending across power transmission, renewables, and green infrastructure. The company historically had a win rate of 20-25% in the prospect pipeline and expects this to improve in the future given its track record now in international geographies.
Siemens	❖ Smart infra segment is expected to benefit from continued spending in public infrastructure (especially in power distribution, grid automation, and building technologies), data centers, EV charging infra, and industrial investments. Siemens continues to face challenges in digital industries due to muted private capex and higher costs of materials in the segment. Hence, near- to medium-term growth may remain impacted. For mobility segment, ordering has started to pick up momentum in the quarter.
Thermax	❖ Base ordering has remained weak during the quarter while the inquiry pipeline is strong. Management expects improvement in order inflows, driven by opportunities in steel, power, waste-to-energy, refining, petrochemical, and cement sectors - with the latter two expected mainly in 2HFY26.
Triveni Turbine	❖ Triveni saw a sharp rise in domestic enquiry levels (+120% YoY), indicating strong pent-up demand. Key sectors driving enquiries include process cogeneration (doubling YoY), steel, cement, oil & gas, recycling, and food processing. Although many orders were deferred in FY25 due to elections and macro uncertainties, management expects that these enquiries will translate into final orders in coming quarters, supporting a recovery in domestic orders in FY26.
Zen Technologies	❖ The order pipeline has grown significantly due to increased government urgency following recent border incidents and geopolitical tensions. However, the finalization of these tenders may happen after 1HFY26. These orders are expected to be related to both anti-drone and simulators.

Source: Company

Exhibit 9: Management comments on public and private capex across sector (companies not under coverage)

Companies	Management Comments
GE T&D	❖ The central government's ambitious INR9t transmission plan through FY32 is driving order inflows, as seen in large wins from PGCIL, private conglomerates like Adani and Jindal, and other EPC players. While government spending remains dominant, private sector participation is also growing due to increased TBCB activity. Management expects this healthy mix of central and private demand to sustain, supporting steady revenue growth.
TRIL	❖ TRIL management highlighted a well-diversified order book mix, with around 45% from utility (government) and 55% from EPC and other private sectors. The total order inflow for FY25 was INR45b, and the company is targeting an order book of INR80b in FY26, backed by strong demand across sectors.
Voltamp Transformers	❖ The company expects the outlook for the power sector in India to be promising and transformative. The ongoing shift toward renewables is expected to continue, with a focus on capacity addition. The enquiry pipeline continues to be strong. The company at present is not foreseeing a slowdown in capex in its addressable market segments and that will ensure full utilization of production capacity. The new capacity addition in the transformer industry will impact price realization with margin normalization over time.
CG Power	❖ CG Power does not see the power sector demand going down for the next 5-6 years in India and globally. The company has launched new series of products in the quarter to take advantage of the increased capacity and expand its footprint in domestic and export markets. CG Power is doing a Greenfield expansion of 45,000 MVA in power transformers at Bhopal with INR7b investment, increasing capacity to 85,000 MVA by FY27-28. Capex also includes distribution transformer capacity expansion in Gwalior and HT motors in Bhopal, which is expected to be operational by end of June.
Carborundum Universal	❖ FY26 capex is projected to be ~INR3b-3.5b. The abrasives market was pegged at over INR100b and refractories at over INR150b, both showing strong potential for CUMI's expansion. The abrasives market's growth will be fueled by capacity expansion in thin wheels, leveraging Rhodius technology to address infrastructure and construction demand. In ceramics, investments aim to scale up high-margin engineered and metallized ceramics for sectors like semiconductor, defense, and e-mobility. The Electrominerals division is expanding alumina and zirconia capacity, venturing into advanced materials such as thermal spray powders and solid oxide fuel cell powders.
TD Power	❖ While domestic order growth was modest at 4%, the export business now forms 68% of quarterly order inflows and will be further supported by demand from sectors like gas turbines, AI data centers, grid stabilization, and traction motors. The company is also gearing up for capacity ramp-up through commissioning a third plant by 2HFY26, which will drive performance in FY27.
Texmaco Rail	❖ Approximately 1.5 lakh wagons are expected to be ordered in the next three to four years. With a consolidated production capacity of 15,000 wagons annually, Texmaco is ready to capture its fair share of this demand and contribute to the sector's development.
Titagarh	❖ The company mentioned that Indian Railways is expected to procure around 1-1.2 lakh incremental wagons, representing a market opportunity of INR350b-400b for the company.
Jupiter Wagons	❖ The company sees high demand from private players and expects major tenders from Indian Railways later in FY26, reinforcing a strong outlook till FY28.
Mazagon Dock	❖ The company expects to sign contracts for P-75 additional submarines and P-75(I) submarines in FY26. It also expects RFP to come out in the coming months for P-17 Bravo (INR700b) and MCMB project (INR440b).
Garden Reach	❖ The company expects order inflows for P-17 Bravo (INR700b), 5 next-generation corvette (NGC) projects (INR250) (L1 declared), 5 next-generation survey vessels (INR35b), next-generation offshore patrol vessel (NGOPV) (INR25b), 120 fast interceptor craft (INR15b-18b), 18 next-generation fast patrol vessel (INR30b), 2 multi-purpose vessels (INR12b), 31 follow-on waterjets FACs (INR30b), and 2 mine countermeasure vessels (MCMVs) (INR320b).
Astra Microwave	❖ Expected orders include those for AAA systems for Su-30 and LCA Mk2 platforms, Project Virupaksha, and QRSAM. Additional potential orders relate to Akash Prime, VL-SRSAM systems, and lightweight radars. The company is also pursuing multiple opportunities in the counter-drone and weather radar segments. Export order visibility for FY26 stands at over USD100m, indicating a strong pipeline of international demand.

Source: Company

Optimistic on exports with prospect demand from US, Europe and Middle East

Exhibit 10: Management comments on international exposure of companies

Companies	Management Comments
ABB India	❖ Management stated that ABB is allocated specific international markets, where the company is currently performing well. The prevailing trade environment in India appears to be net positive for ABB's industries. Furthermore, management noted that for the current export portfolio, it has not observed any signs of dampening in demand.
Cummins India	❖ Latin America and Europe were the strongest performing regions. Cummins continues to focus on tailored go-to-market strategies for each region, including market-specific positioning, pricing, and product offerings. The global outlook remains uncertain due to ongoing geopolitical issues and evolving trade and tariff policies, particularly involving the US.
Hitachi Energy	❖ Exports maintained their growth momentum, contributing significantly to the total order book. Excluding HVDC orders, exports contributed to almost 37% of total order inflows in FY25, up 77% YoY. Export orders received from South Asia, Europe and Africa are primarily from utilities.
Kalpataru Proj.	❖ KPIL sees strong opportunities on T&D side in international markets. The company expects 20-25% annual growth in LMG over the next 2-3 years and is exploring fundraising options. In Brazil, Fasttel improved significantly, growing revenue to INR9.4b (+35% YoY) and halving losses from INR700m to INR350m. With a planned capital infusion, management targets to achieve the breakeven in the next two years for Fasttel. The Saudi operations (IBN Omera) closed out its projects and reported losses, but management expects a turnaround in FY26.
KEC International	❖ The company sees a strong opportunity pipeline of INR1.8t, with T&D accounting for at least half of it. Key geographies include the Middle East, Africa, the Americas and CIS regions.
Kirloskar Oil	❖ The company is currently focused on three priority regions, namely, the Middle East, Africa, and the US. The company is evaluating each international region carefully to determine the right operating model - whether through local partnerships, direct presence, or acquisitions - with a focus on sustainability rather than opportunistic growth.
L&T	❖ International orders form 46% of LT's total order book, and GCC region accounts for 81% of its international order book. With oil prices hovering around USD60 per barrel, LT is not concerned about a reduction in capex as funding lines for these projects are strong and LT is working with best-in-class clients across GCC region. Spending across gas and renewable projects remains strong.
Siemens	❖ Siemens India is strengthening its focus on exports, particularly in the Smart Infrastructure (SI) and Mobility segments. Currently, exports contribute around 12% of revenues, with significant potential to grow. The company is already exporting bogies and propulsion equipment, having secured its third export order for bogies from the global parent. Management expects export contributions to rise steadily over the next 3-5 years as localization and production capacities ramp up, especially in Mobility. SI exports have also seen double-digit growth, and Siemens aims to leverage India further as a global supply hub, aligned with the parent company's strategy amid shifting geopolitical dynamics.
Triveni Turbine	❖ The share of exports in total order book/revenue stood at is 57%/52%, while international ordering grew 23% YoY to INR12.6b, aided by strong demand across regions - Middle East, Europe, North America, Southeast Asia, and Africa - spanning broad power ranges. Management sees solid aftermarket expansion potential in North America and South Africa, with its US subsidiary positioned to cater to these services alongside product sales.
Zen Technologies	❖ Zen has also invested USD10m (INR868.6m) in its wholly owned subsidiary Zen Technologies USA, Inc. to expand its footprint in North America and leverage new growth opportunities in the region. Exports are a key pipeline focus, especially for simulators and anti-drone solutions, and Zen expects inflows to materialize from the US by FY27.
Companies not under coverage	
GE T&D	❖ The company used to focus more on Africa and Southeast Asia but is now expanding into Latin America, Europe, and Australia. The company aims to keep 30% of total orders from exports, including parent company contributions, and expects export revenues to increase steadily as large projects progress.
TRIL	❖ International business forms 15%-17% of current revenue and order book, and management intends to maintain this share without significantly expanding it. Export markets include developed countries with growing demand for specialized transformers. Management sees strong export potential in rectifier transformers, driven by global green hydrogen and ammonia projects. While there's recognition of transformer demand growth in markets like the USA, the company clarified that US exports are not a strategic focus currently, and its products are exempt from reciprocal tariffs.
CG Power	❖ The company maintains its export guidance of 20%. The semiconductor venture (CG Semi and Axiro) will cater to global demand, with 40-50% of CG Semi's output under committed offtake by Renesas. Leadership emphasized long-term export ambitions without being impacted by US tariff issues, given low current exposure.
Carborundum Universal	❖ CUMI emphasized international growth as a critical vector in its five-year strategy. Export exposure is being enhanced in all key divisions. For abrasives, Rhodius (Germany) and Awuko are positioned for international scale-up, while the thin-wheel project in India will support global sales. Electrominerals will increase exports of treated grains and zirconia, using South Africa's Foscok as a strategic base. Ceramics exports are being bolstered through CUMI America and Australia, especially in high-tech applications like semiconductor and aerospace.
TD Power	❖ TDPS' exports contribute over 60% of total order inflows. The company is gaining traction in high-potential export segments like gas turbines, AI server farms, data centers, and grid stabilization units, with demand spanning the US, Europe, CIS, and the Middle East. It has tied up with major global OEMs and is working across the supply chain for large-sized generator projects (up to 100 MW). Despite recent Turkish market challenges, TDPS expects continued export growth and minimal impact from geopolitical shifts due to strong demand and diversified exposure.

Source: Company

Margin trajectory remained strong

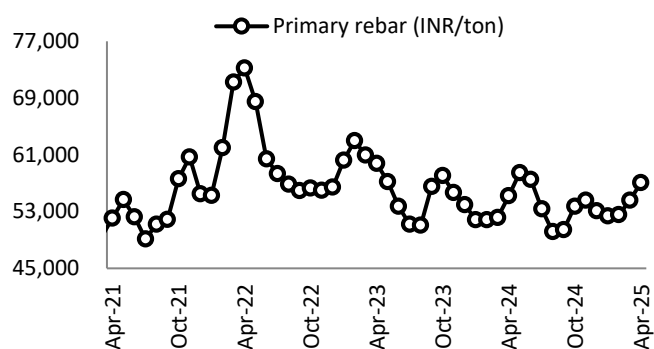
Exhibit 11: Management comments on future margins

Companies	Management Comments
ABB India	❖ ABB has reiterated its PAT margin guidance of 12–15% for CY25, supported by the execution of previously secured high-margin orders and improved operating leverage from enhanced capacity utilization.
Bharat Electronics	❖ The company has given EBITDA margin guidance of 27% for FY26 and it aims to constantly improve this going forward.
Cummins India	❖ On a full-year basis, the company's margin has improved on account of a better product mix, and the company's ability to hold on to pricing. The company is continuously taking cost-related efforts to maintain or further improve these margins.
Hitachi Energy	❖ It expects margins to remain in double digits in FY26.
Hindustan Aeronautics	❖ HAL expects to maintain the current margin of 31% in FY26.
Kalpataru Proj.	❖ PBT margins are guided at 5.25%–5.5% for standalone operations and 4.5%–4.75% on a consolidated basis, implying an improvement of 35–100bp YoY. EBITDA margin is expected to improve across all major segments.
KEC International	❖ Management remains confident of 9%+ in FY27. With legacy orders easing out, T&D will drive margin gains.
Kirloskar Oil	❖ With an improving product mix, the company aims to improve margins going forward.
L&T	❖ Core E&C margin is targeted to be at 8.5%, slightly up from the previous year's guidance of 8.25%.
Siemens	❖ Siemens India saw strong EBIT margins in Smart Infrastructure (15.2%) and expects strong margins to continue. Mobility segment EBIT margins dipped to 6.3% due to higher costs but should improve with execution. Digital Industries margins fell due to lower volumes and imports but are expected to recover as demand picks up. Overall, steady margin expansion is expected across segments as volumes improve.
Thermax	❖ In Industrial Products, the company expects to sustain robust profitability as long as revenue scale is maintained. For Industrial infra, margin improvement is expected in FY26–27 as legacy projects wind down. For chemical segment, management has guided for margin to be in high-teens in FY26, while Bio-CNG is expected to reach breakeven with low-single-digit margin.
Triveni Turbine	❖ While acknowledging that quarterly margins might fluctuate due to order mix, management reaffirmed that the current operating leverage, favorable business mix, and steady growth in international markets and aftermarket services would allow the company to maintain healthy profitability levels in the foreseeable future.
Zen Technologies	❖ Zen has maintained its guidance of 35% EBITDA margin for FY26 and PAT level guidance of 25%.
Companies not under coverage	
GE T&D	❖ Management delivered strong FY25 margins, with EBITDA at 21.9%/19.1% 4QFY25/FY25. This was driven by better pricing, a shift to high-margin products, rising exports, and strong execution. Though quarterly fluctuations may occur, the company aims to sustain these elevated levels for the full year, backed by a healthy order mix and lean operations.
TRIL	❖ The company aims to maintain margin of 16%–17% going forward. The company emphasized that it is not chasing higher margins through pricing, but aims to improve margins via operational efficiencies, backward integration, and capacity expansions. The backward integration, particularly in CRGO processing and critical components like bushings and insulation, is expected to incrementally boost margins by ~0.25%. The PAT margin guidance stands at ~10%.
CG Power	❖ Management aims to sustain and improve margins through price discipline, operational excellence, and value-added product focus.
Carborundum Universal	❖ CUMI expects consolidated PBIT margins to decline by 100–150bp YoY in FY26, primarily due to sanctions-related headwinds at VAW, Russia. Abrasives margins are projected to improve by 100–150bp YoY due to operational efficiencies and a better product mix, while Ceramics margin may decline 100–150bp YoY due to Russian exposure, and Electromineral could see a 500–600bp YoY decline owing to VAW.
TD Power	❖ The company has given an EBITDA margin guidance of 18%–18.5% for FY26. The company is selectively targeting high-margin segments (especially in motors) and avoiding low-margin markets. With strong order visibility and volume ramp-up expected from the third plant in FY27, TDPS anticipates both margin and revenue expansion over the next two years.
Texmaco Rail	❖ The company reported EBITDA margin of 10.3% in 4QFY25. Management emphasized that despite 4Q margin distortions from one-off provisions and dividend eliminations, the full-year trend remains positive. The company is demerging its Infra unit to focus on higher-margin Rail Infra & Systems and actively investing in automation and innovation.
Titagarh	❖ The company maintains its EBITDA margin guidance for the Freight business at 11%–12% for FY26, and for Passenger coaches at around 10%.
Jupiter Wagons	❖ JWL achieved an industry-leading EBITDA margin of 14.6% in FY25 and expects to maintain similar levels in FY26 and FY27, with minor improvements. Management anticipates a substantial margin uptick only after the Odisha wheel facility becomes fully operational in FY28–29, contributing nearly INR30b in revenue with >20% margins.
Mazagon Dock	❖ The company maintains its guidance of 15% PBT margins for FY26.
Garden Reach	❖ GRSE reported its best-ever financials in FY25, with EBITDA margins reaching 13%. Management affirmed that this is not a one-off performance, as margins have steadily improved through better execution and cost control.
AMPL	❖ The company expects to maintain margin of ~18% at PBT level.

Source: Company

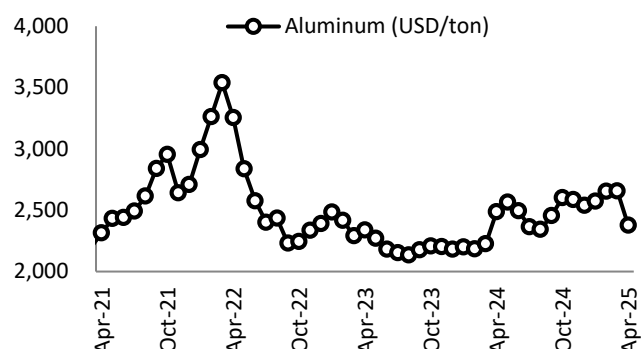
Commodity prices remain fairly stable

Exhibit 12: Primary rebar price trend (INR/ton)



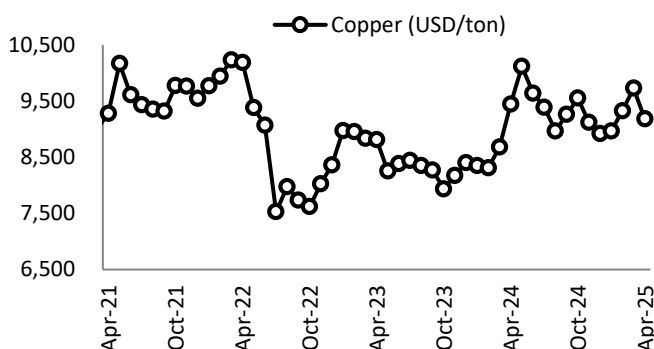
Source: Bloomberg, MOFSL

Exhibit 13: Aluminium price trend (USD/ton)



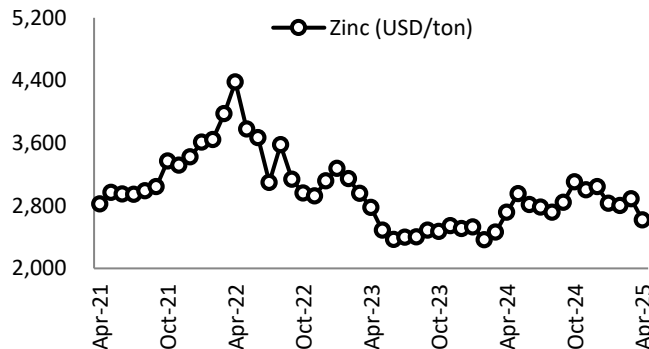
Source: Bloomberg, MOFSL

Exhibit 14: Copper price trend (USD/ton)



Source: Bloomberg, MOFSL

Exhibit 15: Zinc price trend (USD/ton)



Source: Bloomberg, MOFSL

Sector valuations have come down over last one year as growth expectations moderated

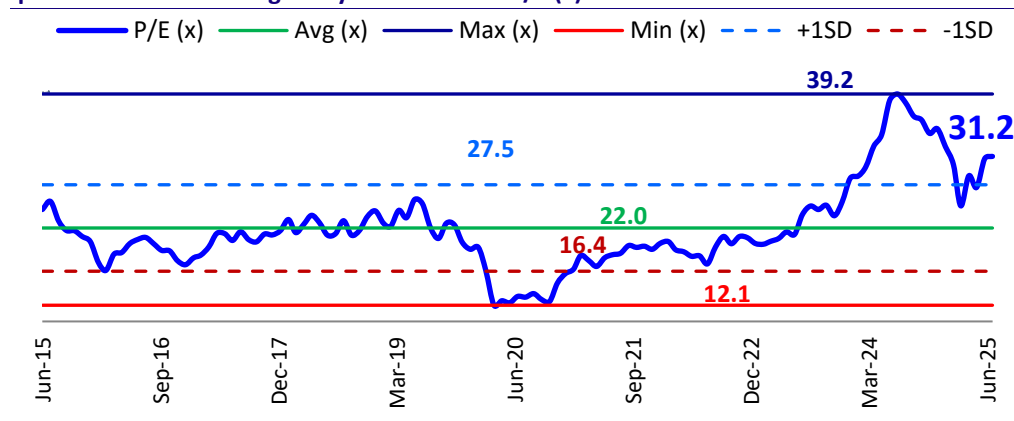
Exhibit 16: Target valuations for core business and expected growth over FY25-27

Companies	Target Multiple	TP (INR)	CAGR FY25-27 (%)		
			Revenue	EBITDA	PAT
ABB India*	60x	6,400	11.6	7.7	8.2
Bharat Electronics	40x	410	17.3	16.0	18.6
Cummins India	41x	4,060	17.7	16.9	17.6
Hindustan Aeronautics	32x	5,650	21.0	16.2	13.6
Hitachi Energy	50x	12,500	37.7	69.1	79.7
Kalpataru Proj.	18x	1,300	18.6	24.8	37.3
KEC International	21x	940	17.0	27.2	44.0
Kirloskar Oil	25x	1,150	14.9	18.1	19.2
Larsen & Toubro	28x	3,950	14.2	14.8	21.3
Siemens*	45x	3,200	9.5	10.0	8.0
Thermax	40x	3,100	11.7	21.2	17.6
Triveni Turbine	42x	700	19.3	18.4	19.3
Zen Technologies	30x	1,750	34.1	40.5	40.0

Source: Company, MOFSL

Note: * ABB India CAGR for CY24-26 (Dec ending), Siemens CAGR for FY24-26 (Sep ending)

Exhibit 17: Overall valuations for capital goods sector have bounced back in last one quarter from 10Y average - 2-year Forward – P/E (x)



Source: Bloomberg, MOFSL

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