Capital Goods

Result Preview

Company
ABB India
Bharat Electronics
Cummins India
Hitachi Energy India
Kalpataru Projects International
KEC International
Kirloskar Oil Engines
L&T
Siemens
Thermax
Triveni Turbine

Execution and margin to be key monitorables

There has been a moderation in order inflows in 4QFY24 owing to the impending election cycle. However, for key verticals such as renewable energy, power T&D, defense, railways, metro and water, order inflows have been steady overall in FY24 thanks to the government's continued thrust on capex. On the private side, investment activity has been selective, primarily in areas such as data centers, real estate, cement, metals & mining, industrial automation, and PLI-led capex. Green shoots are visible and the ordering momentum is expected to gather steam in the post-election period and is resulting in valuation re-rating for the entire sector. We believe that strong order books of the companies should provide healthy revenue visibility. We expect 15% YoY growth in execution in 4QFY24. Supply chain issues that had affected previous quarters may continue to weigh on execution over the next couple of quarters, with the Red Sea crisis being a key monitorable. We expect EPC companies – LT, KECI, and KPIL – to see a gradual margin expansion as their low-margin legacy projects are near completion. We expect product companies to pass on lower RM price benefits to end-users. As a result, we expect a ~25bp YoY contraction in EBITDA margin for our coverage universe. In 4QFY24, we estimate our coverage companies to report revenue growth of 15% YoY, EBITDA growth of 13% YoY, and PAT growth of 5% YoY.

Domestic ordering momentum sees moderation in 4QFY24

With elections around the corner, order upfronting was seen in 9MFY24. Consequently, 4QFY24 saw some moderation in domestic ordering. During the quarter, LT announced orders worth ~INR652b, BHE won ~INR78b, KECI secured ~INR58b, and KPIL acquired ~INR45b. Notably, BHE has outperformed its initial FY24 order inflow guidance of ~INR200b, with ~INR350b. Similarly, LT's 9MFY24 domestic order inflows declined ~11% YoY, but it was because of a high base created by large hydrocarbon orders in 9MFY23. As per our interactions with management teams, ordering momentum is set for a healthy uptick after 1QFY25. In 4Q, order activity was mainly driven by areas such as defense, B&F, T&D, hydrocarbon, etc. Private investments have been taking place selectively in areas such as data centers, real estate, cement, metals & mining, industrial automation, and PLI-led capex, which is positive for ABB, SIEM, KKC, TMX, TRIV. The strong enquiry pipeline seen in 3QFY24 should start materializing in 4QFY24. For our coverage universe, we estimate 15% YoY growth in execution in 4QFY24.

Margin trajectory to be mixed in 4QFY24

EPC companies, LT, KECI and KPIL, had guided for a better margin performance in 2HFY24, given the delay in completion of legacy projects; however, they lowered the initial FY24 margin guidance by ~25-50bp. LT and KECI should witness a material improvement in margins in 2HFY25. On the other hand, we expect product companies to witness a mixed impact of strong demand and lower RM prices and hence expect them to pass on some RM price benefits to end-users.

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Export weakness seems to have bottomed out

Product exports have been sluggish in most geographies, except the GCC region, due to factors such as inflation, geopolitical worries, and economic slowdown. As a result, export growth stood lower than expected for KKC, ABB, and SIEM during 9MFY24. However, we believe that weakness seems to have bottomed out, with India's overall engineering exports growing by ~8% YoY in the Dec'23-Jan'24 period. Moreover, demand is expected to see a gradual improvement as these challenges ease going ahead. For EPC players, international ordering activity, especially in GCC, has been robust, with LT, KPIL and KECI bagging oil & gas, hydrocarbon and civil-related orders from Saudi Arabia and UAE. The outlook for these geographies is sanguine as crude oil continues to trade above USD70/bbl. Governments in these countries have laid out a roadmap to pivot away from their dependence on oil, which augurs well for these companies in terms of opportunity pipeline.

Election schedule can have a near-term impact on inflows and working capital

We expect the election schedule to have an impact on inflows and working capital during 4QFY24-1QFY25 for companies focused on government capex, particularly in the EPC and defense areas. With the order upfronting and the geographical diversification seen for most of the EPC and defense players such as LT and BHE, we expect companies to focus on execution. We expect normalization in order inflows and working capital from 2QFY25 onward.

We remain positive on long-term prospects for the sector

We believe that there are enough levers for the capex cycle to sustain over the long term, despite near-term election-related disruptions. Consequently, a couple of quarters of moderation in government ordering activity cannot be ruled out. However, we are seeing green shoots in private sector capex, particularly from auto, cement, metals and PLI-led capex. Companies' order books are already quite buoyant, which provides visibility for a healthy revenue CAGR. Strong demand and RM tailwinds are positive catalysts, some of which will have to be passed on by the companies. Exports have seemingly bottomed out, and we expect a gradual pickup from 4QFY24 onward. Higher oil prices and GCC infra spending augur well for EPC companies, which have a presence in the MENA region. We thus increase our estimates to bake in 4QFY24 inflows and lower RM prices and also revise our valuation multiples upwards to bake in expected improvement in private capex post elections.

Our top picks

ABB, LT, and KOEL remain our top picks in the sector. We expect ABB to be the key beneficiary of an improved addressable market for short-cycle orders from the private sector as well as transmission, railways, data center, and PLI-led spending. We expect LT to continue to benefit from both domestic and international spending, along with control over its working capital. We like KOEL because of its attractive valuations and as it has further scope of re-rating from current levels.

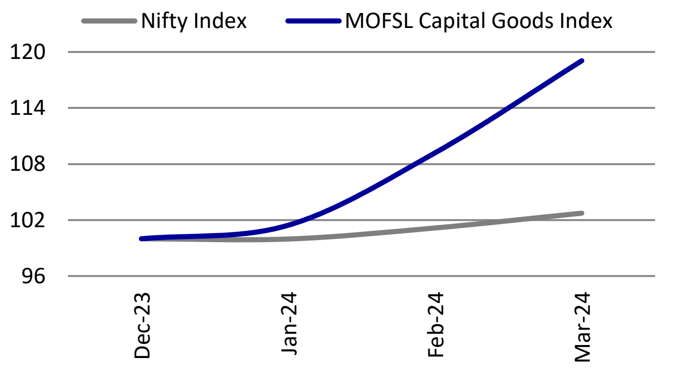
Exhibit 1: Expected quarterly performance summary

Sector	CMP (INR)	RECO	SALES (INR M) Mar-24	SALES Var % YoY	SALES Var % QoQ	EBDITA (INR M) Mar-24	EBDITA Var % YoY	EBDITA Var % QoQ	NET PROFIT (INR M) Mar-24	NET PROFIT Var % YoY	NET PROFIT Var % QoQ
ABB India	6508	Buy	29,639	22.9	7.5	4,279	50.0	2.6	3,594	46.6	4.1
Bharat Electronics	211	Neutral	85,306	32.1	106.2	20,440	12.0	94.8	14,978	9.7	67.7
Cummins India	3005	Buy	21,084	9.5	-16.8	3,788	16.2	-29.6	3,471	9.0	-24.0
Hitachi Energy	7010	Sell	15,271	14.5	19.8	1,099	15.6	61.6	546	7.5	137.9
KEC International	718	Neutral	62,986	14.0	25.8	4,086	44.1	32.7	1,583	119.3	63.4
Kalpataru Proj.	1117	Buy	54,972	25.1	32.6	4,416	42.0	28.4	1,822	58.9	26.5
Kirloskar Oil	889	Buy	13,561	17.7	19.5	1,677	69.1	26.2	1,085	67.2	32.0
Larsen & Toubro	3837	Buy	6,50,127	11.4	17.9	72,251	5.7	25.5	37,066	-7.0	25.8
Siemens	5462	Buy	68,699	18.3	17.0	8,995	28.5	18.5	7,157	25.2	16.9
Thermax	4287	Neutral	27,879	20.6	19.9	2,193	9.7	17.0	1,683	7.8	20.0
Triveni Turbine	573	Buy	4,569	23.6	5.8	867	30.7	3.6	647	16.2	-5.3
Capital Goods			**10,34,093**	**14.9**	**22.0**	**1,24,091**	**12.6**	**28.6**	**73,633**	**5.2**	**26.7**

Exhibit 2: Comparative valuations

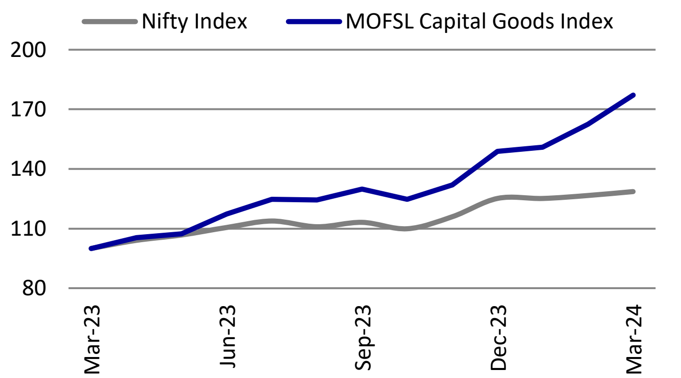
Company Name	CMP INR	Reco	EPS (INR) FY24E	EPS FY25E	EPS FY26E	PE (x) FY24E	PE FY25E	PE FY26E	PB (x) FY24E	PB FY25E	PB FY26E	ROE (%) FY24E	ROE FY25E	ROE FY26E
Capital Goods						**53.0**	**41.9**	**33.6**	**8.2**	**7.4**	**6.4**	**15.5**	**17.6**	**18.9**
ABB India	6,508	Buy	58.9	73.4	90.1	108.0	88.7	72.2	22.7	18.8	15.2	22.9	23.4	23.2
Bharat Electronics	211	Neutral	5.1	5.8	6.6	39.4	36.1	32.2	9.3	8.4	7.3	23.6	23.3	22.7
Cummins India	3,005	Buy	55.5	65.1	77.6	54.2	46.1	38.7	14.0	12.5	11.1	27.2	28.6	30.5
Hitachi Energy	7,010	Sell	24.7	66.0	116.9	281.9	106.2	60.0	22.4	18.6	14.2	7.9	17.5	23.6
Kalpataru Proj.	1,117	Buy	34.6	53.4	74.7	30.8	20.9	15.0	3.0	2.8	2.4	10.2	14.2	17.2
KEC International	718	Neutral	13.7	28.3	41.6	50.5	25.4	17.3	4.4	3.9	3.2	9.0	16.5	20.5
Kirloskar Oil	889	Buy	24.7	32.8	42.0	34.8	27.1	21.2	4.8	4.4	3.8	14.5	17.1	19.2
Larsen & Toubro	3,837	Buy	89.5	118.0	149.5	42.1	32.5	25.7	5.9	5.3	4.6	13.9	17.2	19.2
Siemens	5,462	Buy	55.1	68.0	81.2	97.6	80.3	67.3	14.6	13.1	11.4	15.9	17.3	18.1
Thermax	4,287	Neutral	50.4	62.7	73.7	83.2	68.3	58.2	10.8	9.8	8.7	13.8	15.3	15.9
Triveni Turbine	573	Buy	8.3	10.6	14.2	64.7	53.9	40.4	18.0	15.3	12.0	30.9	31.5	33.3

Exhibit 3: Relative performance – three-months (%)



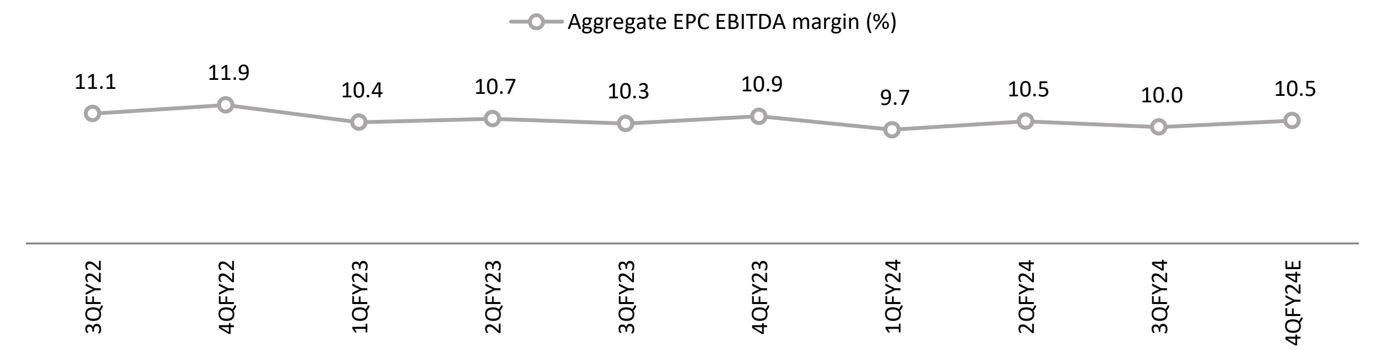
Source: Bloomberg, MOFSL

Exhibit 4: Relative performance – one-year (%)



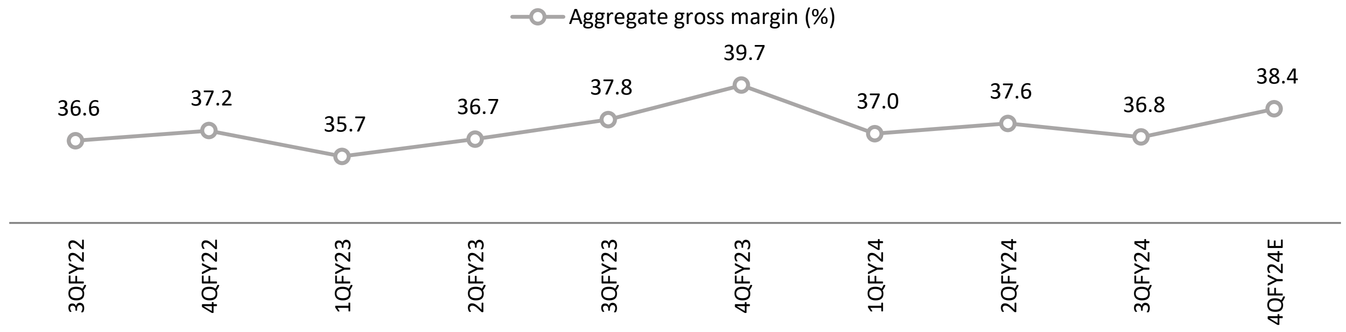
Source: Bloomberg, MOFSL

Exhibit 5: EBITDA margin snapshot for EPC companies under our coverage



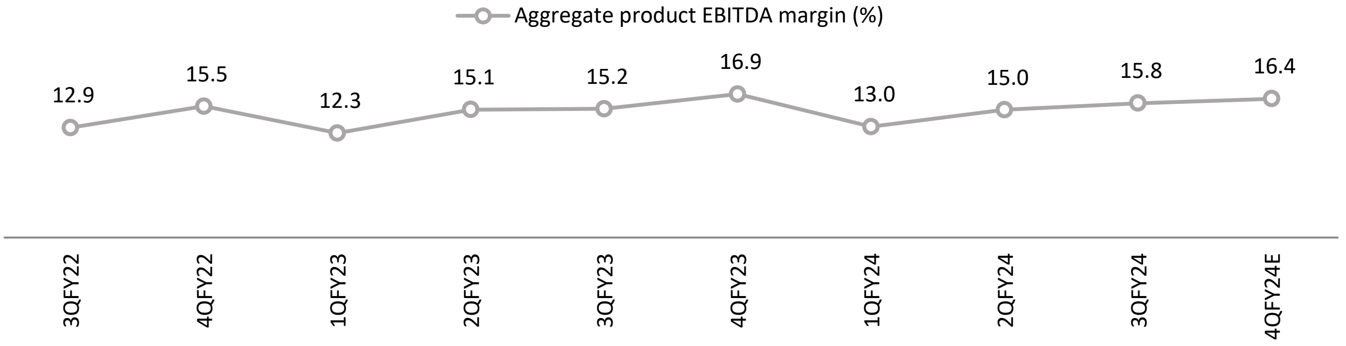
Source: Company, MOFSL

Exhibit 6: Gross margin snapshot for product companies under our coverage



Source: Company, MOFSL

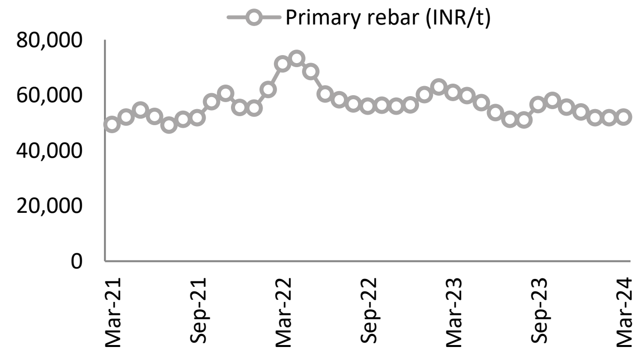
Exhibit 7: EBITDA margin snapshot for product companies under our coverage



Source: Company, MOFSL

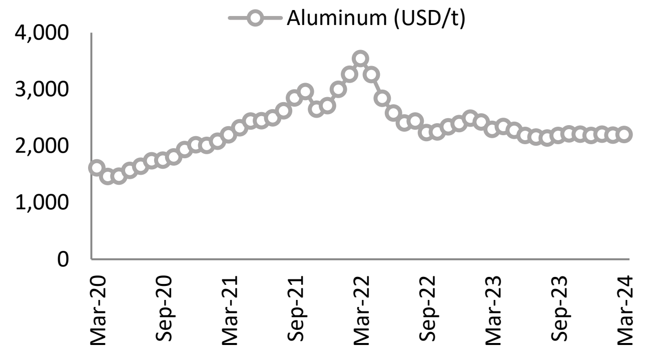
Input prices have remained largely stable in recent quarters

Exhibit 8: Primary rebar price trend (INR/t)



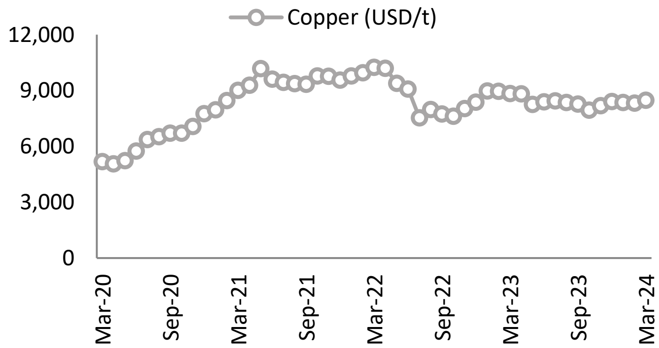
Source: Bloomberg, MOFSL

Exhibit 9: Aluminum price trend (USD/t)



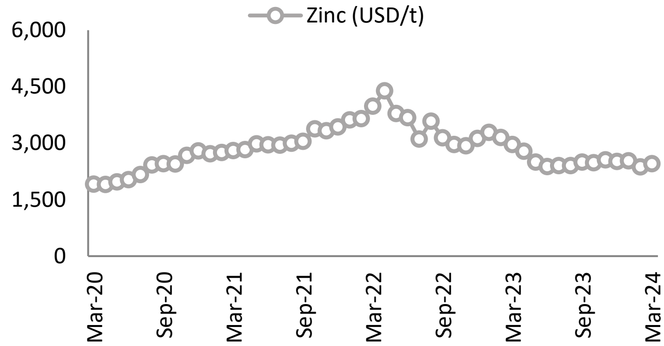
Source: Bloomberg, MOFSL

Exhibit 10: Copper price trend (USD/t)



Source: Bloomberg, MOFSL

Exhibit 11: Zinc price trend (USD/t)



Source: Bloomberg, MOFSL

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

ABB India — Buy

CMP: INR6,508 | TP: INR7,305 (+12%) — **EPS CHANGE (%): CY24|CY25: +5|+6**

- Expect revenue to grow 23% YoY driven by strong order book. Demand for ABB's products remains healthy, which will reflect in order inflows.
- We would watch out for incremental inflows from transmission, railways, data center, and private capex for improvement in inflows from the current levels.
- We expect moderation in margins as we expect the company to pass on RM price corrections to end-users.
- Key monitorables: sustainability of inflows and margins, outlook on exports, and localization levels

Standalone - Quarterly Snapshot (INR m)

Y/E December	CY23				CY24E				CY23	CY24E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	24,112	25,086	27,692	27,575	29,639	31,205	33,806	35,106	1,04,465	1,30,022
YoY Change (%)	22.5	22.2	30.6	13.6	22.9	24.4	22.1	27.3	21.9	24.5
Total Expenditure	21,259	21,599	23,307	23,403	25,734	26,688	28,912	30,024	89,567	1,11,334
EBITDA	2,853	3,487	4,385	4,172	3,905	4,517	4,894	5,082	14,898	18,687
Margins (%)	11.8	13.9	15.8	15.1	13.2	14.5	14.5	14.5	14.3	14.4
Depreciation	274	292	303	329	323	323	323	323	1,199	1,293
Interest	22	14	9	82	28	28	28	28	127	113
Other Income	723	750	768	776	878	878	878	878	3,017	3,510
PBT before EO expense	3,279	3,931	4,842	4,537	4,431	5,043	5,420	5,608	16,589	20,792
PBT	3,279	3,931	4,842	4,537	4,431	5,043	5,420	5,608	16,589	20,792
Tax	827	972	1,222	1,085	1,117	1,271	1,366	1,413	4,106	5,240
Rate (%)	25.2	24.7	25.2	23.9	25.2	25.2	25.2	25.2	24.8	25.2
Reported PAT	2,452	2,959	3,620	3,452	3,315	3,772	4,054	4,195	12,483	15,552
Adj PAT	2,452	2,959	3,620	3,452	3,315	3,772	4,054	4,195	12,483	15,552
YoY Change (%)	-34.3	110.9	84.0	13.1	35.2	27.5	12.0	21.5	79.5	25.2
Margins (%)	10.2	11.8	13.1	12.5	11.2	12.1	12.0	11.9	11.9	12.0

Bharat Electronics — Neutral

CMP: INR211 | TP: INR210 (-1%) — **EPS CHANGE (%): FY25|FY26: +6|+6**

- Expect revenue growth of 32% YoY led by better execution of OB and strong inflows during FY24.
- Key monitorables: Update on order inflows after elections, update on QRSAM/MRSAM, share of exports, and working capital cycle.
- We expect margins to contract ~430bp YoY to 24% on a high base of 4QFY23 (in line with guidance).
- FY24 order inflows have already surpassed the initial guidance; their execution will be in focus.

Standalone - Quarterly Snapshot (INR m)

Y/E March	FY23				FY24				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	31,128	39,458	41,310	64,566	35,108	39,933	41,367	85,306	1,76,462	2,01,714
Change (%)	90.4	7.8	11.8	2.1	12.8	1.2	0.1	32.1	15.2	14.3
EBITDA	5,134	8,558	8,535	18,248	6,644	10,044	10,494	20,440	40,475	47,622
Change (%)	716.8	(0.1)	3.8	16.4	29.4	17.4	23.0	12.0	22.3	17.7
Margin (%)	16.5	21.7	20.7	28.3	18.9	25.2	25.4	24.0	22.9	23.6
Depreciation	941	1,042	1,008	1,088	1,013	1,004	998	1,555	4,079	4,570
Interest	10	17	97	23	11	15	5	117	148	148
Other Income	1,597	750	575	678	1,417	1,705	2,232	1,647	3,600	7,000
PBT	5,781	8,249	8,004	17,815	7,038	10,729	11,723	20,414	39,849	49,904
Tax	1,466	2,138	2,017	4,161	1,729	2,606	2,790	5,436	9,782	12,561
Effective Tax Rate (%)	25.4	25.9	25.2	23.4	24.6	24.3	23.8	26.6	24.5	25.2
Reported PAT	4,315	6,111	5,987	13,654	5,308	8,123	8,933	14,978	30,067	37,343
Change (%)	3,769.5	(0.2)	2.6	19.6	23.0	32.9	49.2	9.7	28.0	24.2
Adj PAT	4,315	6,111	5,987	13,654	5,308	8,123	8,933	14,978	30,067	37,343
Change (%)	3,769.5	(0.2)	2.6	19.6	23.0	32.9	49.2	9.7	28.0	24.2

Cummins India — Buy

CMP: INR3,005 | TP: INR3,300 (+10%) — **EPS CHANGE (%): FY25|FY26: +6|+6**

- We expect 9% YoY revenue growth, led by continued strong demand in powergen segment. Exports are expected to see a gradual recovery on a sequential basis.
- Key monitorables – Demand outlook across segments, particularly in powergen for CPCB 4+ products and exports.
- Expect EBITDA margin expansion of ~110bp YoY. We expect a sequential ~320bp correction as 3QFY24 saw the execution of a large data center order.
- Election impact on demand and pricing discipline after the CPCB4+ implementation will be closely watched.

Standalone - Quarterly Snapshot (INR m)

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**16,867**	**19,513**	**21,805**	**19,260**	**22,087**	**18,997**	**25,341**	**21,084**	**77,444**	**87,509**
YoY Change (%)	42.4	13.0	25.7	29.0	31.0	-2.6	16.2	9.5	26.1	15.0
Total Expenditure	14,728	16,607	17,683	16,000	18,681	15,611	19,961	17,296	65,018	71,550
EBITDA	**2,138**	**2,905**	**4,122**	**3,261**	**3,406**	**3,386**	**5,379**	**3,788**	**12,426**	**15,959**
Margins (%)	12.7	14.9	18.9	16.9	15.4	17.8	21.2	18.0	16.0	18.2
Depreciation	337	353	343	372	358	379	419	296	1,405	1,452
Interest	19	46	27	66	77	67	63	78	158	284
Other Income	1,001	855	1,038	1,306	1,175	1,322	1,136	1,208	4,200	4,841
PBT before EO expense	**2,784**	**3,362**	**4,790**	**4,129**	**4,146**	**4,263**	**6,034**	**4,622**	**15,064**	**19,064**
Extra-Ord expense	143								143	
PBT	**2,641**	**3,362**	**4,790**	**4,129**	**4,146**	**4,263**	**6,034**	**4,622**	**14,921**	**19,064**
Tax	653	838	1,188	944	989	978	1,467	1,150	3,623	4,584
Rate (%)	24.7	24.9	24.8	22.9	23.9	22.9	24.3	24.9	24.3	24.0
Reported PAT	**1,988**	**2,524**	**3,601**	**3,185**	**3,157**	**3,285**	**4,566**	**3,471**	**11,298**	**14,479**
Adj PAT	**2,096**	**2,524**	**3,601**	**3,185**	**3,157**	**3,285**	**4,566**	**3,471**	**11,406**	**14,479**
YoY Change (%)	43.4	14.8	49.5	68.4	50.6	30.2	26.8	9.0	258.1	28.2
Margins (%)	12.4	12.9	16.5	16.5	14.3	17.3	18.0	16.5	14.7	16.5

Hitachi Energy India — Sell

CMP: INR7,010 | TP: INR5,466 (-22%) — **EPS CHANGE (%): FY25|FY26: -|+11**

- Expect revenue growth of 14% YoY at INR15.3b, led by easing of supply chain issues and healthy opening OB.
- Key monitorables: further ramp-up in margins, reduction in fees paid to ABB, and HVDC and STATCOM order finalization.
- We expect EBITDA margin to largely remain flat YoY and see a ~190bp QoQ expansion.
- Mumbai HVDC project to provide near-term support to revenue.

Standalone - Quarterly Snapshot (INR m)

	FY23				FY24				FY23	FY24E
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**9,860**	**11,146**	**10,339**	**13,340**	**10,401**	**12,280**	**12,742**	**15,271**	**44,685**	**50,693**
Change (%)	25.8	31.3	-7.9	19.8	5.5	10.2	23.2	14.5	NA	13.4
EBITDA	**256**	**757**	**395**	**951**	**337**	**653**	**680**	**1,099**	**2,359**	**2,769**
Change (%)	-28.1	3.5	-36.1	43.5	31.3	-13.7	72.4	15.6	-24.1	17.4
Margins (%)	2.6	6.8	3.8	7.1	3.2	5.3	5.3	7.2	5.3	5.5
Depreciation	205	184	202	211	223	225	227	216	802	890
Interest	84	75	130	112	110	107	137	142	401	495
Other Income	53	4	71	23	29	2	22	22	151	76
PBT	**21**	**502**	**134**	**651**	**34**	**324**	**338**	**764**	**1,308**	**1,460**
Tax	8	131	88	143	10	76	108	218	369	412
Effective Tax Rate (%)	36.5	26.0	65.8	21.9	28.7	23.6	32.0	28.5	28.2	28.2
Extra-ordinary Items										
Reported PAT	**13**	**371**	**46**	**508**	**24**	**247**	**230**	**546**	**939**	**1,048**
Change (%)	-91.8	8.1	-92.6	-1.6	-44.0	79.9	401.5	7.5	-6.4	11.6
Adj PAT	**13**	**371**	**46**	**508**	**24**	**247**	**230**	**546**	**939**	**1,048**
Change (%)	-91.8	8.1	-92.6	-1.6	79.9	-33.3	402	8	-44.0	11.6

Kalpataru Projects International — Buy

CMP: INR1,117 | TP: INR1,200 (+7%)   **EPS CHANGE (%): FY25|FY26: -|-**

- Expect revenue growth of 25% YoY led by execution of OB
- Key monitorables: Further uptick in T&D order inflows, outlook on urban infra and B&F division.
- We expect EBITDA margin of 8% (+90bp YoY) and gradual improvement in next year on lower RM prices.
- We would also watch out for working capital cycle.

Standalone - Quarterly Earning Model (INR m)

Y/E March	**FY23**				**FY24**				**FY23**	**FY24E**
	1Q	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**		
Net Sales	**31,390**	**32,930**	**35,090**	**43,960**	**36,220**	**38,440**	**41,470**	**54,972**	**1,43,370**	**1,71,102**
YoY Change (%)					15.4	16.7	18.2	25.1	15.6	19.3
Total Expenditure	28,700	30,170	32,040	40,850	33,080	35,360	38,030	50,556	1,31,760	1,57,026
EBITDA	**2,690**	**2,760**	**3,050**	**3,110**	**3,140**	**3,080**	**3,440**	**4,416**	**11,610**	**14,076**
Margins (%)	8.6	8.4	8.7	7.1	8.7	8.0	8.3	8.0	8.1	8.2
Depreciation	660	710	750	830	930	880	940	932	2,950	3,682
Interest	610	750	740	840	750	850	830	1,075	2,940	3,505
Other Income	660	150	90	220	290	250	270	407	1,120	1,217
PBT before EO expense	**2,080**	**1,450**	**1,650**	**1,660**	**1,750**	**1,600**	**1,940**	**2,815**	**6,840**	**8,105**
Extra-Ord expense	0	0	0	-540	0	0	0	0	540	0
PBT	**2,080**	**1,450**	**1,650**	**2,200**	**1,750**	**1,600**	**1,940**	**2,815**	**6,300**	**8,105**
Tax	440	410	540	680	490	470	500	993	2,070	2,453
Rate (%)	21.2	28.3	32.7	30.9	28.0	29.4	25.8	35.3	32.9	30.3
Reported PAT	**1,640**	**1,040**	**1,110**	**1,520**	**1,260**	**1,130**	**1,440**	**1,822**	**4,230**	**5,652**
Adj PAT	**1,640**	**1,040**	**1,110**	**1,147**	**1,260**	**1,130**	**1,440**	**1,822**	**4,593**	**5,652**
YoY Change (%)					-23.2	8.7	29.7	58.9	-7.3	23.1
Margins (%)	5.2	3.2	3.2	2.6	3.5	2.9	3.5	3.3	3.2	3.3

KEC International — Neutral

CMP: INR718 | TP: INR710 (-1%)   **EPS CHANGE (%): FY25|FY26: -|-**

- Expect 14% YoY revenue growth driven by strong order book
- Key monitorables – Order pipeline in both T&D and civil, margin improvement, and NWC levels
- We expect EBITDA margin to expand both YoY and QoQ; in-line with guidance and completion of legacy projects
- We would watch out for the payment cycle, particularly, from railways and pending proceeds from Afghanistan.

Consolidated - Quarterly Snapshot (INR m)

Y/E March - INR m	**FY23**				**FY24**				**FY23**	**FY24E**
	1Q	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**		
Net Sales	**33,181**	**40,640**	**43,746**	**55,250**	**42,436**	**44,990**	**50,067**	**62,986**	**1,72,817**	**2,00,479**
YoY Change (%)	30.6	13.3	31.0	29.2	27.9	10.7	14.4	14.0	25.8	16.0
Total Expenditure	31,497	38,861	41,747	52,415	39,992	42,247	46,988	58,900	1,64,520	1,88,127
EBITDA	**1,684**	**1,779**	**1,999**	**2,835**	**2,444**	**2,743**	**3,079**	**4,086**	**8,298**	**12,352**
Margins (%)	5.1	4.4	4.6	5.1	5.8	6.1	6.1	6.5	4.8	6.2
Depreciation	393	399	408	415	418	465	488	437	1,615	1,808
Interest	1,000	1,277	1,493	1,616	1,587	1,778	1,644	1,477	5,386	6,485
Other Income	80	161	17	55	28	158	260	144	313	590
PBT before EO expense	**371**	**266**	**115**	**859**	**467**	**658**	**1,207**	**2,316**	**1,610**	**4,649**
Extra-Ord expense										
PBT	**371**	**266**	**115**	**859**	**467**	**658**	**1,207**	**2,316**	**1,610**	**4,649**
Tax	62	-287	-62	137	44	100	239	733	-151	1,116
Rate (%)	16.6	-107.9	-53.8	15.9	9.4	15.2	19.8	31.7	-9.4	24.0
Reported PAT	**309**	**552**	**176**	**722**	**423**	**558**	**969**	**1,583**	**1,761**	**3,533**
Adj PAT	**309**	**552**	**176**	**722**	**423**	**558**	**969**	**1,583**	**1,761**	**3,533**
YoY Change (%)	-32.9	-52.0	-81.2	-35.6	36.8	1.0	449.5	119.3	-53.1	100.7
Margins (%)	0.9	1.4	0.4	1.3	1.0	1.2	1.9	2.5	1.0	1.8

Kirloskar Oil Engines — Buy

CMP: INR889 | TP: INR1020 (+15%) **EPS CHANGE (%): FY25|26: -|-**

- We expect revenue to grow 18% YoY on the back of healthy demand and incrementally higher share of HHP in the revenue mix.
- Key monitorables – Outlook on demand for gensets, pricing environment, and export ramp-up.
- We expect EBITDA margin to improve 380bp YoY/70bp QoQ on ramp-up expected in exports and incremental sales of HHP products.
- Update on CPCB4+ rollout and export outlook will be observed closely in the coming quarters.

Standalone - Quarterly Snapshot **(INR m)**

Y/E March	FY23				FY24				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**9,530**	**10,104**	**10,001**	**11,526**	**12,647**	**10,590**	**11,352**	**13,561**	**41,161**	**48,150**
YoY Change (%)	NA	22.4	19.5	16.4	26.5	4.8	13.5	17.7	24.7	17.0
Total Expenditure	8,496	8,950	8,913	10,534	11,102	9,603	10,023	11,884	36,892	42,612
EBITDA	**1,034**	**1,154**	**1,089**	**992**	**1,545**	**986**	**1,329**	**1,677**	**4,269**	**5,537**
Margins (%)	10.8	11.4	10.9	8.6	12.2	9.3	11.7	12.4	10.4	11.5
Depreciation	205	213	212	217	213	243	257	219	848	932
Interest	11	10	19	13	14	16	20	5	54	54
Other Income	54	47	60	114	70	64	57	75	273	265
PBT before EO expense	**871**	**978**	**917**	**875**	**1,388**	**791**	**1,109**	**1,528**	**3,641**	**4,816**
PBT	**871**	**978**	**917**	**875**	**1,388**	**791**	**1,109**	**1,528**	**3,641**	**4,816**
Tax	225	252	236	226	355	205	287	444	939	1,242
Rate (%)	25.9	25.7	25.7	25.9	25.6	25.9	25.9	29.0	25.8	25.8
Reported PAT	**646**	**726**	**682**	**649**	**1,032**	**586**	**822**	**1,085**	**2,703**	**3,574**
Adj PAT	**646**	**726**	**682**	**649**	**1,032**	**586**	**822**	**1,085**	**2,703**	**3,574**
YoY Change (%)	163.9	80.3	169.8	-40.6	59.9	-19.3	20.5	67.2	29.9	32.3
Margins (%)	6.8	7.2	6.8	5.6	8.2	5.5	7.2	8.0	6.6	7.4

Larsen & Toubro — Buy

CMP: INR3,837 | TP: INR4,400 (+15%) **EPS CHANGE (%): FY25|26: -3|-**

- Expect consolidated revenue growth of 11% YoY, led by 12% YoY Core E&C revenue growth.
- Key monitorables – Domestic tender pipeline, margin performance as well as working capital cycle.
- We expect Core E&C EBITDA margin of 9%, up 50bp YoY/130bp QoQ, as legacy orders are near the completion.
- We would also look out for execution ramp-up in Saudi projects and expected pipeline in the Middle East.

Consolidated - Quarterly Snapshot **(INR m)**

Y/E March - INR m	FY23				FY24				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**3,58,532**	**4,27,626**	**4,63,897**	**5,83,352**	**4,78,824**	**5,10,240**	**551,278**	**650,127**	**1833,407**	**2190,469**
YoY Change (%)	22.2	23.0	17.3	10.4	33.6	19.3	18.8	11.4	17.1	19.5
Total Expenditure	3,18,965	3,78,632	4,13,166	5,15,022	4,30,137	4,53,921	4,93,688	5,77,876	1625,785	1955,622
EBITDA	**39,567**	**48,994**	**50,731**	**68,330**	**48,686**	**56,320**	**57,590**	**72,251**	**2,07,621**	**2,34,847**
Margins (%)	11.0	11.5	10.9	11.7	10.2	11.0	10.4	11.1	11.3	10.7
Depreciation	9,634	8,602	8,252	8,535	8,305	9,099	9,208	9,932	35,023	36,543
Interest	7,561	8,357	8,025	8,130	8,514	8,640	9,042	8,165	32,072	34,360
Other Income	6,947	7,385	7,550	7,409	11,456	11,330	8,378	6,077	29,292	37,240
PBT before EO expense	**29,319**	**39,421**	**42,005**	**59,074**	**43,324**	**49,911**	**47,718**	**60,231**	**169,819**	**201,184**
Extra-Ord expense			-1,360			0	0	0	-1,360	0
PBT	**29,319**	**39,421**	**43,365**	**59,074**	**43,324**	**49,911**	**47,718**	**60,231**	**1,71,179**	**2,01,184**
Tax	6,389	11,229	12,705	14,606	12,163	11,355	11,773	17,651	44,930	52,942
Rate (%)	21.8	28.5	29.3	24.7	28.1	22.8	24.7	29.3	26.2	26.3
MI & P/L of Asso. Cos.	5,909	5,902	5,130	4,600	6,231	6,329	6,472	5,514	21,541	24,546
Reported PAT	**17,021**	**22,289**	**25,529**	**39,868**	**24,930**	**32,226**	**29,474**	**37,066**	**1,04,708**	**1,23,696**
Adj PAT	**17,021**	**22,289**	**24,568**	**39,868**	**24,930**	**32,226**	**29,474**	**37,066**	**1,03,705**	**1,23,696**
YoY Change (%)	44.9	27.4	19.6	10.1	46.5	44.6	20.0	-7.0	19.6	19.3
Margins (%)	4.7	5.2	5.3	6.8	5.2	6.3	5.3	5.7	5.7	5.6

Siemens — Buy

CMP: INR5,462 | TP: INR6,050 (+11%) **EPS CHANGE (%): FY25|26: -|-**

- We expect 18% YoY revenue growth on healthy execution of the order book.
- Key monitorable – Margin trajectory amid significant costs incurred upfront for the locomotive order, tendering pipeline in energy segment and supply chain.
- Expect EBITDAM to be largely flat both YoY and QoQ as the mobility division currently has lower margins.
- Demand outlook from both government and private sector, and export outlook to be the key monitorables.

Consolidated - Quarterly Snapshot **(INR m)**

Y/E September	FY23				FY24				FY23	FY24E
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**40,151**	**48,578**	**48,732**	**58,077**	**48,252**	**57,165**	**58,698**	**68,699**	**1,95,538**	**2,32,814**
YoY Change (%)	17.4	22.8	14.4	24.7	20.2	17.7	20.4	18.3	21.2	19.1
Total Expenditure	34,159	42,366	43,067	51,075	42,291	49,897	51,107	59,703	1,70,667	2,02,998
EBITDA	**5,992**	**6,212**	**5,665**	**7,002**	**5,961**	**7,269**	**7,591**	**8,995**	**24,871**	**29,816**
Margins (%)	14.9	12.8	11.6	12.1	12.4	12.7	12.9	13.1	12.7	12.8
Depreciation	761	785	876	786	785	851	851	851	3,208	3,338
Interest	37	99	43	49	34	65	65	65	228	228
Other Income	1,017	1,166	1,324	1,455	1,641	1,566	1,566	1,566	4,962	6,338
PBT before EO expense	**6,211**	**6,494**	**6,070**	**7,622**	**6,783**	**7,919**	**8,241**	**9,646**	**26,397**	**32,588**
Extra-Ord expense	0	0	0	0	0	0	0	0	-1	0
PBT	**6,211**	**6,494**	**6,070**	**7,622**	**6,783**	**7,919**	**8,241**	**9,646**	**26,398**	**32,588**
Tax	1,584	1,776	1,513	1,905	1,726	2,035	2,118	2,489	6,778	8,368
Rate (%)	25.5	27.3	24.9	25.0	25.4	25.7	25.7	25.8	25.7	25.7
Reported PAT	**4,627**	**4,718**	**4,557**	**5,717**	**5,057**	**5,884**	**6,123**	**7,157**	**19,620**	**24,220**
Adj PAT	**4,627**	**4,718**	**4,557**	**5,717**	**5,057**	**5,884**	**6,123**	**7,157**	**19,619**	**24,220**
YoY Change (%)	86.8	38.8	50.6	49.8	9.3	24.7	34.4	25.2	55.5	23.5
Margins (%)	11.5	9.7	9.4	9.8	10.5	10.3	10.4	10.4	10.0	10.4

Thermax — Neutral

CMP: INR4,287 | TP: INR3,680 (-14%) **EPS CHANGE (%): FY25|26: -|-**

- Expect revenue to grow 21% YoY and EBITDA margin to contract 80bp YoY to 7.9%.
- Key monitorables – large order pipeline, margin guidance and subsidiary performance.
- We expect a sequential decline in margins as 3QFY24 had margin benefits in few projects in the Industrial division.
- Additional investments (if any) in FEPL, TOESL and other subsidiaries to be monitored closely

Consolidated - Quarterly Snapshot **(INR m)**

Y/E March	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**16,545**	**20,753**	**20,493**	**23,108**	**19,330**	**23,025**	**23,244**	**27,879**	**80,898**	**93,477**
YoY Change (%)	57.2	41.2	26.9	16.0	16.8	10.9	13.4	20.6	32.0	15.5
Total Expenditure	15,585	19,347	18,882	21,109	18,008	20,978	21,369	25,686	74,923	86,041
EBITDA	**960**	**1,406**	**1,611**	**1,999**	**1,322**	**2,046**	**1,874**	**2,193**	**5,976**	**7,436**
Margins (%)	5.8	6.8	7.9	8.7	6.8	8.9	8.1	7.9	7.4	8.0
Depreciation	286	298	291	294	294	330	358	325	1,169	1,307
Interest	66	80	91	139	134	198	266	267	376	864
Other Income	205	398	423	575	531	659	584	580	1,602	2,353
PBT before EO expense	**815**	**1,426**	**1,652**	**2,140**	**1,425**	**2,177**	**1,834**	**2,181**	**6,033**	**7,617**
Extra-Ord expense	0	0	0	0	-506	0	-1,261		0	-755
PBT	**815**	**1,426**	**1,652**	**2,140**	**1,931**	**2,177**	**3,095**	**2,181**	**6,033**	**8,372**
Tax	224	332	386	581	315	589	721	508	1,524	2,133
Rate (%)	27.5	23.3	23.3	27.2	16.3	27.0	23.3	23.3	25.3	25.5
Reported PAT	**590**	**1,094**	**1,267**	**1,559**	**1,616**	**1,589**	**2,371**	**1,683**	**4,509**	**6,239**
Adj PAT	**590**	**1,094**	**1,267**	**1,559**	**1,192**	**1,589**	**1,403**	**1,683**	**4,509**	**5,677**
YoY Change (%)	39.2	24.4	59.4	52.2	102.0	45.3	11.0	7.8	44.4	25.9
Margins (%)	3.6	5.3	6.2	6.7	6.2	6.9	6.0	6.0	5.6	6.1

Triveni Turbine — Buy

CMP: INR573 | TP: INR640 (+11%) **EPS CHANGE (%): FY25|26: -|-**

- Expect healthy revenue growth of 24% YoY on account of robust momentum in exports and aftermarket
- Key monitorables – Domestic order inflow, inquiry pipeline and updates on US market foray.
- We expect EBITDA margin to improve ~110bp YoY, led by higher aftermarket and exports share.
- Sustainability of demand, update on API turbines and performance of 30-100MW segment need to be observed

Consolidated - Quarterly Snapshot (INR m)

Y/E March	FY23				FY24				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,590**	**2,930**	**3,258**	**3,698**	**3,764**	**3,878**	**4,317**	**4,569**	**12,476**	**16,528**
YoY Change (%)	40.7	41.9	44.7	56.3	45.3	32.4	32.5	23.6	46.4	32.5
Total Expenditure	2,104	2,373	2,627	3,034	3,055	3,134	3,480	3,702	10,138	13,371
EBITDA	**487**	**557**	**631**	**663**	**709**	**744**	**837**	**867**	**2,338**	**3,157**
Margins (%)	18.8	19.0	19.4	17.9	18.8	19.2	19.4	19.0	18.7	19.1
Depreciation	51	49	49	50	49	51	55	77	199	232
Interest	2	2	1	5	7	6	6	4	10	23
Other Income	75	108	119	125	133	144	171	174	426	625
PBT before EO expense	**508**	**614**	**700**	**733**	**786**	**830**	**947**	**960**	**2,555**	**3,527**
PBT	**508**	**614**	**700**	**733**	**786**	**830**	**947**	**960**	**2,555**	**3,527**
Tax	124	151	174	177	177	190	264	313	626	944
Rate (%)	24.5	24.5	24.9	24.2	22.5	22.9	27.9	32.6	24.5	26.8
MI & Profit/Loss of Asso. Cos.									3	
Reported PAT	**383**	**463**	**526**	**556**	**610**	**640**	**683**	**647**	**1,925**	**2,583**
Adj PAT	**383**	**463**	**526**	**556**	**610**	**640**	**683**	**647**	**1,925**	**2,583**
YoY Change (%)	18.0	66.0	24.8	68.4	59.0	38.2	29.8	16.2	167.4	33.9
Margins (%)	14.8	15.8	16.1	15.0	16.2	16.5	15.8	14.1	15.4	15.6

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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