

Capital Goods

3QFY25 Result Preview

December 26, 2024

Expect sustained revenue growth momentum on project execution

Key Points

- We expect most companies under our coverage to deliver good growth on the back of execution of a robust order book. We expect topline growth of 19.8% YoY for our coverage universe.
- We expect 51bps YoY EBITDA margin improvement on the back of easing RM costs and operating leverage benefits.
- We continue to remain structurally positive on the sector from near-to-medium term perspective on the back of robust capex cycle and healthy order inflows.
- We expect Triveni Turbine to deliver strong growth of 25.6% YoY on the back of improved execution post strong order inflows. We expect Power Mech Projects to register strong topline growth of 29.1% YoY, led by strong execution of its robust order book.

Company	TP (Rs)	Rating
Apar Industries	9,945	Hold
KEC International	1,150	Hold
Power Mech Projects	2,750	Hold
Solar Industries	10,980	Hold
Thermax	4,855	Hold
Triveni Turbine	720	Hold

Expect strong YoY growth; Realizations will be the key monitorable: We expect topline growth of 19.8% YoY for our coverage companies. We expect Power Mech and Triveni Turbine to deliver strong topline growth of 29.1% YoY and 25.6% YoY, respectively. For Triveni Turbine, topline will be driven by enhanced market offerings, expansion into new geographies and higher order inflow. We expect Thermax and KEC International to deliver moderate growth of 17.2% YoY and 16.1% YoY, respectively. We expect Apar Industries and Solar Industries to deliver topline growth of 20.9% YoY and 24.5% YoY, respectively. For Solar Industries, realizations and scale-up of Defence segment will be the key monitorables. Conductors segment's realizations and near-term demand for Cables for Apar will be the key monitorables.

Expect YoY margin improvement: We are expecting 51bps YoY improvement in EBITDA margin for our coverage companies on the back of easing RM costs, better operating leverage, lower freight costs and improved supply chain dynamics. We expect Triveni Turbine margins to improve by 138bps on the back of easing RM cost and better operating leverage. We expect 113bps YoY margin improvement for KEC on a low base. For Power Mech, we expect 78bps YoY margin improvement, driven by favourable change in the order book mix. For Thermax, we expect 170bps YoY margin improvement on the back of better operating leverage. We expect Solar Industries' margin to improve by 43bps YoY on the back of softening RM costs. For Apar Industries' we expect a margin decline of 152bps YoY, due to recent pricing pressure from the Chinese peers in Conductors Segment leading to decline in EBITDA/MT.

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Company	Sales			EBITDA			EBITDA margin (%)			PAT		
	3QFY25E	YoY(%)	QoQ(%)	3QFY25E	YoY(%)	QoQ(%)	3QFY25E	2QFY25	3QFY24	3QFY25E	YoY(%)	QoQ(%)
Apar Industries	48,450	20.9	4.3	4,160	2.7	16.7	8.6	7.7	10.1	2,252	3.5	16.4
KEC International	58,134	16.1	13.7	4,234	37.5	32.2	7.3	6.3	6.1	1,771	82.8	107.3
Power Mech Projects	14,294	29.1	38.0	1,839	37.4	48.7	12.9	11.9	12.1	1,153	87.4	71.9
Solar Industries India	17,790	24.5	3.7	4,511	26.6	1.4	25.4	25.9	24.9	2,828	39.1	(1.1)
Thermax	27,250	17.2	4.3	2,660	41.9	(4.3)	9.8	10.6	8.1	1,952	35.8	(0.9)
Triveni Turbine	5,421	25.6	8.2	1,126	34.5	1.1	20.8	22.2	19.4	953	39.7	4.8
Our Coverage Universe	1,71,338	19.8	9.7	18,530	25.7	13.4	10.8	10.5	10.3	10,909	37.9	18.6

Source: Company, Nirmal Bang Institutional Equities Research

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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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