

Capital Goods & Defense

Result Preview



Company

| |
|----------------------------------|
| ABB India |
| Astra Microwave Products |
| Bharat Dynamics |
| Bharat Electronics |
| Cummins India |
| Hindustan Aeronautics |
| Hitachi Energy India |
| Kalpataru Projects International |
| KEC International |
| Kirloskar Oil Engines |
| L&T |
| Siemens |
| Siemens Energy |
| Thermax |
| Triveni Turbine |
| Zen Technologies |

Select pockets continue to grow

We expect execution growth to remain healthy for our coverage companies in the capital goods universe, driven by strong order inflows and order books for them. While ordering remains strong across thermal power, renewables, T&D, data centers, buildings & factories, and defense, it is very selectively picking up from the domestic private sector. Government capex growth has remained healthy in 8MFY26, primarily driven by defense, and is expected to pick up from railways over the next few quarters. Government capex growth also benefited from the low base of last year. The export outlook is strong across renewables and T&D, with select EPC and product companies benefiting from this. We will monitor the commodity prices, as select commodities such as copper and zinc have moved up in recent months. For 3QFY26, we estimate our coverage companies to report revenue growth of ~16% YoY, EBITDA growth of 20% YoY, and PAT growth of 24% YoY. We reiterate our positive stance on LT, Cummins India (KKC), and Siemens Energy in the large-cap space and Kirloskar Oil Engines (KOEL) and Kalpataru Projects International (KPIL) in the mid-cap and small-cap segments. In the defense sector, Bharat Electronics (BHE) remains our top pick.

Ordering momentum remains stable

Ordering activity during the quarter remained stable across key areas such as defense, power T&D, hydrocarbon, heavy civil, and buildings & factories segments. Select large-sized order wins were seen for L&T for an ultra-mega project in the hydrocarbon segment, Thermax for a boiler order, and GVTI for an HVDC project. Based on our discussions with companies, domestic private sector ordering is picking up selectively from metals and mining, buildings & factories, and thermal power, and further pickup is expected in the coming quarters. Ordering also remained healthy across the defense segment and is expected to pick up from railways, particularly for Kavach systems. During 3QFY26, BHE booked orders worth ~INR55b, BDL announced orders worth INR46b, KECI secured ~INR76b, and KPIL acquired ~INR51b. Supported by a strong order backlog and the expected finalization of pending pipeline opportunities, we estimate ~16% YoY growth in execution for our coverage universe in 3QFY26.

Recent developments in the defense sector

India's Defense Acquisition Council (DAC) approved capital acquisition proposals worth INR790b in its winter session, taking FY26YTD approvals to ~INR3.3t, nearly double the capital outlay on defense of INR1.8t. Almost half of these approvals were announced in 3QFY26, with proposals worth INR1.6t announced in Oct'25 and Dec'25 combined. This provides order inflow visibility for the next 2-4 years, as conversion of AoNs takes time to convert into firm orders. The DAC has also extended the current emergency procurement window for the Armed Forces until mid-Jan'26, allowing them to continue fast-track purchases of critical weapons, platforms, and equipment to meet urgent operational needs. Other key developments include 1) completion of the user trials for the Akash-NG system, clearing it for induction, and we expect BDL and BEL to receive production and supply contracts in CY26 with ramp-up orders to follow; 2) the 5th F-404 engine delivered to HAL by GE; and 3) the guideline rollout for the two major shipbuilding schemes by the GoI with a combined outlay of INR447b.

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Commodity prices have been on the rise lately

On a YTD basis, commodity prices have trended upward across most key raw materials. While HRC steel prices, an important input for EPC companies, have moderated by ~6% from March '25 levels, zinc prices have risen by ~9%. This may lead to some margin pressure in subsequent quarters; however, EPC players are generally able to hedge zinc price volatility. Copper/aluminum prices, which remained largely benign for some time, have recently started to increase, rising ~21%/8% from March levels. These increases have a more direct impact on product-oriented companies, and we will monitor the commodity price movements going forward. Overall, while commodity inflation remains a headwind, margin outcomes are likely to be driven more by revenue mix for product companies and indigenization levels for defense companies. We expect margins across our coverage universe to improve by ~50bp YoY, with EPC companies' margins improving ~60bp YoY and product companies' margins increasing ~40bp YoY.

Export demand to remain supportive

The export outlook remains selective for our coverage companies' universe. L&T remains confident in the continuation of the long-term growth momentum from international geographies. Other EPC companies, too, are witnessing healthy order inflows globally. Transformer players are also optimistic about export order inflows due to higher spending across renewables. Product companies like ABB, Siemens, Thermax, and Triveni Turbine are yet to see a meaningful revival in exports. Cummins and KOEL are selectively targeting to grow exports. Demand outlook across defense exports remains strong, though we have yet to see any meaningful export ordering momentum for defense PSUs.

View: Selective stance continues

Our selective stance continues in the sector, and we continue to prefer companies in the T&D, renewables, and defense sectors. Companies that are growing at a high pace will remain preferred bets over the medium to long term.

Our top picks

We continue to prefer **L&T, KKC, and Siemens Energy** in the large-cap industrial space and **KOEL and KPIL** in the mid-cap and small-cap segments. **BHE** continues to remain our top pick in the defense sector.

Exhibit 1: Summary of quarterly earnings estimates

| Sector | CMP (INR) | RECO | SALES (INR m) | | | EBITDA (INR m) | | | NET PROFIT (INR m) | | |
|----------------------|--------------|---------|------------------|--------------|--------------|-----------------|--------------|--------------|--------------------|--------------|--------------|
| | | | Dec-25 | Var % YoY | Var % QoQ | Dec-25 | Var % YoY | Var % QoQ | Dec-25 | Var % YoY | Var % QoQ |
| ABB India | 5197 | Buy | 34,026 | 1.1 | 2.8 | 5,317 | -19.1 | 6.3 | 4,418 | -16.9 | 8.0 |
| Astra Microwave | 963 | Buy | 2,620 | 1.4 | 22.1 | 616 | -19.2 | 28.7 | 305 | -35.7 | 27.5 |
| Bharat Dynamics | 1495 | Buy | 11,453 | 37.6 | -0.2 | 2,062 | 62.5 | 9.9 | 2,066 | 40.4 | -4.3 |
| Bharat Electronics | 403 | Buy | 67,801 | 17.8 | 17.6 | 19,120 | 15.6 | 12.8 | 14,873 | 13.0 | 15.6 |
| Cummins India | 4482 | Buy | 29,431 | -4.6 | -7.2 | 6,004 | 0.1 | -13.6 | 5,527 | 7.5 | -13.3 |
| Hind.Aeronautics | 4417 | Buy | 78,745 | 13.2 | 18.8 | 19,686 | 17.0 | 26.4 | 18,593 | 29.1 | 11.4 |
| Hitachi Energy | 18822 | Sell | 22,028 | 36.0 | 20.2 | 3,524 | 111.2 | 17.9 | 2,715 | 217.6 | 2.7 |
| Kalpataru Proj. | 1198 | Buy | 56,461 | 17.0 | 4.2 | 4,799 | 19.4 | 7.3 | 2,179 | 38.5 | 9.0 |
| KEC International | 747 | Buy | 61,335 | 14.7 | 0.7 | 4,539 | 21.2 | 5.5 | 1,769 | 36.5 | 10.0 |
| Kirloskar Oil | 1261 | Buy | 14,319 | 23.1 | -10.8 | 1,904 | 62.8 | -11.2 | 1,227 | 88.7 | -12.9 |
| Larsen & Toubro | 4163 | Buy | 7,50,667 | 16.1 | 10.4 | 77,306 | 23.6 | 13.6 | 42,955 | 27.9 | 9.4 |
| Siemens | 3098 | Neutral | 44,364 | 23.7 | -14.2 | 5,311 | 32.5 | -13.9 | 4,394 | 18.1 | -9.5 |
| Siemens Energy | 2546 | Buy | 19,939 | 31.4 | -24.6 | 4,087 | 21.9 | -14.7 | 3,029 | 30.7 | -15.8 |
| Thermax | 3025 | Sell | 27,144 | 8.2 | 9.7 | 2,815 | 49.0 | 63.6 | 1,695 | 49.1 | 42.0 |
| Triveni Turbine | 541 | Buy | 5,603 | 11.3 | 10.7 | 1,188 | 8.7 | 3.7 | 992 | 7.2 | 8.6 |
| Zen Technologies | 1362 | Neutral | 1,391 | -1.7 | 11.6 | 508 | 38.2 | 21.4 | 490 | 26.8 | 6.1 |
| Capital Goods | | | 12,27,327 | 15.6 | 7.6 | 1,58,786 | 20.5 | 11.0 | 1,07,226 | 24.1 | 6.8 |

ABB: December Y/E; Siemens Energy: September Y/E

Exhibit 2: Comparative valuations

| Company Name | CMP (INR) | Reco | EPS (INR) | | | PE (x) | | | PB (x) | | | ROE (%) | | |
|----------------------|--------------|---------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|-------------|---------|-------|-------|
| | | | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Capital Goods | | | 39.7 | 33.9 | 28.2 | 7.4 | 6.4 | 5.4 | 18.6 | 18.8 | 19.3 | | | |
| ABB India | 5,197 | Buy | 79.1 | 89.3 | 104.4 | 65.7 | 58.2 | 49.8 | 14.2 | 13.0 | 11.9 | 22.6 | 23.4 | 25.0 |
| Astra Microwave | 963 | Buy | 16.4 | 23.7 | 30.3 | 58.6 | 40.6 | 31.8 | 7.2 | 6.1 | 5.1 | 13.2 | 16.4 | 17.6 |
| Bharat Dynamics | 1,495 | Buy | 28.3 | 37.9 | 52.0 | 52.9 | 39.5 | 28.7 | 11.4 | 9.2 | 7.2 | 21.5 | 23.3 | 25.2 |
| Bharat Electronics | 403 | Buy | 8.3 | 9.9 | 11.5 | 48.5 | 40.8 | 35.2 | 11.7 | 9.4 | 7.6 | 24.2 | 23.0 | 21.6 |
| Cummins India | 4,482 | Buy | 87.6 | 98.5 | 114.9 | 51.2 | 45.5 | 39.0 | 15.5 | 13.7 | 12.0 | 32.3 | 31.9 | 32.8 |
| Hind.Aeronautics | 4,417 | Buy | 142.9 | 161.0 | 197.8 | 30.9 | 27.4 | 22.3 | 7.1 | 6.0 | 4.9 | 22.8 | 21.7 | 22.1 |
| Hitachi Energy | 18,822 | Sell | 203.2 | 266.4 | 334.5 | 92.6 | 70.6 | 56.3 | 15.6 | 12.7 | 10.3 | 17.8 | 18.9 | 19.3 |
| Kalpataru Proj. | 1,198 | Buy | 52.7 | 73.5 | 85.6 | 22.8 | 16.3 | 14.0 | 2.6 | 2.2 | 2.0 | 11.9 | 14.7 | 14.9 |
| KEC International | 747 | Buy | 31.1 | 40.3 | 50.9 | 24.0 | 18.5 | 14.7 | 3.3 | 2.9 | 2.5 | 14.6 | 16.7 | 18.2 |
| Kirloskar Oil | 1,261 | Buy | 35.5 | 44.6 | 52.3 | 35.5 | 28.3 | 24.1 | 5.4 | 4.7 | 4.1 | 16.2 | 17.7 | 18.0 |
| Larsen & Toubro | 4,163 | Buy | 130.3 | 155.5 | 183.5 | 31.9 | 26.8 | 22.7 | 5.2 | 4.6 | 4.0 | 17.3 | 18.2 | 18.9 |
| Siemens | 3,098 | Neutral | 73.7 | 61.8 | 73.8 | 42.0 | 50.1 | 42.0 | 6.1 | 5.5 | 4.8 | 14.6 | 10.9 | 11.5 |
| Siemens Energy | 2,546 | Buy | 30.9 | 41.2 | 61.1 | 82.4 | 61.8 | 41.6 | 20.7 | 15.5 | 11.3 | 25.1 | 25.1 | 27.1 |
| Thermax | 3,025 | Sell | 62.2 | 72.2 | 86.5 | 48.7 | 41.9 | 35.0 | 6.2 | 5.6 | 4.9 | 13.5 | 14.0 | 14.9 |
| Triveni Turbine | 541 | Buy | 11.8 | 14.0 | 16.8 | 45.9 | 38.6 | 32.2 | 11.6 | 9.5 | 7.8 | 27.7 | 27.1 | 26.7 |
| Zen Technologies | 1,362 | Neutral | 21.6 | 40.5 | 53.3 | 63.2 | 33.7 | 25.6 | 6.5 | 5.5 | 4.5 | 10.9 | 17.7 | 19.3 |

For ABB India, FY26E/FY27E/FY28E indicate CY25/CY26/CY27 data; For Siemens Energy, FY26E/FY27E/FY28E indicate Sep'25/Sep'26/Sep'27 Y/E data; For SIEM, FY26E indicate 18 months Mar'26 Y/E data, and FY27E/FY28E indicate 12 months Mar Y/E data

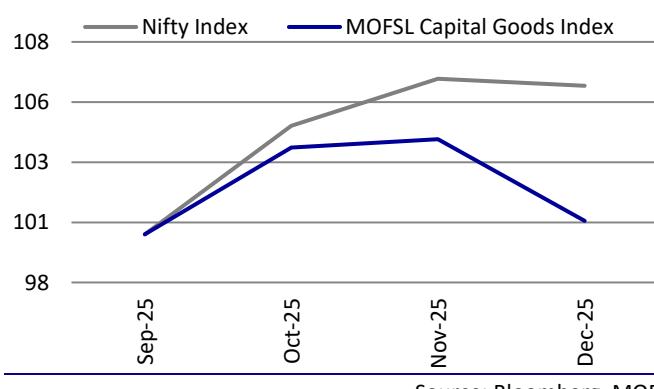
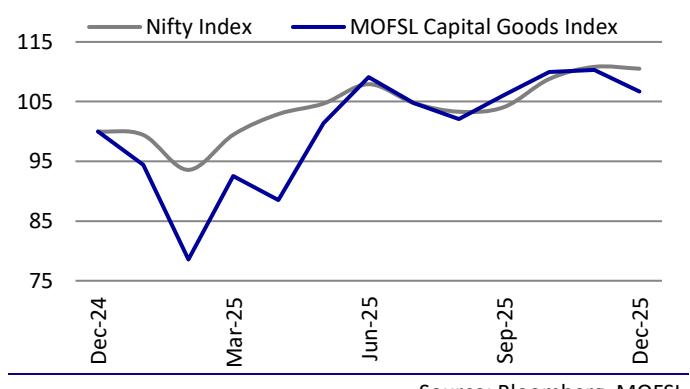
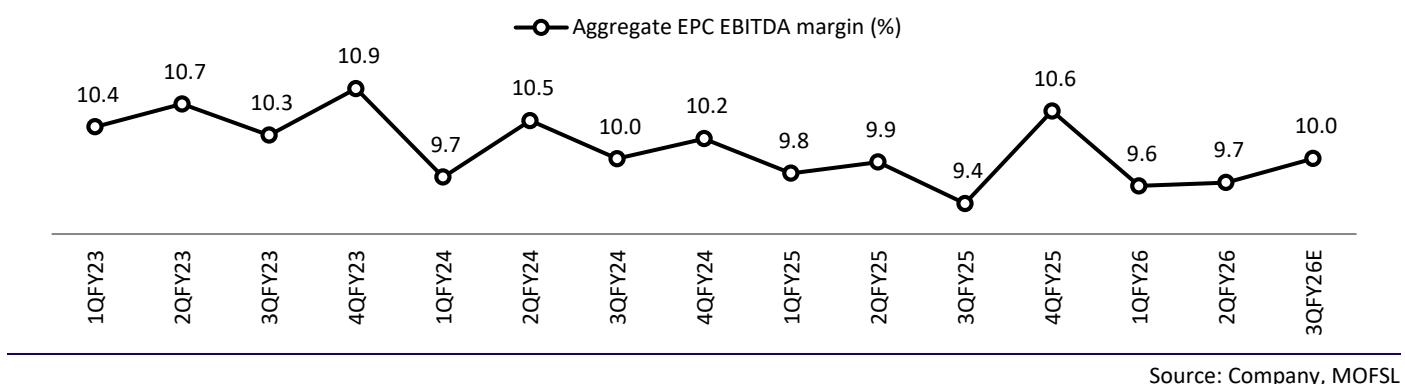
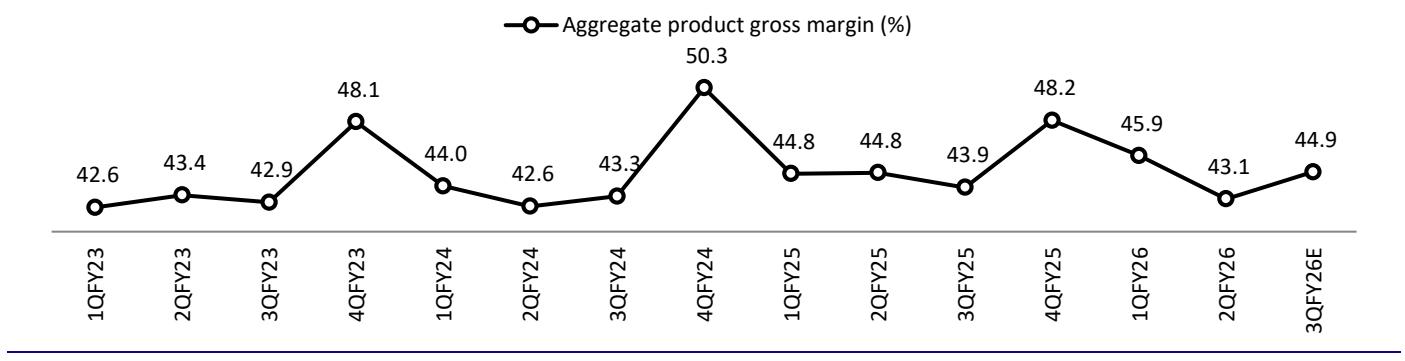
Exhibit 3: Relative performance – three months (%)

Exhibit 4: Relative performance – one year (%)


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



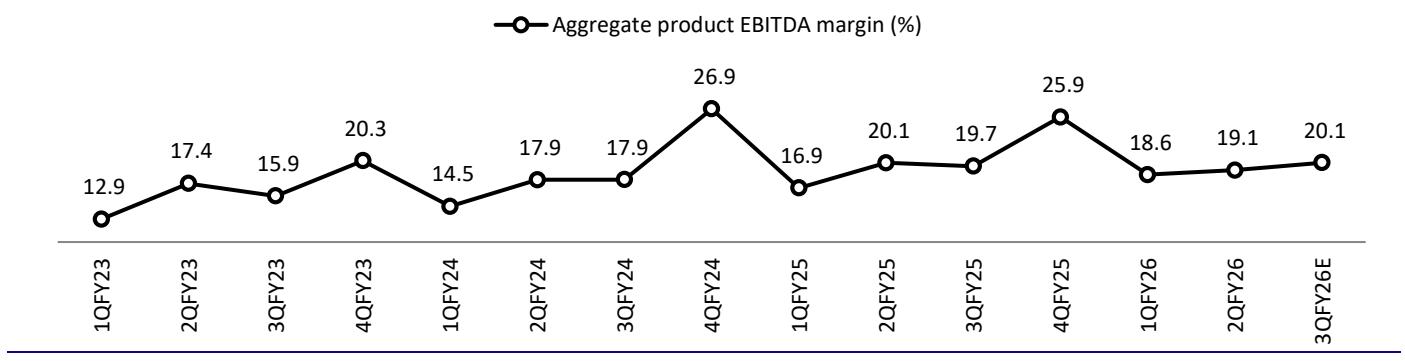
Source: Company, MOFSL

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 on the rise lately

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

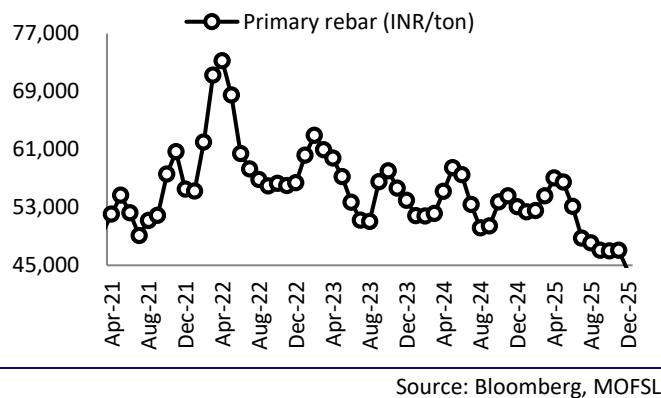


Exhibit 9: Aluminum price trend (USD/ton)

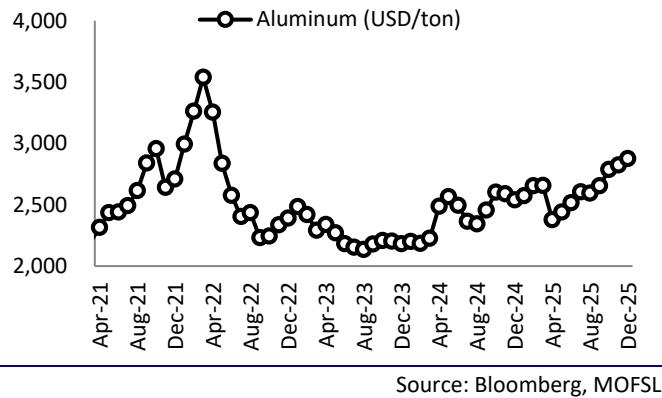


Exhibit 10: Copper price trend (USD/ton)

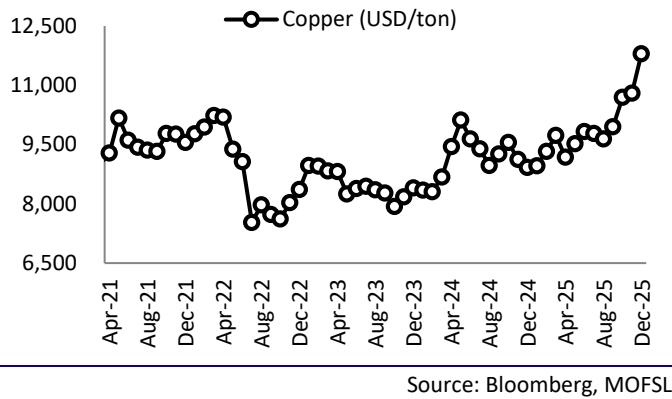
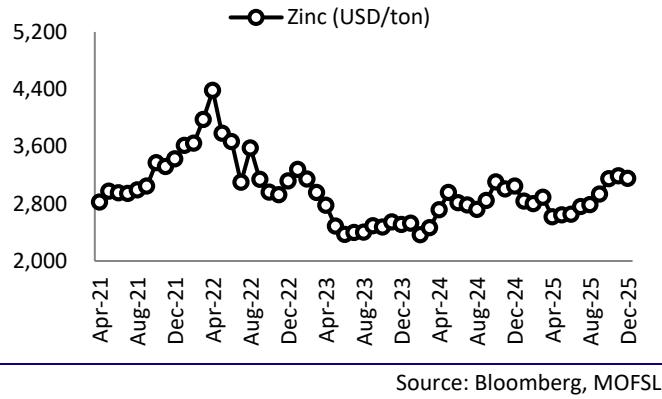


Exhibit 11: Zinc price trend (USD/ton)



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: INR5,197 | TP: INR5,800 (+12%)
EPS CHANGE (%): CY25 | CY26 | CY27: -|-|

- We expect revenue to be broadly flat YoY, on account of the high base effect of 4QCY24 as well as largely flat YoY order inflow for 9MCY25.
- Key monitorables include order inflow (especially large orders), margin improvement, and export momentum.

- We expect margins to contract by ~390bp YoY mainly due to higher commodity prices and competition.
- We will watch out for incremental inflows from data centers, renewables, railways, and private capex to support order inflow growth.

Standalone - Quarterly Snapshot

(INR m)

| Y/E December | CY24 | | | | CY25E | | | | CY24 | CY25E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | |
| Net Sales | 30,804 | 28,309 | 29,122 | 33,649 | 31,596 | 31,754 | 33,107 | 34,026 | 1,21,883 | 1,30,484 |
| YoY Change (%) | 27.8 | 12.8 | 5.2 | 22.0 | 2.6 | 12.2 | 13.7 | 1.1 | 16.7 | 7.1 |
| Total Expenditure | 25,152 | 22,884 | 23,719 | 27,076 | 25,773 | 27,614 | 28,103 | 28,710 | 98,831 | 1,10,199 |
| EBITDA | 5,652 | 5,425 | 5,402 | 6,573 | 5,823 | 4,141 | 5,004 | 5,317 | 23,052 | 20,284 |
| YoY Change (%) | 98.1 | 55.6 | 23.2 | 57.6 | 3.0 | -23.7 | -7.4 | -19.1 | 54.7 | -12.0 |
| Margins (%) | 18.3 | 19.2 | 18.6 | 19.5 | 18.4 | 13.0 | 15.1 | 15.6 | 18.9 | 15.5 |
| Depreciation | 314 | 310 | 328 | 337 | 338 | 355 | 366 | 306 | 1,289 | 1,365 |
| Interest | 38 | 45 | 30 | 51 | 47 | 42 | 56 | 41 | 165 | 187 |
| Other Income | 871 | 868 | 929 | 866 | 923 | 998 | 840 | 925 | 3,534 | 3,685 |
| PBT before EO expense | 6,171 | 5,938 | 5,973 | 7,051 | 6,361 | 4,741 | 5,421 | 5,894 | 25,133 | 22,417 |
| PBT | 6,171 | 5,938 | 5,973 | 7,051 | 6,361 | 4,741 | 5,421 | 5,894 | 25,133 | 22,417 |
| Tax | 1,575 | 1,511 | 1,568 | 1,732 | 1,620 | 1,220 | 1,332 | 1,476 | 6,387 | 5,649 |
| Rate (%) | 25.5 | 25.5 | 26.3 | 24.6 | 25.5 | 25.7 | 24.6 | 25.0 | 25.4 | 25.2 |
| Reported PAT | 4,596 | 4,426 | 4,405 | 5,319 | 4,741 | 3,521 | 4,089 | 4,418 | 18,746 | 16,768 |
| Adj PAT | 4,596 | 4,426 | 4,405 | 5,319 | 4,741 | 3,521 | 4,089 | 4,418 | 18,746 | 16,768 |
| YoY Change (%) | 87.4 | 49.6 | 21.7 | 54.1 | 3.2 | -20.5 | -7.2 | -16.9 | 50.2 | -10.6 |
| Margins (%) | 14.9 | 15.6 | 15.1 | 15.8 | 15.0 | 11.1 | 12.4 | 13.0 | 15.4 | 12.9 |

Astra Microwave Products

Buy

CMP: INR963 | TP: INR1,100 (+14%)
EPS CHANGE (%): FY26 | FY27 | FY28: -|-|

- We expect revenue to grow moderately by 1-2% YoY, driven by healthy execution of the opening order book of ~INR22b.
- Key monitorables include order inflow in defense and non-defense segments, weather radars, working capital cycle, and EBITDA margin sustainability.

- We expect margin to contract 600bp YoY on a high base of last year, which benefited from a favorable revenue mix.
- Update on orders for QRSAM, Manpack SDR bidding, AESA radars, and Su-30 EW upgrades will be monitored for in the 3Q results.

Consolidated - Quarterly Earnings Model

(INR m)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Gross Sales | 1,552 | 2,296 | 2,585 | 4,079 | 1,997 | 2,146 | 2,620 | 4,387 | 10,512 | 11,150 |
| YoY Change (%) | 16.0 | 20.8 | 11.9 | 15.2 | 28.7 | -6.5 | 1.4 | 7.6 | 15.7 | 6.1 |
| Total Expenditure | 1,312 | 1,804 | 1,823 | 2,883 | 1,588 | 1,667 | 2,005 | 3,046 | 7,822 | 8,306 |
| EBITDA | 240 | 492 | 762 | 1,196 | 410 | 478 | 616 | 1,340 | 2,690 | 2,844 |
| YoY Change (%) | 679.4 | 18.2 | 15.2 | 48.1 | 70.6 | -2.8 | -19.2 | 12.1 | 40.4 | 5.7 |
| Margins (%) | 15.5 | 21.4 | 29.5 | 29.3 | 20.5 | 22.3 | 23.5 | 30.6 | 25.6 | 25.5 |
| Depreciation | 82 | 62 | 95 | 111 | 93 | 101 | 100 | 105 | 350 | 399 |
| Interest | 104 | 126 | 149 | 192 | 146 | 135 | 170 | 196 | 571 | 647 |
| Other Income | 21 | 22 | 23 | 110 | 25 | 57 | 30 | 36 | 175 | 148 |
| PBT before EO expense | 75 | 326 | 540 | 1,003 | 195 | 300 | 375 | 1,075 | 1,944 | 1,946 |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT | 75 | 326 | 540 | 1,003 | 195 | 300 | 375 | 1,075 | 1,944 | 1,946 |
| Tax | 21 | 83 | 141 | 256 | 48 | 85 | 99 | 275 | 502 | 506 |
| Rate (%) | 28.7 | 25.5 | 26.2 | 25.6 | 24.6 | 28.2 | 26.3 | 25.5 | 25.8 | 26.0 |
| MI & P/L of Asso. Cos. | -19 | -11 | -76 | 11 | -15 | -23 | -28 | -40 | -94 | -108 |
| Reported PAT | 72 | 254 | 474 | 735 | 163 | 239 | 305 | 841 | 1,535 | 1,547 |
| Adj PAT | 72 | 254 | 474 | 735 | 163 | 239 | 305 | 841 | 1,535 | 1,547 |
| YoY Change (%) | NM | -15.4 | 9.3 | 35.1 | 125.9 | -5.9 | -35.7 | 14.4 | 26.8 | 0.8 |
| Margins (%) | 4.6 | 11.1 | 18.3 | 18.0 | 8.1 | 11.1 | 11.6 | 19.2 | 14.6 | 13.9 |

Bharat Dynamics

Buy

CMP: INR1,495 | TP: INR2,000 (+34%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue to grow 38% YoY, driven by the healthy execution of key projects such as the Akash missile, Astra Mk-1, and anti-tank guided missile orders.
- Key monitorables include further inflow from emergency procurement orders, Akash-NG orders, QRSAM, and conversion of export enquiry pipeline into firm orders.

- We expect margins to expand 280bp YoY on higher execution, leading to scale benefits.
- We expect margin recovery to be largely back-ended in 4QFY26, driven by operating leverage.

Standalone - Quarterly Snapshot

(INR m)

| Income Statement | FY25 | | | | | | | | FY26E | | FY25 | FY26E |
|------------------------|-------|-------|-------|--------|-------|--------|--------|--------|--------|--------|------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Y/E March | | | | | | | | | | | | |
| Net revenue | 1,912 | 5,448 | 8,321 | 17,770 | 2,479 | 11,470 | 11,453 | 20,409 | 33,451 | 45,812 | | |
| Change (%) | -35.8 | -11.5 | 38.3 | 108.0 | 29.7 | 110.6 | 37.6 | 14.9 | 41.2 | 37.0 | | |
| Expenses | 2,435 | 4,459 | 7,053 | 14,780 | 2,933 | 9,595 | 9,391 | 12,995 | 28,727 | 34,915 | | |
| EBITDA | -523 | 988 | 1,269 | 2,990 | -454 | 1,875 | 2,062 | 7,414 | 4,724 | 10,897 | | |
| Change (%) | NA | -26.3 | 6.8 | -5.5 | NA | 89.7 | 62.5 | 148.0 | -12.0 | 130.7 | | |
| As of % Sales | -27.4 | 18.1 | 15.2 | 16.8 | -18.3 | 16.3 | 18.0 | 36.3 | 14.1 | 23.8 | | |
| Depreciation | 157 | 177 | 177 | 197 | 177 | 191 | 195 | 214 | 707 | 776 | | |
| Interest | 12 | 7 | 7 | 7 | 7 | 13 | 8 | 4 | 33 | 33 | | |
| Other Income | 804 | 860 | 844 | 996 | 869 | 1,206 | 933 | 1,026 | 3,504 | 4,034 | | |
| PBT | 112 | 1,665 | 1,929 | 3,782 | 231 | 2,876 | 2,792 | 8,222 | 7,488 | 14,121 | | |
| Tax | 40 | 439 | 458 | 1,054 | 48 | 717 | 726 | 2,264 | 1,991 | 3,755 | | |
| Effective Tax Rate (%) | 35.8 | 26.4 | 23.7 | 27.9 | 20.7 | 24.9 | 26.0 | 27.5 | 26.6 | 26.6 | | |
| Extra-ordinary Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Reported PAT | 72 | 1,225 | 1,471 | 2,728 | 183 | 2,159 | 2,066 | 5,958 | 5,496 | 10,366 | | |
| Adj PAT | 72 | 1,225 | 1,471 | 2,728 | 183 | 2,159 | 2,066 | 5,958 | 5,496 | 10,366 | | |
| Change (%) | -82.7 | -16.7 | 9.0 | -5.5 | 154.3 | 76.2 | 40.4 | 118.4 | -10.3 | 88.6 | | |
| As of % Sales | 3.8 | 22.5 | 17.7 | 15.4 | 7.4 | 18.8 | 18.0 | 29.2 | 16.4 | 22.6 | | |

Bharat Electronics

Buy

CMP: INR403 | TP: INR500 (+24%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue growth of 18% YoY, led by the healthy execution of the order book of INR745b.
- Key monitorables include updates on orders for subsystems for 97 LCA MK1A aircraft, Uttam radars, export orders, QRSAM, MRSAM, MF-STAR radars, and Akash-NG missile systems.

- We expect margins to contract slightly by 50bp YoY to 28.2% on a high base.
- The status of EoI for AMCA, finalization of emergency procurement-related orders, execution improvement, and further indigenization of modules and subsystems will remain key areas of focus.

Standalone Quarterly Performance

(INR m)

| Y/E March | FY25 | | | | | | | | FY26E | | FY25 | FY26E |
|------------------------|--------|--------|--------|--------|--------|--------|--------|----------|----------|----------|------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Net Sales | 41,988 | 45,834 | 57,561 | 91,197 | 44,168 | 57,637 | 67,801 | 1,07,132 | 2,36,580 | 2,76,738 | | |
| Change (%) | 19.6 | 14.8 | 39.1 | 6.9 | 5.2 | 25.8 | 17.8 | 17.5 | 17.3 | 17.0 | | |
| EBITDA | 9,367 | 13,885 | 16,533 | 27,890 | 12,399 | 16,953 | 19,120 | 30,432 | 67,676 | 78,904 | | |
| Change (%) | 41.0 | 38.2 | 57.5 | 22.3 | 32.4 | 22.1 | 15.6 | 9.1 | 35.4 | 16.6 | | |
| As of % Sales | 22.3 | 30.3 | 28.7 | 30.6 | 28.1 | 29.4 | 28.2 | 28.4 | 28.6 | 28.5 | | |
| Depreciation | 997 | 1,032 | 1,029 | 1,298 | 1,129 | 1,185 | 1,242 | 1,413 | 4,356 | 4,968 | | |
| Interest | 12 | 13 | 13 | 58 | 14 | 17 | 13 | 52 | 96 | 96 | | |
| Other Income | 2,015 | 1,668 | 2,051 | 1,942 | 1,636 | 1,591 | 2,076 | 2,385 | 7,676 | 7,688 | | |
| PBT | 10,373 | 14,509 | 17,542 | 28,476 | 12,892 | 17,343 | 19,940 | 31,352 | 70,900 | 81,528 | | |
| Tax | 2,612 | 3,596 | 4,381 | 7,428 | 3,201 | 4,482 | 5,067 | 7,968 | 18,017 | 20,718 | | |
| Effective Tax Rate (%) | 25.2 | 24.8 | 25.0 | 26.1 | 24.8 | 25.8 | 25.4 | 25.4 | 25.4 | 25.4 | | |
| Reported PAT | 7,761 | 10,913 | 13,161 | 21,048 | 9,691 | 12,861 | 14,873 | 23,384 | 52,883 | 60,810 | | |
| Change (%) | 46.2 | 34.3 | 47.3 | 18.0 | 24.9 | 17.9 | 13.0 | 11.1 | 31.5 | 15.0 | | |
| Adj PAT | 7,761 | 10,913 | 13,161 | 21,048 | 9,691 | 12,861 | 14,873 | 23,384 | 52,883 | 60,810 | | |
| Change (%) | 46.2 | 34.3 | 47.3 | 18.0 | 24.9 | 17.9 | 13.0 | 11.1 | 31.5 | 15.0 | | |

Cummins India

Buy

CMP: INR4,482 | TP: INR4,950 (+10%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect a 5% YoY revenue dip mainly due to up-fronting of data center project delivery in 2QFY26, as well as slightly weak industrial segment demand on a YoY basis.
- Key monitorables include the sustainability of Powergen demand (ex-data center), growth in the Industrial segment, and the export growth trajectory.

- We expect EBITDA margin to expand by ~100bp YoY. We expect a sequential ~150bp contraction as 2QFY26 benefited from the execution of a large data center order.
- We expect Powergen demand to remain healthy, Industrial segment demand to stay soft in the near term. We expect exports to be impacted by the ongoing channel inventory correction.

Standalone - Quarterly Snapshot

| Y/E March | (INR m) | | | | | | | | FY25 | FY26E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 23,042 | 24,923 | 30,860 | 24,569 | 29,068 | 31,703 | 29,431 | 29,269 | 1,03,394 | 1,19,471 |
| YoY Change (%) | 4.3 | 31.2 | 21.8 | 6.1 | 26.2 | 27.2 | -4.6 | 19.1 | 15.4 | 15.5 |
| Total Expenditure | 18,369 | 20,113 | 24,860 | 19,372 | 22,833 | 24,755 | 23,427 | 23,148 | 82,714 | 94,163 |
| EBITDA | 4,673 | 4,810 | 6,000 | 5,197 | 6,235 | 6,948 | 6,004 | 6,121 | 20,680 | 25,308 |
| YoY Change (%) | 37.2 | 42.1 | 11.5 | -4.5 | 33.4 | 44.4 | 0.1 | 17.8 | 17.4 | 22.4 |
| Margins (%) | 20.3 | 19.3 | 19.4 | 21.2 | 21.4 | 21.9 | 20.4 | 20.9 | 20.0 | 21.2 |
| Depreciation | 439 | 452 | 481 | 457 | 479 | 492 | 492 | 492 | 1,829 | 1,955 |
| Interest | 48 | 26 | 27 | 52 | 27 | 26 | 54 | 60 | 151 | 166 |
| Other Income | 1,322 | 1,611 | 1,209 | 2,119 | 1,529 | 1,964 | 1,816 | 1,816 | 6,261 | 7,124 |
| PBT before EO expense | 5,509 | 5,944 | 6,702 | 6,807 | 7,258 | 8,394 | 7,273 | 7,385 | 24,961 | 30,310 |
| Extra-Ord expense | | | | -442 | - | - | - | - | - | -442 |
| PBT | 5,509 | 5,944 | 6,702 | 6,807 | 7,700 | 8,394 | 7,273 | 7,385 | 24,961 | 30,751 |
| Tax | 1,311 | 1,438 | 1,562 | 1,593 | 1,807 | 2,017 | 1,745 | 1,719 | 5,904 | 7,289 |
| Rate (%) | 23.8 | 24.2 | 23.3 | 23.4 | 23.5 | 24.0 | 24.0 | 23.3 | 23.7 | 23.7 |
| Reported PAT | 4,198 | 4,506 | 5,140 | 5,214 | 5,893 | 6,377 | 5,527 | 5,666 | 19,058 | 23,463 |
| Adj PAT | 4,198 | 4,506 | 5,140 | 5,214 | 5,555 | 6,377 | 5,527 | 5,667 | 19,058 | 23,126 |
| YoY Change (%) | 33.0 | 37.2 | 12.7 | -7.2 | 32.3 | 41.5 | 7.5 | 8.7 | 14.7 | 21.3 |
| Margins (%) | 18.2 | 18.1 | 16.7 | 21.2 | 19.1 | 20.1 | 18.8 | 19.4 | 18.4 | 19.4 |

Hindustan Aeronautics

Buy

CMP: INR4,417 | TP: INR5,800 (+31%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue growth of 13% YoY, driven by a healthy execution of the opening order book.
- Key monitorables include the status of deliveries of Tejas Mk1A and HTT-40, updates on export strategies, CATS warrior drone systems, as well as working capital cycle.

- We expect EBITDA margin to expand ~80bp YoY as supply chain issues ease out.
- The execution of a huge order backlog, any major provisions, incremental inflows, and margin will be the key focus areas.

Consolidated - Quarterly Snapshot

| Income Statement | (INR b) | | | | | | | | FY25 | FY26E |
|-------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 43.5 | 59.8 | 69.6 | 137.0 | 48.2 | 66.3 | 78.7 | 181.8 | 309.8 | 375.0 |
| Change (%) | 11.0 | 6.0 | 14.8 | (7.2) | 10.8 | 10.9 | 13.2 | 32.7 | 3.9 | 21.0 |
| Expenses | 33.6 | 43.4 | 52.7 | 84.0 | 35.4 | 50.7 | 59.1 | 118.7 | 213.7 | 263.8 |
| EBITDA | 9.9 | 16.4 | 16.8 | 52.9 | 12.8 | 15.6 | 19.7 | 63.1 | 96.1 | 111.2 |
| Change (%) | 13.0 | 7.4 | 17.2 | (10.3) | 29.4 | (5.0) | 17.0 | 19.1 | 17.8 | 15.7 |
| As of % Sales | 22.8 | 27.4 | 24.2 | 38.6 | 26.6 | 23.5 | 25.0 | 34.7 | 31.0 | 29.6 |
| Depreciation | 1.5 | 1.8 | 2.8 | 7.4 | 1.9 | 2.3 | 3.1 | 8.2 | 13.4 | 15.4 |
| Interest | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Other Income | 7.4 | 5.4 | 6.3 | 6.5 | 7.5 | 8.9 | 8.1 | 7.1 | 25.6 | 31.6 |
| PBT pre EO items | 15.8 | 20.0 | 20.4 | 52.0 | 18.4 | 22.2 | 24.7 | 61.9 | 108.2 | 127.3 |
| Extra-ordinary Items | - | 0.1 | - | - | - | - | - | - | 0.1 | - |
| PBT | 15.8 | 20.1 | 20.4 | 52.0 | 18.4 | 22.2 | 24.7 | 61.9 | 108.3 | 127.3 |
| Tax | 1.5 | 5.1 | 6.0 | 12.4 | 4.7 | 5.6 | 6.3 | 15.6 | 25.0 | 32.2 |
| Effective Tax Rate (%) | 9.3 | 25.5 | 29.6 | 23.9 | 25.5 | 25.1 | 25.4 | 25.3 | 23.1 | 25.3 |
| MI & P/L Share of JV | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.4 | 0.5 |
| Reported PAT | 14.4 | 15.1 | 14.4 | 39.8 | 13.8 | 16.7 | 18.6 | 46.4 | 83.6 | 95.6 |
| Adj PAT | 14.4 | 15.0 | 14.4 | 39.8 | 13.8 | 16.7 | 18.6 | 46.4 | 83.6 | 95.6 |
| Margin (%) | 33.1 | 25.2 | 20.7 | 29.0 | 28.7 | 25.2 | 23.6 | 25.5 | 27.0 | 25.5 |
| Change (%) | 76.5 | 21.7 | 14.1 | (7.7) | (3.7) | 10.9 | 29.1 | 16.8 | 38.4 | 14.3 |

Hitachi Energy India

Sell
CMP: INR18,822 | TP: INR18,000 (-4%)
EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue growth of 36% YoY, led by healthy execution of the opening order book of INR294b.
- Key monitorables include further ramp-up in margins, progress on HVDC project execution, and execution of export orders.

- We expect EBITDA margin to expand ~570bp YoY, aided by operating leverage gains and improved order book mix.
- The execution of product and export orders is expected to support revenue and margin in the near term.

Standalone - Quarterly Snapshot

(INR m)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 13,272 | 15,537 | 16,203 | 18,837 | 14,789 | 18,326 | 22,028 | 25,321 | 63,849 | 80,463 |
| Change (%) | 27.6 | 26.5 | 27.2 | 11.1 | 11.4 | 17.9 | 36.0 | 34.4 | 21.9 | 26.0 |
| EBITDA | 479 | 1,097 | 1,669 | 2,713 | 1,549 | 2,990 | 3,524 | 3,574 | 5,958 | 11,638 |
| Change (%) | 42.3 | 68.0 | 145.5 | 49.1 | 223.4 | 172.5 | 111.2 | 31.8 | 70.7 | 95.3 |
| As % of Sales | 3.6 | 7.1 | 10.3 | 14.4 | 10.5 | 16.3 | 16.0 | 14.1 | 9.3 | 14.5 |
| Depreciation | 221 | 228 | 230 | 235 | 250 | 258 | 331 | 483 | 914 | 1,322 |
| Interest | 109 | 164 | 120 | 60 | 40 | 29 | 39 | 45 | 452 | 152 |
| Other Income | 1 | 1 | 2 | 182 | 509 | 826 | 600 | 439 | 186 | 2,374 |
| PBT | 150 | 706 | 1,322 | 2,600 | 1,769 | 3,529 | 3,755 | 3,484 | 4,778 | 12,537 |
| Tax | 46 | 183 | 467 | 628 | 453 | 886 | 1,040 | 1,096 | 1,324 | 3,474 |
| Effective Tax Rate (%) | 30.8 | 25.9 | 35.3 | 24.1 | 25.6 | 25.1 | 27.7 | 31.4 | 27.7 | 27.7 |
| Extra-ordinary Items | | | 519 | (134) | | | | | 386 | |
| Reported PAT | 104 | 523 | 1,374 | 1,839 | 1,316 | 2,644 | 2,715 | 2,389 | 3,840 | 9,063 |
| Change (%) | 332.4 | 111.4 | 498.1 | 61.8 | 1,163.0 | 405.6 | 97.6 | 29.9 | 110.9 | 162.4 |
| Adj PAT | 104 | 523 | 855 | 1,973 | 1,316 | 2,644 | 2,715 | 2,389 | 3,454 | 9,063 |
| Change (%) | 332.4 | 111.4 | 272.1 | 73.5 | 1,163.0 | 405.6 | 217.6 | 21.1 | 110.9 | 162.4 |
| As % of Sales | 2.5 | 0.7 | 1.7 | 0.4 | 7.9 | 2.2 | 1.0 | 0.1 | 0.2 | 0.2 |

Kalpataru Projects International

Buy
CMP: INR1,198 | TP: INR1,500 (+25%)
EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue growth of 17% YoY on strong execution across segments such as T&D, B&F, and O&G. Execution growth during the quarter can be impacted by labor unavailability due to the Bihar elections as well as slower construction activity in the NCR region.
- Key monitorables include execution ramp-up, margin trajectory, customer collections, and progress on road asset monetization.

- We expect an EBITDA margin of 8.5% (+20bp YoY/ QoQ) with further expansion in 4QFY26.
- We will monitor the working capital cycle closely, with payment trends in the water projects remaining a key focus area.

Standalone - Quarterly Snapshot

(INR m)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 37,219 | 41,361 | 48,257 | 62,042 | 50,397 | 54,188 | 56,461 | 67,796 | 1,88,879 | 2,28,842 |
| YoY Change (%) | 2.8 | 7.6 | 16.4 | 20.5 | 35.4 | 31.0 | 17.0 | 9.3 | 12.7 | 21.2 |
| Gross profit | 8,687 | 8,818 | 10,791 | 13,191 | 11,706 | 13,033 | 12,704 | 13,965 | | |
| Total Expenditure | 34,085 | 37,877 | 44,239 | 56,810 | 46,114 | 49,716 | 51,662 | 61,921 | 1,73,009 | 2,09,412 |
| EBITDA | 3,135 | 3,485 | 4,019 | 5,232 | 4,284 | 4,472 | 4,799 | 5,875 | 15,870 | 19,430 |
| YoY Change (%) | -0.2 | 13.1 | 16.8 | 30.8 | 36.7 | 28.3 | 19.4 | 12.3 | 16.2 | 22.4 |
| Margins (%) | 8.4 | 8.4 | 8.3 | 8.4 | 8.5 | 8.3 | 8.5 | 8.7 | 8.4 | 8.5 |
| Depreciation | 929 | 914 | 956 | 949 | 936 | 966 | 1,029 | 1,184 | 3,749 | 4,116 |
| Interest | 861 | 998 | 1,071 | 877 | 840 | 1,025 | 1,043 | 1,043 | 3,807 | 3,951 |
| Other Income | 295 | 264 | 185 | 235 | 234 | 242 | 288 | 317 | 979 | 1,081 |
| PBT before EO expense | 1,640 | 1,836 | 2,177 | 3,641 | 2,742 | 2,723 | 3,015 | 3,965 | 9,294 | 12,444 |
| Extra-Ord expense | - | - | - | 330 | - | - | - | - | 330 | - |
| PBT | 1,640 | 1,836 | 2,177 | 3,311 | 2,742 | 2,723 | 3,015 | 3,965 | 8,964 | 12,444 |
| Tax | 474 | 513 | 604 | 894 | 734 | 724 | 836 | 1,158 | 2,485 | 3,451 |
| Rate (%) | 28.9 | 27.9 | 27.7 | 27.0 | 26.8 | 26.6 | 27.7 | 29.2 | 27.7 | 27.7 |
| Reported PAT | 1,166 | 1,323 | 1,574 | 2,416 | 2,008 | 1,999 | 2,179 | 2,807 | 6,479 | 8,993 |
| Adj PAT | 1,166 | 1,323 | 1,574 | 2,657 | 2,008 | 1,999 | 2,179 | 2,807 | 6,718 | 8,993 |
| YoY Change (%) | -7.4 | 17.1 | 9.3 | 51.8 | 72.1 | 51.1 | 38.5 | 5.6 | 20.3 | 33.9 |
| Margins (%) | 3.1 | 3.2 | 3.3 | 4.3 | 4.0 | 3.7 | 3.9 | 4.1 | 3.6 | 3.9 |

KEC International

Buy

CMP: INR747 | TP: INR920 (+23%)
EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect 15% YoY revenue growth, driven by a strong opening order book of INR393b.
- Key monitorables include the order pipeline in both T&D and civil, execution ramp-up, margin improvement in non-T&D, and any impact from PGCIL's exclusion order and subsequent Delhi HC relief.

- We expect EBITDA margin to expand 40bp YoY/30bp QoQ, driven by strong T&D execution and civil stabilization.
- We will monitor the payment cycle, debt levels, and NWC improvement.

Consolidated - Quarterly Snapshot

| Y/E March - INR m | (INR M) | | | | | | | | FY25 | FY26E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | FY25 | | | | FY26E | | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 45,119 | 51,133 | 53,494 | 68,721 | 50,229 | 60,916 | 61,335 | 83,082 | 2,18,467 | 2,55,561 |
| YoY Change (%) | 6.3 | 13.7 | 6.8 | 11.5 | 11.3 | 19.1 | 14.7 | 20.9 | 9.7 | 17.0 |
| Total Expenditure | 42,415 | 47,931 | 49,749 | 63,333 | 46,728 | 56,612 | 56,796 | 75,664 | 2,03,428 | 2,35,800 |
| EBITDA | 2,704 | 3,202 | 3,745 | 5,388 | 3,501 | 4,304 | 4,539 | 7,418 | 15,039 | 19,762 |
| YoY Change (%) | 10.6 | 16.7 | 21.6 | 38.9 | 29.5 | 34.4 | 21.2 | 37.7 | 23.8 | 31.4 |
| Margins (%) | 6.0 | 6.3 | 7.0 | 7.8 | 7.0 | 7.1 | 7.4 | 8.9 | 6.9 | 7.7 |
| Depreciation | 465 | 453 | 453 | 465 | 459 | 506 | 521 | 599 | 1,837 | 2,084 |
| Interest | 1,550 | 1,681 | 1,702 | 1,703 | 1,511 | 1,715 | 1,713 | 1,914 | 6,636 | 6,854 |
| Other Income | 431 | 66 | 9 | 202 | 54 | 46 | 73 | 118 | 709 | 291 |
| PBT before EO expense | 1,120 | 1,135 | 1,598 | 3,422 | 1,585 | 2,130 | 2,377 | 5,023 | 7,275 | 11,115 |
| Extra-Ord expense | | | | | | | | | | |
| PBT | 1,120 | 1,135 | 1,598 | 3,422 | 1,585 | 2,130 | 2,377 | 5,023 | 7,275 | 11,115 |
| Tax | 245 | 281 | 303 | 740 | 339 | 522 | 609 | 1,375 | 1,568 | 2,845 |
| Rate (%) | 21.8 | 24.7 | 18.9 | 21.6 | 21.4 | 24.5 | 25.6 | 27.4 | 21.5 | 25.6 |
| Reported PAT | 876 | 854 | 1,296 | 2,682 | 1,246 | 1,608 | 1,769 | 3,647 | 5,707 | 8,269 |
| Adj PAT | 876 | 854 | 1,296 | 2,682 | 1,246 | 1,608 | 1,769 | 3,647 | 5,707 | 8,269 |
| YoY Change (%) | 106.9 | 53.1 | 33.7 | 76.7 | 42.3 | 88.2 | 36.5 | 36.0 | 64.6 | 44.9 |
| Margins (%) | 1.9 | 1.7 | 2.4 | 3.9 | 2.5 | 2.6 | 2.9 | 4.4 | 2.6 | 3.2 |

Kirloskar Oil Engines

Buy

CMP: INR1,261 | TP: INR1,400 (+11%)
EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue growth of 23% YoY, driven by healthy growth across segments.
- Key monitorables include sustainability of genset demand, pricing and margin trends, and export ramp-up.

- We expect EBITDA margin to expand by 320bp YoY, driven by favorable product mix (HHP and exports), B2C ramp up, and operating leverage on higher volumes.
- Ramp-up of the US and Middle East businesses, performance of the restructured B2C platform, and Arka Fincap's retail pivot will be closely observed.

Standalone - Quarterly Snapshot

| Y/E March | (INR M) | | | | | | | | FY25 | FY26E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY25 | | | | FY26E | | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 13,429 | 11,944 | 11,636 | 14,125 | 14,447 | 16,045 | 14,319 | 15,083 | 51,133 | 59,894 |
| YoY Change (%) | 6.2 | 12.8 | 2.5 | 1.5 | 7.6 | 34.3 | 23.1 | 6.8 | 5.4 | 17.1 |
| Total Expenditure | 11,452 | 10,294 | 10,466 | 12,384 | 12,545 | 13,901 | 12,415 | 13,067 | 44,596 | 51,928 |
| EBITDA | 1,977 | 1,650 | 1,170 | 1,741 | 1,902 | 2,144 | 1,904 | 2,015 | 6,537 | 7,966 |
| YoY Change (%) | 28.0 | 67.3 | (12.0) | (2.3) | (3.8) | 30.0 | 62.8 | 15.8 | 15.9 | 21.9 |
| Margins (%) | 14.7 | 13.8 | 10.1 | 12.3 | 13.2 | 13.4 | 13.3 | 13.4 | 12.8 | 13.3 |
| Depreciation | 247 | 266 | 320 | 337 | 340 | 357 | 343 | 334 | 1,170 | 1,373 |
| Interest | 27 | 26 | 31 | 37 | 32 | 29 | 15 | 14 | 121 | 90 |
| Other Income | 108 | 118 | 68 | 52 | 123 | 119 | 101 | 60 | 344 | 403 |
| PBT before EO expense | 1,810 | 1,476 | 887 | 1,419 | 1,653 | 1,878 | 1,647 | 1,728 | 5,590 | 6,906 |
| Extra-Ord expense | | | | (209) | - | - | - | - | (209) | - |
| PBT | 1,810 | 1,476 | 887 | 1,628 | 1,653 | 1,878 | 1,647 | 1,728 | 5,799 | 6,906 |
| Tax | 462 | 365 | 236 | 416 | 425 | 470 | 420 | 448 | 1,480 | 1,763 |
| Rate (%) | 25.5 | 24.7 | 26.7 | 25.6 | 25.7 | 25.0 | 25.5 | 25.9 | 25.5 | 25.5 |
| Reported PAT | 1,347 | 1,111 | 650 | 1,211 | 1,228 | 1,408 | 1,227 | 1,281 | 4,319 | 5,144 |
| Adj PAT | 1,347 | 1,111 | 650 | 1,056 | 1,228 | 1,408 | 1,227 | 1,281 | 4,164 | 5,144 |
| YoY Change (%) | 30.5 | 89.6 | (20.9) | (10.2) | (8.8) | 26.8 | 88.7 | 21.3 | 15.1 | 23.5 |
| Margins (%) | 10.0 | 9.3 | 5.6 | 7.5 | 8.5 | 8.8 | 8.6 | 8.5 | 8.1 | 8.6 |

Larsen & Toubro

Buy

CMP: INR4,163 | TP: INR4,500 (+8%)
EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect consolidated revenue growth of 16% YoY, led by 17% YoY revenue growth for Core E&C.
- Key monitorables include a ramp-up in domestic ordering, conversion of prospect pipeline, private sector ordering, margin performance, and working capital cycle.
- We expect EBITDA margin to expand 50bp YoY to 8.1% for Core E&C, and 50bp YoY to 10.3% at the consol. level.
- We will also look out for execution ramp-up in Saudi projects and trends in the GCC order pipeline.

Consolidated - Quarterly Earning Model

(INR b)

| Y/E March - INR b | FY25 | | | | FY26E | | | | FY25 | FY26E |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 551 | 616 | 647 | 744 | 637 | 680 | 751 | 897 | 2,557 | 2,965 |
| YoY Change (%) | 15.1 | 20.6 | 17.3 | 10.9 | 15.5 | 10.4 | 16.1 | 20.6 | 15.7 | 15.9 |
| Total Expenditure | 495 | 552 | 584 | 662 | 574 | 612 | 673 | 796 | 2,293 | 2,655 |
| EBITDA | 56 | 64 | 63 | 82 | 63 | 68 | 77 | 101 | 264 | 310 |
| YoY Change (%) | 15.3 | 13.0 | 8.6 | 13.4 | 12.5 | 7.0 | 23.6 | 23.5 | 12.5 | 17.2 |
| Margins (%) | 10.2 | 10.3 | 9.7 | 11.0 | 9.9 | 10.0 | 10.3 | 11.3 | 10.3 | 10.5 |
| Depreciation | 10 | 10 | 10 | 11 | 10 | 11 | 12 | 12 | 41 | 45 |
| Interest | 9 | 9 | 8 | 7 | 8 | 8 | 9 | 10 | 33 | 34 |
| Other Income | 9 | 11 | 10 | 11 | 14 | 14 | 11 | 11 | 41 | 49 |
| PBT before EO expense | 47 | 56 | 53 | 75 | 59 | 63 | 67 | 91 | 231 | 279 |
| Extra-Ord expense | - | - | - | -5 | - | - | - | - | -5 | - |
| PBT | 47 | 56 | 53 | 80 | 59 | 63 | 67 | 91 | 236 | 279 |
| Tax | 12 | 14 | 13 | 19 | 15 | 16 | 17 | 24 | 59 | 74 |
| Rate (%) | 26.4 | 26.0 | 25.0 | 23.5 | 26.2 | 26.0 | 26.0 | 26.9 | 25.0 | 26.3 |
| MI & P/L of Asso. Cos. | 7 | 7 | 6 | 6 | 7 | 8 | 6 | 6 | 27 | 27 |
| Reported PAT | 28 | 34 | 34 | 55 | 36 | 39 | 43 | 61 | 150 | 179 |
| Adj PAT | 28 | 34 | 34 | 51 | 36 | 39 | 43 | 61 | 147 | 179 |
| YoY Change (%) | 11.7 | 5.4 | 14.0 | 18.8 | 29.8 | 15.6 | 27.9 | 18.4 | 13.0 | 22.0 |
| Margins (%) | 5.1 | 5.5 | 5.2 | 6.9 | 5.7 | 5.8 | 5.7 | 6.8 | 5.7 | 6.0 |

Siemens Ltd

Neutral

CMP: INR3,098 | TP: INR3,250 (+5%)
EPS CHANGE (%): 18M26E|12M2027E|12M2028E: -|-|

- We expect revenue to grow 24% YoY, led by strong execution in the smart infra and mobility segments.
- Key monitorables include the demand trajectory of the digital industries segment, private capex pipeline, margin trajectory, and execution of the locomotive order.
- We expect EBITDA margin to expand ~80bp, on account of improvement in smart infrastructure and mobility as localization and operating leverage benefits play out.
- Demand outlook from both the government and private sectors, and export outlook, will be keenly monitored.

Consolidated - Quarterly Snapshot

(INR m)

| Income Statement | 12FY24 (Y/E Sep) | | | | 18FY26E (Y/E Mar) | | | | | | 12M24 | 18M26E |
|-------------------------|------------------|---------------|---------------|---------------|-------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 5QE | 6QE | | |
| Net Sales | 37,095 | 41,524 | 37,626 | 44,572 | 35,872 | 42,590 | 43,468 | 51,712 | 44,364 | 48,414 | 1,60,817 | 2,66,420 |
| Change (%) | | | | | -3 | 2.6 | 15.5 | 16.0 | 23.7 | 13.7 | | 65.7 |
| Expenses | 32,565 | 35,155 | 32,773 | 39,122 | 31,863 | 37,915 | 38,254 | 45,541 | 39,053 | 42,376 | 1,39,615 | 2,35,002 |
| EBITDA | 4,530 | 6,369 | 4,853 | 5,450 | 4,009 | 4,675 | 5,214 | 6,171 | 5,311 | 6,038 | 21,202 | 31,418 |
| Change (%) | | | | | -11.5 | -26.6 | 7.4 | 13.2 | 32.5 | 29.2 | | 48.2 |
| As of % Sales | 12.2 | 15.3 | 12.9 | 12.2 | 11.2 | 11.0 | 12.0 | 11.9 | 12.0 | 12.5 | 13.2 | 11.8 |
| Depreciation | 605 | 629 | 697 | 625 | 689 | 686 | 711 | 716 | 698 | 716 | 2,556 | 4,216 |
| Interest | 28 | 212 | 46 | 154 | 34 | 23 | 49 | 45 | 33 | 34 | 440 | 218 |
| Other Income | 1,618 | 3,253 | 1,569 | 2,331 | 1,723 | 1,515 | 1,241 | 1,224 | 1,294 | 1,326 | 8,771 | 8,324 |
| PBT pre EO items | 5,515 | 8,781 | 5,679 | 7,002 | 5,009 | 5,481 | 5,695 | 6,634 | 5,874 | 6,614 | 26,977 | 35,307 |
| PBT | 5,515 | 8,781 | 5,679 | 7,002 | 5,009 | 5,481 | 5,695 | 6,634 | 5,874 | 6,614 | 26,977 | 35,307 |
| Tax | 1,399 | 2,289 | 1,309 | 1,776 | 1,288 | 1,402 | 1,461 | 1,780 | 1,480 | 1,667 | 6,773 | 9,078 |
| Effective Tax Rate (%) | 25.4 | 26.1 | 23.0 | 25.4 | 25.7 | 25.6 | 25.7 | 26.8 | 25.2 | 25.2 | 25.1 | 25.7 |
| Reported PAT | 4,116 | 6,492 | 4,370 | 5,226 | 3,721 | 4,079 | 4,234 | 4,854 | 4,394 | 4,947 | 20,204 | 26,229 |
| Adj PAT | 4,116 | 6,492 | 4,370 | 5,226 | 3,721 | 4,079 | 4,234 | 4,854 | 4,394 | 4,947 | 20,204 | 26,229 |
| Margin (%) | 11.1 | 15.6 | 11.6 | 11.7 | 10.4 | 9.6 | 9.7 | 9.4 | 9.9 | 10.2 | 12.6 | 9.8 |
| Change (%) | NA | NA | NA | NA | -9.6 | -37.2 | -3.1 | -7.1 | 18.1 | 21.3 | | 29.8 |

Siemens Energy

Buy

CMP: INR2,546 | TP: INR3,800 (+49%)

EPS CHANGE (%): FY26E|FY27E|FY28E: -|-|

- We expect revenue to grow 31% YoY, led by healthy execution of the opening order book of INR162b.
- Key monitorables include the status of capacity expansion, order inflows, and margin trajectory.
- We expect EBITDA to grow 22% YoY. We also expect EBITDA margin to improve sequentially on better pricing.
- T&D sector ordering and execution ramp-up, aided by the commissioning of additional capacities, will be in focus.

Consolidated - Quarterly Snapshot

(INR m)

| Income Statement Y/E September | FY25 | | | | | | | | FY25 | FY26E |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1QE | 2QE | 3QE | 4QE | | |
| Net Sales | 15,169 | 18,795 | 17,846 | 26,457 | 19,939 | 24,686 | 23,737 | 26,585 | 78,267 | 94,947 |
| Change (%) | NA | NA | 20.2 | 27.3 | 31.4 | 31.3 | 33.0 | 0.5 | NA | 21.3 |
| Expenses | 11,816 | 15,210 | 14,443 | 21,664 | 15,851 | 19,823 | 18,752 | 20,854 | 63,133 | 75,280 |
| EBITDA | 3,353 | 3,585 | 3,403 | 4,793 | 4,087 | 4,863 | 4,985 | 5,731 | 15,134 | 19,667 |
| Change (%) | NA | NA | 59.5 | 24.5 | 21.9 | 35.7 | 46.5 | 19.6 | NA | 30.0 |
| As of % Sales | 22.1 | 19.1 | 19.1 | 18.1 | 20.5 | 19.7 | 21.0 | 21.6 | 19.3 | 20.7 |
| Depreciation | 207 | 243 | 266 | 314 | 250 | 253 | 266 | 268 | 1,030 | 1,037 |
| Interest | 44 | 33 | 142 | 63 | 68 | 69 | 72 | 73 | 282 | 282 |
| Other Income | 16 | 144 | 525 | 368 | 302 | 305 | 321 | 324 | 1,053 | 1,252 |
| PBT pre EO items | 3,118 | 3,453 | 3,520 | 4,784 | 4,071 | 4,847 | 4,968 | 5,714 | 14,875 | 19,600 |
| Extra-ordinary Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT | 3,118 | 3,453 | 3,520 | 4,784 | 4,071 | 4,847 | 4,968 | 5,714 | 14,875 | 19,600 |
| Tax | 801 | 992 | 893 | 1,188 | 1,042 | 1,241 | 1,262 | 1,394 | 3,874 | 4,939 |
| Effective Tax Rate (%) | 25.7 | 28.7 | 25.4 | 24.8 | 25.6 | 25.6 | 25.4 | 24.4 | 26.0 | 25.2 |
| Reported PAT | 2,317 | 2,461 | 2,627 | 3,596 | 3,029 | 3,606 | 3,706 | 4,320 | 11,001 | 14,661 |
| Adj PAT | 2,317 | 2,461 | 2,627 | 3,596 | 3,029 | 3,606 | 3,706 | 4,320 | 11,001 | 14,661 |
| Margin (%) | 15.3 | 13.1 | 14.7 | 13.6 | 15.2 | 14.6 | 15.6 | 16.2 | 14.1 | 15.4 |
| Change (%) | NA | NA | 80.2 | 31.4 | 30.7 | 46.5 | 41.1 | 20.1 | NA | 9.9 |

Thermax

Sell

CMP: INR3,025 | TP: INR3,000 (-1%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue to grow 8% YoY, driven by industrial products, green solutions, and the chemicals segment.
- Key monitorables include finalization of the enquiry pipeline, chemical segment margin recovery, and ramp-up in green solutions and services.
- We expect EBITDA margin to expand ~290bp YoY and ~340bp QoQ, driven by mix improvement and operating leverage, partly offset by weakness in chemicals.
- The performance of key subsidiaries (FEPL and TOESL) needs to be monitored closely.

Consolidated - Quarterly Snapshot

(INR m)

| Y/E March | FY25 | | | | | | | | FY25 | FY26E |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 21,844 | 26,116 | 25,078 | 30,849 | 21,502 | 24,739 | 27,144 | 35,109 | 1,03,887 | 1,08,494 |
| YoY Change (%) | 13.0 | 13.4 | 7.9 | 11.6 | -1.6 | -5.3 | 8.2 | 13.8 | 11.4 | 4.4 |
| Total Expenditure | 20,433 | 23,336 | 23,188 | 27,853 | 19,251 | 23,019 | 24,329 | 31,074 | 94,809 | 97,673 |
| EBITDA | 1,412 | 2,780 | 1,890 | 2,997 | 2,251 | 1,720 | 2,815 | 4,034 | 9,078 | 10,821 |
| YoY Change (%) | 6.8 | 35.8 | 0.8 | 9.7 | 59.5 | -38.1 | 49.0 | 34.6 | 13.8 | 19.2 |
| Margins (%) | 6.5 | 10.6 | 7.5 | 9.7 | 10.5 | 7.0 | 10.4 | 11.5 | 8.7 | 10.0 |
| Depreciation | 360 | 421 | 351 | 453 | 489 | 515 | 467 | 443 | 1,585 | 1,913 |
| Interest | 275 | 294 | 287 | 313 | 302 | 322 | 358 | 413 | 1,168 | 1,395 |
| Other Income | 841 | 598 | 315 | 769 | 656 | 854 | 332 | 365 | 2,522 | 2,207 |
| PBT before EO expense | 1,617 | 2,663 | 1,568 | 3,000 | 2,117 | 1,738 | 2,322 | 3,543 | 8,847 | 9,720 |
| Extra-Ord expense | | | | | | | | | 0 | |
| PBT | 1,617 | 2,663 | 1,568 | 3,000 | 2,117 | 1,738 | 2,322 | 3,543 | 8,847 | 9,720 |
| Tax | 519 | 683 | 425 | 951 | 600 | 543 | 627 | 952 | 2,578 | 2,722 |
| Rate (%) | 32.1 | 25.6 | 27.1 | 31.7 | 28.4 | 31.2 | 27.0 | 26.9 | 29.1 | 28.0 |
| MI & Profit/Loss of Asso. Cos. | 4 | 0 | 5 | -7 | 2 | 1 | 0 | -3 | 2 | |
| Reported PAT | 1,094 | 1,980 | 1,137 | 2,056 | 1,515 | 1,194 | 1,695 | 2,594 | 6,268 | 6,998 |
| Adj PAT | 1,094 | 1,980 | 1,137 | 2,056 | 1,515 | 1,194 | 1,695 | 2,594 | 6,268 | 6,998 |
| YoY Change (%) | 17.4 | 24.9 | -19.0 | 5.3 | 38.4 | -39.7 | 49.1 | 26.2 | 6.7 | 11.7 |
| Margins (%) | 5.0 | 7.6 | 4.5 | 6.7 | 7.0 | 4.8 | 6.2 | 7.4 | 6.0 | 6.5 |

Triveni Turbine

Buy

CMP: INR541 | TP: INR640 (+18%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue to grow 11% YoY, driven by better execution, especially in domestic orders. We expect domestic inflows to see an improvement, while exports will improve primarily from 4QFY26.
- Key monitorables include 2H execution ramp-up, sustainability of domestic/API and utility-drive orders, and recovery in export orders.

- We expect EBITDA margins to contract by ~50bp YoY, driven by revenue mix.
- Overall order inflow momentum across domestic, exports, and aftermarket/refurbishment will be the key areas to monitor.

Consolidated - Quarterly Snapshot

| Y/E March | (INR m) | | | | | | | | FY25 | FY26E |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 4,633 | 5,011 | 5,034 | 5,380 | 3,713 | 5,062 | 5,603 | 6,766 | 20,058 | 21,144 |
| YoY Change (%) | 23.1 | 29.2 | 16.6 | 17.5 | -19.9 | 1.0 | 11.3 | 25.8 | 21.3 | 5.4 |
| Total Expenditure | 3,677 | 3,897 | 3,941 | 4,176 | 2,977 | 3,916 | 4,415 | 5,300 | 15,691 | 16,609 |
| EBITDA | 956 | 1,114 | 1,093 | 1,204 | 736 | 1,146 | 1,188 | 1,466 | 4,367 | 4,535 |
| YoY Change (%) | 34.8 | 49.8 | 30.6 | 34.0 | -23.0 | 2.9 | 8.7 | 21.7 | 37.0 | 3.9 |
| Margins (%) | 20.6 | 22.2 | 21.7 | 22.4 | 19.8 | 22.6 | 21.2 | 21.7 | 21.8 | 21.5 |
| Depreciation | 62 | 61 | 65 | 75 | 77 | 80 | 76 | 72 | 263 | 305 |
| Interest | 10 | 8 | 4 | 7 | 8 | 4 | 8 | 12 | 29 | 32 |
| Other Income | 194 | 196 | 221 | 199 | 222 | 184 | 248 | 248 | 810 | 902 |
| PBT before EO expense | 1,078 | 1,241 | 1,245 | 1,321 | 873 | 1,246 | 1,352 | 1,630 | 4,885 | 5,101 |
| PBT | 1,078 | 1,241 | 1,245 | 1,321 | 873 | 1,246 | 1,352 | 1,630 | 4,885 | 5,101 |
| Tax | 274 | 331 | 320 | 375 | 228 | 332 | 360 | 437 | 1,300 | 1,357 |
| Rate (%) | 25.4 | 26.7 | 25.7 | 28.4 | 26.1 | 26.6 | 26.6 | 26.8 | 26.6 | 26.6 |
| MI & P/L of Asso. Cos. | 0 | 0 | 1 | 0 | -1 | 0 | 0 | 1 | 1 | 0 |
| Reported PAT | 804 | 910 | 926 | 946 | 644 | 914 | 992 | 1,193 | 3,586 | 3,744 |
| Adj PAT | 804 | 910 | 926 | 946 | 644 | 914 | 992 | 1,193 | 3,586 | 3,744 |
| YoY Change (%) | 31.8 | 41.4 | 35.0 | 25.9 | -19.9 | 0.4 | 7.2 | 26.1 | 33.3 | 4.4 |
| Margins (%) | 17.4 | 18.2 | 18.4 | 17.6 | 17.3 | 18.1 | 17.7 | 17.6 | 17.9 | 17.7 |

Zen Technologies

Neutral

CMP: INR1,362 | TP: INR1,400 (+3%)

EPS CHANGE (%): FY26|FY27|FY28: -|-|

- We expect revenue to decline 2% YoY as lower overall ordering activity starts to weigh on execution.
- Key monitorables include order inflows across simulators and anti-drones, execution of equipment orders, and the working capital cycle.

- We expect EBITDA margin to expand 1,050bp YoY on increased share of high-margin simulator business.
- Emergency procurement, progress of subsidiaries, and updates on utilization of QIP proceeds will be in focus.
- ZEN received orders worth ~INR5.5b in 3QFY26 reaching a total of ~INR7b for 9MFY26. Consol inflows will be much higher going forward led by contribution from subsidiaries.

Standalone - Quarterly Earnings Model

| Y/E March | (INR m) | | | | | | | | FY25 | FY26 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Net Sales | 2,540 | 2,417 | 1,415 | 2,935 | 1,111 | 1,247 | 1,391 | 2,047 | 9,307 | 5,794 |
| YoY Change (%) | 91.7 | 277.4 | 44.3 | 116.3 | (56.3) | (48.4) | (1.7) | (30.3) | 116.3 | (37.7) |
| Total Expenditure | 1,508 | 1,623 | 1,048 | 1,991 | 730 | 829 | 883 | 1,325 | 6,169 | 3,766 |
| EBITDA | 1,032 | 794 | 367 | 944 | 380 | 418 | 508 | 722 | 3,137 | 2,028 |
| YoY Change (%) | 56.0 | 264.9 | (17.0) | 109.4 | (63.1) | (47.4) | 38.2 | (23.5) | 77.0 | (35.4) |
| Margins (%) | 40.6 | 32.9 | 26.0 | 32.2 | 34.3 | 33.5 | 36.5 | 35.3 | 33.7 | 35.0 |
| Depreciation | 22 | 23 | 26 | 29 | 31 | 33 | 32 | 33 | 101 | 130 |
| Interest | 10 | 21 | 27 | 36 | 14 | 4 | 2 | 2 | 94 | 22 |
| Other Income | 30 | 84 | 220 | 244 | 199 | 230 | 185 | 126 | 578 | 740 |
| PBT | 1,030 | 835 | 534 | 1,122 | 535 | 610 | 658 | 813 | 3,520 | 2,617 |
| Tax | 288 | 182 | 147 | 273 | 164 | 149 | 169 | 189 | 890 | 670 |
| Rate (%) | 28.0 | 21.8 | 27.6 | 24.3 | 30.6 | 24.4 | 25.6 | 23.2 | 25.3 | 25.6 |
| Reported PAT | 742 | 652 | 386 | 849 | 371 | 462 | 490 | 624 | 2,630 | 1,947 |
| Adj PAT | 742 | 652 | 386 | 849 | 371 | 462 | 490 | 624 | 2,630 | 1,947 |
| YoY Change (%) | 57.4 | 276.1 | 21.9 | 177.3 | (50.0) | (29.2) | 26.8 | (26.5) | 107.3 | (26.0) |
| Margins (%) | 29.2 | 27.0 | 27.3 | 28.9 | 33.4 | 37.0 | 35.2 | 30.5 | 28.3 | 33.6 |

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|----------------------------------|--|
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