

# Industrials

## Expecting recovery

- Government support in some sectors, while others stay muted:** During Q4FY25, the government capex or awards pick-up is still subpar ex of T&D. Our interactions with the road segment stakeholders suggest that though the bid pipeline is strong, awards are getting postponed. Water projects under JJM have not seen any recent awards and even the awarded projects have slowed down. Further, until Q3FY25, EPC players with high water segment in the mix, have been facing collection issues affecting the execution. During Q4FY25, there is marginal improvement in collection though not enough to drive water segment execution. There has been delay in issuances of LOA for projects where developers are L1; the situation is expected to improve from Q1FY26. Metro continues to witness muted tender activity. Only Power Transmission & Distribution and renewables continue to show robust activity as government continues to play catch-up with the expected increase in the power demand. Revival in private real estate is aiding awards in the Building EPC segment.
- Renewable power capacity augmentation driving awards:** Investments in the renewable power sector are emerging as a big decadal theme alongside defence and power security. HVDC projects worth INR 1.2tn are expected to be awarded over the next two years, which shall be equally split between EPC (45%) and Equipment players (55%), while T&D continues to witness increased ordering activity for higher capacities as reflected in the latest HVDC 6GW order won by BHEL and Hitachi Energy consortium from AESL. Renewables growth & execution remain strong with addition of 24 GW (Source: [ICED](#), till Feb 2024) vs. 19 GW in FY24. MNC companies have undertaken new capacity buildouts in traditional segments and new opportunities like clean energy/automation. This expansion is being envisaged for catering to export and local demand. Punchy capital goods valuation remains an area of concern though growth and margin outperformance augurs well for support.
- Earnings trend YoY/QoQ:** We expect EPC/infra universe revenue/EBITDA/PAT to grow/decline -0.9/-7.5/-9.8% YoY to INR 230.8/30.1/12.3bn, with EBITDA margin at 13.0% (-92.8bps YoY). In capital goods, revenue/EBITDA/PAT are expected to grow/decline by 13.9/13/4.1% YoY to INR 1065.3/117.3/71.1bn, with EBITDA margin at 11.0% (-8.7bps YoY). The valuation of core EPC/infra is at 27.7/20.4/14.9x FY25/26/27E core EPS, which is in line with the long-term mean of 16x. Given the expected increase in execution on a QoQ basis, we see a case for PE rerating for EPC players. For capital goods, the valuation stands at 49.7/38.6/31.2x for FY25/26/27E.
- Road dominant players need to diversify, asset monetisation, robust balance sheets and equity recycling to support valuation:** We believe Q4FY25 will continue seeing increase in the pace of execution, considering post monsoon period and stable order backlog. Future awarding mix is expected to shift towards an equity-intensive BOT toll revenue model. The balance sheets of companies are robust and asset monetisation is picking pace. Tariffs imposed by US under Trump administration will see effect in FY26; however, India capital goods sector continues to be domestic focused seeing very limited impact. Tariff impact on inflation and interest rates will be monitored.
- Recommendations and stock picks:** Recent correction presents an opportunity to add strong balance sheet plays as (1) ordering remains strong in renewables, T&D, buildings, and revival is expected in water & railways; while being muted in roads etc.; (2) asset monetisation is fructifying; (3) balance sheets are strong and NWC days are stable; and (4) cash flow generation is likely to improve. **LT, Cummins India, and Kalpataru are our top picks in the capital goods space. In the infra space, we like HG, PNC, and NCC.**

### Capital Goods: Recommendation Summary

Capital Goods	CMP INR	TP INR	RECO
Larsen & Toubro	3258	4339	BUY
Siemens	4928*	7087	BUY
ABB India	5247	5716	ADD
Cummins India	2921	4597	BUY
KEC International	711	963	ADD
Hitachi Energy India	12574	15,001	ADD
Thermax	3246	5001	BUY
Kalpataru Power	937	1309	BUY

Source: HSIE Research, \*as of 4<sup>th</sup> Apr 2025

### Infrastructure: Recommendation Summary

EPC/Infra	CMP INR	TP INR	RECO
Dilip Buildcon	453	489	ADD
PNC Infratech	271	450	BUY
KNR Constructions	232	338	BUY
IRB Infra Developers	46	67	ADD
NCC	216	335	BUY
HG Infra Engineering	1085	1920	BUY
Ashoka Buildcon	195	285	BUY
Ahluwalia Contracts	906	960	ADD
PSP Projects	634	708	ADD
ITD Cementation	532	633	BUY
J. Kumar Infraprojects	711	984	ADD

Source: HSIE Research

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## Financial summary: Q4FY25E

Capital Goods	NET SALES (INR Bn)			EBITDA (INR Bn)			EBITDA Margin (%)			APAT (INR Bn)		
	4QFY25	QoQ (%)	YoY (%)	4QFY25	QoQ (%)	YoY (%)	4QFY25	QoQ (bps)	YoY (bps)	4QFY25	QoQ (%)	YoY (%)
Larsen & Toubro*	784.8	21.4	17.0	85.7	37.1	18.5	10.9	125.3	14.1	48.6	44.8	13.0
Siemens #	37.8	19.1	-28.8	4.2	33.2	-47.1	11.0	117.2	-379.8	4.0	24.4	-55.6
ABB India ^	34.0	1.0	10.3	6.1	-6.6	8.7	18.1	-146.5	-27.7	5.0	-6.2	8.6
Cummins India	26.8	-13.0	15.9	5.4	-9.5	-0.2	20.2	78.6	-327.0	5.0	-2.9	-11.1
KEC International*	70.2	31.1	13.8	5.4	45.5	40.4	7.8	76.6	147.2	2.5	91.8	63.8
Hitachi Energy India	18.6	14.9	9.8	2.1	27.3	0.0	11.4	110.7	67.4	1.4	1.0	0.0
Thermax*	31.8	26.7	15.0	3.2	71.0	18.3	10.2	263.4	28.7	2.4	106.9	25.4
Kalpataru Power	61.2	26.9	19.0	4.9	22.0	22.6	8.0	-32.2	23.4	2.2	42.3	49.2
<b>Aggregate</b>	<b>784.8</b>	<b>21.4</b>	<b>17.0</b>	<b>85.7</b>	<b>37.1</b>	<b>18.5</b>	<b>10.9</b>	<b>125.3</b>	<b>14.1</b>	<b>48.6</b>	<b>44.8</b>	<b>13.0</b>

\*Consolidated; # 2QFY25 – YE Sep and estimates ex of Siemens Energy business, YoY includes Siemens Energy;

^ 1QCY25- YE Dec;

Source: Company, HSIE Research

EPC/Infra	NET SALES (INR Bn)			EBITDA (INR Bn)			EBITDA Margin (%)			APAT (INR Bn)		
	4QFY25	QoQ (%)	YoY (%)	4QFY25	QoQ (%)	YoY (%)	4QFY25	QoQ (bps)	YoY (bps)	4QFY25	QoQ (%)	YoY (%)
Dilip Buildcon	23.0	6.7	-21.5	2.1	1.2	-39.8	9.2	-50.7	-280.6	0.3	441.7	-71.0
PNC Infratech	15.0	24.5	-26.7	1.8	24.0	-32.6	12.1	-4.6	-105.9	1.1	33.8	4.8
KNR Constructions	7.6	8.00	-35.17	1.16	-1.42	-42.41	15.13	-144.53	-190.09	0.78	-1.16	-70.64
IRB Infra Developers*	16.9	-5.0	-17.9	7.0	-5.8	-21.7	41.2	-34.5	-199.4	1.0	-98.4	-48.9
NCC	53.4	14.3	-2.0	5.1	23.8	-0.5	9.5	73.4	14.3	2.5	34.4	-17.1
HG Infra Engineering	20.3	34.9	24.3	3.3	34.0	23.3	16.1	-10.1	-13.2	1.9	37.2	59.5
Ashoka Buildcon	24.5	36.5	-2.1	2.2	35.5	19.1	9.0	-6.7	161.2	1.0	63.0	91.2
Ahluwalia Contracts	13.1	37.3	12.3	1.2	40.3	13.5	9.1	19.2	9.4	0.7	50.3	273.3
PSP Projects	7.9	26.0	21.0	0.7	111.5	44.3	9.5	384.9	154.0	0.4	477.7	130.1
ITD Cementation*	32.7	45.8	45.0	3.2	53.1	43.0	9.6	45.8	-13.1	1.6	78.4	73.5
J. Kumar Infraprojects	16.4	10.2	15.0	2.4	9.2	17.5	14.6	-13.7	31.3	1.1	13.0	13.1
<b>Aggregate</b>	<b>230.8</b>	<b>20.7</b>	<b>-0.9</b>	<b>30.1</b>	<b>16.9</b>	<b>-7.5</b>	<b>13.0</b>	<b>-42.1</b>	<b>-92.8</b>	<b>12.3</b>	<b>-81.9</b>	<b>-9.8</b>

Source: Company, HSIE Research; \*Consolidated

## Valuation summary

Capital Goods	MCAp INR Bn	CMP INR	TP INR	RECO	Adj. EPS (INR/sh)			P/E (x)			EV/EBIDTA (x)			ROE (%)		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Larsen & Toubro*	4477	3258	4339	BUY	111.4	143.7	173.5	31.0	24.1	19.9	15.2	12.5	10.2	16.8	19.3	20.3
Siemens #	1755	4928	7087	BUY	79.2	93.7	108.7	65.0	55.0	47.4	54.8	45.7	38.7	17.2	17.6	17.5
ABB India ^	1112	5247	5716	ADD	88.5	84.3	95.3	61.5	64.5	57.1	48.7	40.4	33.6	26.3	24.5	22.9
Cummins India	810	2921	4597	BUY	68.0	78.2	92.6	43.7	38.0	32.1	37.6	31.3	25.0	25.9	24.5	23.8
KEC International*	189	711	963	ADD	21.3	41.1	50.5	37.1	19.3	15.7	16.0	11.3	10.0	14.9	22.4	21.7
Hitachi Energy India	533	12574	15001	ADD	76.0	149.1	261.1	161.6	82.3	47.0	96.9	51.3	30.0	12.1	14.5	21.2
Thermax*	365	3246	5001	BUY	53.8	73.6	96.7	65.6	47.9	36.5	43.2	31.6	23.3	12.9	15.7	17.7
Kalpataru Power	152	937	1309	BUY	36.9	53.6	66.5	27.2	18.7	15.1	8.1	5.7	4.4	3.3	4.1	4.4
<b>Wt. Average</b>					<b>92.7</b>	<b>117.6</b>	<b>145.9</b>	<b>49.7</b>	<b>38.6</b>	<b>31.2</b>	<b>32.3</b>	<b>24.8</b>	<b>19.6</b>	<b>18.2</b>	<b>19.6</b>	<b>20.3</b>

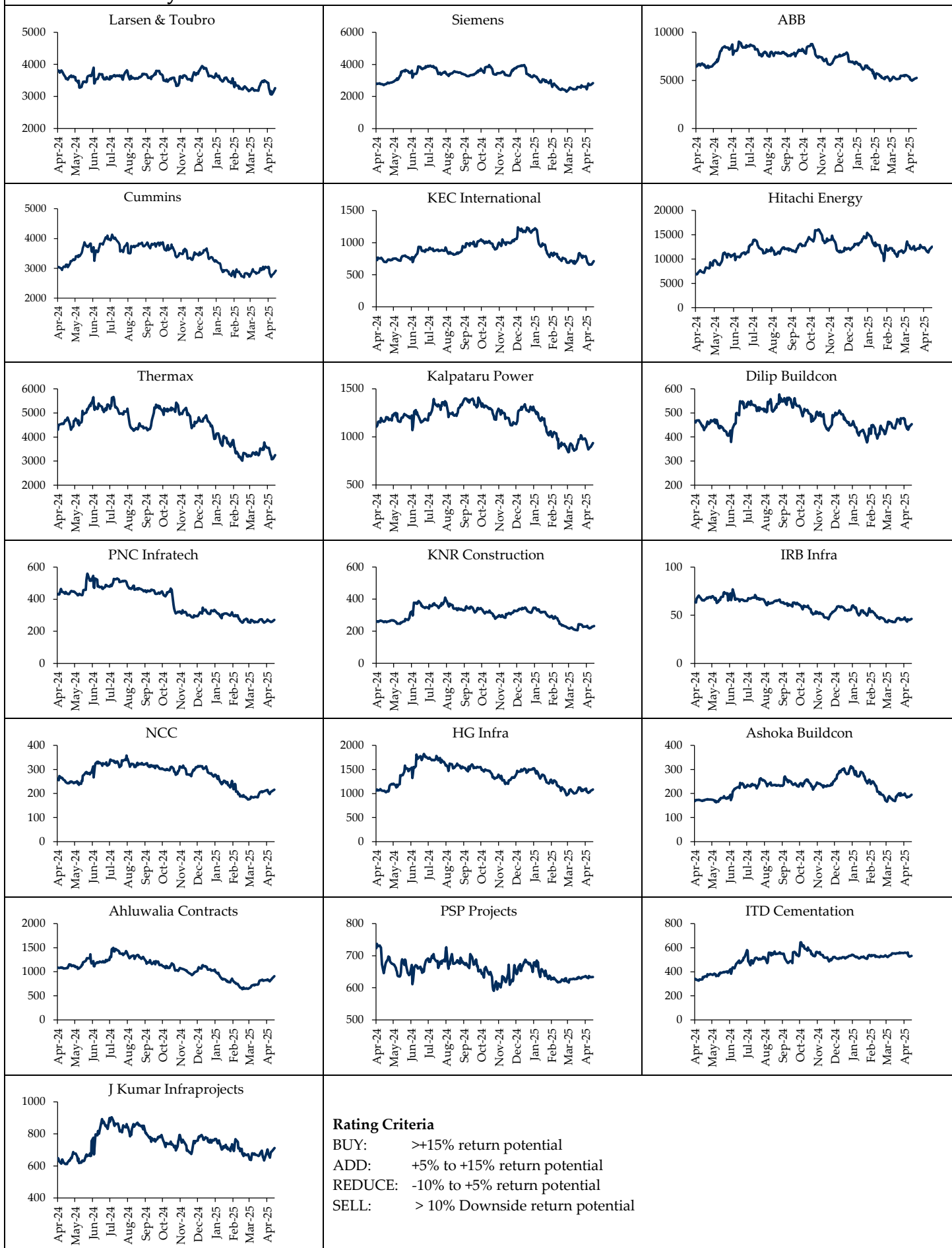
Source: Company, HSIE Research, \*Consolidated; #Sep-YE, CMP before demerger record date 04<sup>th</sup> April 2025;

^Dec-YE

EPC/Infra	MCAp INR Bn	CMP INR	TP INR	RECO	Adj. EPS (INR/sh)			P/E (x)			EV/EBIDTA (x)			ROE (%)		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Dilip Buildcon	66	453	489	ADD	11.1	14.3	33.0	32.3	25.0	10.8	6.5	5.7	4.4	3.1	3.8	8.3
PNC Infratech	70	271	450	BUY	10.1	20.1	23.1	11.3	5.7	5.0	3.6	3.3	3.1	7.9	10.6	11.0
KNR Constructions	65	232	338	BUY	13.9	13.9	18.6	12.7	12.7	8.8	7.2	7.4	4.8	10.8	9.6	12.0
IRB Infra Developers*	280	46	67	ADD	0.9	1.2	1.6	50.0	38.4	28.7	12.2	11.5	10.3	4.0	5.1	6.5
NCC	132	216	335	BUY	13.0	17.5	22.1	15.7	11.6	9.2	7.1	5.8	4.8	11.1	13.4	14.8
HG Infra Engineering	71	1085	1920	BUY	85.8	97.7	116.8	11.0	9.7	8.1	7.9	6.9	5.6	22.0	20.6	20.1
Ashoka Buildcon	55	195	285	BUY	5.9	12.1	18.4	17.3	8.4	5.2	8.2	6.5	5.1	4.2	8.1	11.2
Ahluwalia Contracts	61	906	960	ADD	27.6	46.8	64.4	30.0	17.7	12.9	15.6	10.4	7.8	11.4	17.6	20.0
PSP Projects	25	634	708	ADD	21.8	45.6	57.4	28.9	13.8	11.0	11.4	7.3	6.1	8.1	13.9	15.5
ITD Cementation*	91	532	633	BUY	24.2	33.1	41.7	21.9	16.0	12.7	9.7	7.5	6.1	24.1	25.5	24.9
J. Kumar Infraprojects	54	711	984	ADD	51.3	60.8	73.5	13.2	11.1	9.2	6.3	5.2	3.8	13.7	14.2	14.9
<b>Wt. Average</b>					<b>18.5</b>	<b>24.5</b>	<b>31.7</b>	<b>27.7</b>	<b>20.4</b>	<b>14.9</b>	<b>9.3</b>	<b>7.9</b>	<b>6.6</b>	<b>10.0</b>	<b>11.6</b>	<b>13.0</b>

Source: Company, HSIE Research, \*Consolidated;

## 1 Yr Price history



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