



Q1FY2026 Results Review

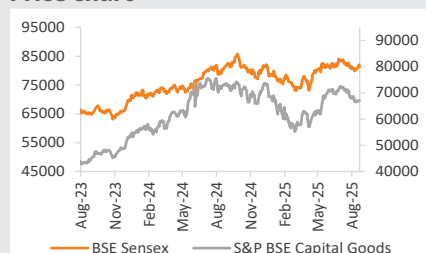
Sector:	Capital Goods and Power
Sector View:	Positive

Coverage universe

Company	CMP (Rs)	Reco.	PT (Rs)
Capital goods			
L&T	3,595	Buy	4,550
Bharat Electronics	375	Buy	445
Finolex Cables	850	Buy	1,250
KEC International	826	Buy	1,000
Kalpataru Projects International	1,301	Buy	1,570
Ratnamani Metals	2,426	Buy	3,250
Thermax	3,265	Hold	3,600
Triveni Turbine	533	Buy	750
V-Guard Industries	373	Buy	460
KEI Industries	3,958	Buy	4,420
Polycab India	7,103	Buy	8,000
Dixon Technologies	16,888	Buy	18,500
Amber Enterprises	7,254	Buy	9,300
Cummins India	3,922	Buy	4,350
Blue Star Limited	1,921	Buy	2,000
Carborundum Universal	933	Hold	1,040
Honeywell Automation	37,825	Hold	40,500
Va Tech Wabag	1,591	Buy	1,770
Soft Coverage			
Hindustan Aeronautics	4,471	Positive	6,000
Dee Development Engineers	275	Positive	380
Kirloskar Oil Engines	890	Positive	1,100
Power			
NTPC	337	Buy	398
Power Grid	283	Buy	350
Tata Power	386	Buy	485
CESC	167	Buy	195

Source: Company, Mirae Asset Sharekhan Research
UR - Under Review

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Capital Goods and Power

Q1 meets hopes

Summary

- Most project-based companies witnessed strong execution and broadly met our estimates on the revenue front, led by healthy order backlog. This resulted in a 14.3% y-o-y growth in sales. Operating profit improved by 17.2% y-o-y, and OPM improved marginally by 28 bps y-o-y. Net profit also grew better than estimates by 19.0% y-o-y driven by healthy revenue and operating profit growth in a seasonally weak quarter. Project companies had a positive outlook on the domestic market but are watchful of global uncertainties.
- Product-based companies' revenue growth at 44% y-o-y also exceeded expectations led by strong growth across EMS segment and Cables segment. OPM, however, declined 69 bps y-o-y as raw material costs continued to be higher vs Q1FY25. Net profit growth came in at 21% y-o-y led by strong sales.
- Power PSUs reported a mixed quarter with a NTPC's Adj. PAT growing 5.2% y-o-y while Powergrid had a dull quarter due to weak capitalization. Tata Power's operating profit rose strongly by 15.4% y-o-y while CESC had an inline quarter with PAT growth of 2.4% y-o-y. Power demand was weak in the quarter due to early onset of the monsoon.
- Preferred Picks** - Amber Enterprises, L&T, Bharat Electronics Ltd (BEL), Hindustan Aeronautics Ltd. (HAL), Kirloskar Oil Engines Ltd. (KOEL), Va Tech Wabag, Cummins India (KIC), Kalpataru Projects International Ltd (KPIL), KEC International, Polycab India, Dee Development and Dixon Technologies. In power, we like NTPC, Powergrid and Tata Power.

Our capital goods universe exceeded our estimates and delivered 20% y-o-y revenue growth, flat OPM y-o-y and ~19% y-o-y net profit growth. L&T reported strong Q1 numbers with ~16%/~30% y-o-y growth in revenue/profit. Project-based companies reported 14.3% y-o-y revenue growth (pick-up in execution), with 28 bps y-o-y rise in OPM and a 19% y-o-y increase in net profit. Most project-based companies had healthy order intake in Q1FY2026. L&T reported a 33% y-o-y jump in inflows. Moreover, Triveni Turbine, KEC, Va Tech Wabag, Kalpataru power transmission had healthy order intake and are well placed to meet their annual order intake guidance. The inflows were driven by power, T&D, hydrocarbon, renewable energy, water, steel, cement industries. Product-based companies registered 44% y-o-y revenue growth led by strongest growth in EMS companies (Amber and Dixon Technologies 44%/ 95% respectively). Cables companies also experienced strong growth. OPM fell by 69 bps y-o-y due to cost inflation, net profit grew by 21.0% y-o-y. Going forward, the festive/wedding season should drive the B2C demand. All the companies under our coverage expect H2 to be better.

Promising order intake guidance by most of the companies: Our universe of project-based companies reported in line performance led by strong execution of order book. Order prospects remain strong for L&T at Rs. 15 trillion. KEC eyes tenders under evaluation and pipeline of over Rs. 1,8L crore and hopes to comfortably achieve order inflow target of Rs 30,000 crore for FY2026. Triveni Turbine, KPIL, HAL and BEL have given bullish outlook on the order intake front. Thermax which has a slower order inflows and performance has seen an uptick in the domestic order pipeline prospects.

Product based companies strong footing: Our universe of product-based companies was led by EMS and cables companies. Consumer Durables companies in the segment faced demand challenges due to early monsoon. Most companies expect margin to improve in H2FY2026 as better volumes and declining input cost will boost growth. Many players like Amber Enterprises, Blue Star, KEI Industries, Polycab India and Finolex Cables are undertaking capacity expansion. The outlook remains strong as we expect revenues to strongly clock a > 35% CAGR over FY24-27E. Various new initiatives and new opportunities like backward integration (components manufacturing), PCB manufacturing would drive growth and addition of new clients would be the key trigger for the sector and EMS companies to grow. Cables companies posted healthy returns driven by strong demand from real estate and power sector.

Power sector: NTPC clocked a decent 5.2% y-o-y growth in standalone adjusted PAT with the regulated equity base growing 4% y-o-y. Revenue was down 4.2% y-o-y due to the weak power demand. NTPC's capacity is to be expanded to 130 GW (including a 60 GW RE capacity) by 2032 versus 83 GW currently and targets to add 22 GW over the next two years. Power Grid's earnings were weak with a revenue decline and standalone PAT was aided by regulatory deferral account balances. It is tracking the slower asset capitalisation in the last few years. Power Grid has indicated for a strong capex guidance of Rs 28,000/35,000/45,000 crore in FY26/27/28, respectively. Tata Power's operating profit rose 15.4% y-o-y to Rs. 4,139 crore, led by strong performance of solar EPC, cell & module plant and Odisha discoms. CESC had an in-line quarter with 2.4% y-o-y growth in consolidated PAT to Rs. 387 crore, helped by increase in Noida profits but compensated by the rise in Malegaon losses.

Outlook and Valuation:

Execution and margin expansion to be the key growth drivers: We expect the order backlog of our coverage universe to remain strong, given broad-based order awarding activity in railways, power, infrastructure and defence sectors for the next few years. Further, private capex in data centers, real estate, infrastructure, wastewater management and power gensets (change in CPCB norms) continues to rise. Hence, we remain bullish on the medium to long-term prospects of the capital goods sector. The government's plan to increase the renewable energy capacity to 500GW by 2030 from ~220GW currently is going to drive the growth for the power sector.

Key risks: Weak demand from exports and few industries such as metals and cement could hamper inflow growth. Weak consumer sentiments may impact volumes for product companies in the near term.

Leaders for Q1FY2026: BEL, HAL, L&T, Cummins India, Dee Development, Triveni Turbines, KPIL, HAL, Polycab, KEI, Bluestar, Tata Power

Laggards for Q1FY2026: Thermax, Honeywell Automation, Carborundum Universal, Finolex Cables, PowerGrid, NTPC.

Top Preferred Picks: L&T, BEL, HAL, KOEL, Va Tech Wabag, Amber Enterprises, KEC, KIC, KPIL, Polycab India and Dixon Technologies. In power, we like NTPC, PowerGrid, Tata Power.

Q1FY26 result snapshot

Particulars	Revenue (Rs. cr)			Operating Profits (Rs. cr)			Net Profit (Rs. cr)		
	Q1FY26	Q1FY25	y-o-y (%)	Q1FY26	Q1FY25	y-o-y (%)	Q1FY26	Q1FY25	y-o-y (%)
Capital Goods									
Larsen and Toubro	63,679	55,120	16	6,318	5,615	13	3,617	2,786	30
Bharat Electronics	9,150	8,564	7	1,238	948	31	969	791	23
Finolex Cables	1,395	1,230	13	136	127	7	162	243	-33
KEC International	5,023	4,512	11	350	270	29	125	88	42
Kalpataru Projects International	5,040	3,722	35	428	314	36	201	117	72
Ratnamani Metals	1,152	1,184	-3	188	164	15	127	106	20
Thermax	2,150	2,184	-2	225	141	59	177	116	52
Triveni Turbine	371	463	-20	74	96	-23	64	81	-21
V-Guard	1,406	1,415	-1	94	128	-27	56	82	-32
KEI Industries	2,590	2,060	26	258	215	20	196	150	30
Polycab India	5,906	4,698	26	858	583	47	600	402	49
Dixon Technologies	12,836	6,579	95	482	247	95	280	139	102
Amber Enterprises	3,449	2,401	44	257	196	31	113	78	45
Cummins India	2,907	2,304	26	624	467	33	545	420	30
Blue Star	2,982	2,865	4	200	238	-16	121	169	-28
Carborundum Universal	1,219	1,197	2	121	193	-37	59	113	-48
Honeywell Automation	1,183	960	23	142	154	-8	125	137	-9
Va Tech Wabag	734	627	17	96	81	19	66	55	20
Soft Coverage									
Dee Development Engineers	224	185	21	36	25	45	13	3	312
Hindustan Aeronautics	4,819	4,348	11	1,285	991	30	1384	1437	-4
Kirloskar Oil Engines	1,445	1,343	8	190	198	-4	123	135	-9
Total	1,29,659	1,07,963	20	13,599	11,392	19	9,120	7,647	19
Project based	99,095	86,714	14.3	11,314	9,658	17.2	7,593	6,384	19.0
Product based	30,565	21,249	44	2,285	1,734	32	1,527	1,263	21
Power									
NTPC	42,573	44,428	-4.2	12,202	11,852	26.7	4,414	4,195	5.2
Power Grid	9,928	10,068	-1.4	8,118	8,744	82.7	3,653	3,412	7.1
Tata Power	18,035	17,294	4.3	4,139	3,587	14.7	1,060	971	9.2
CESC	5,430	5,552	-2.2	1,092	1,060	24.8	387	378	2.4
Total	75,966	77,342	-1.8	25,551	25,243	35.3	9,514	8,956	6.2

Source: Company, Mirae Asset Sharekhan Research

Valuations

Particulars	CMP (Rs.)	Reco	Price Target (Rs.)	EPS (Rs.)			P/E (x)		
				FY24	FY25E	FY26E	FY24	FY25E	FY26E
Capital goods									
Larsen and Toubro	3,595	Buy	4,550	106	136	163	33.9	26.5	22.1
Bharat Electronics	375	Buy	445	7.3	8.6	10.0	51.5	43.4	37.4
Finolex Cables	850	Buy	1,250	45.8	48.3	50.4	18.6	17.6	16.9
KEC International	826	Buy	1,000	22.2	36.5	46.2	37.2	22.6	17.9
Kalpataru Projects International	1,301	Buy	1,570	39.8	62.1	83.6	32.7	20.9	15.6
Ratnamani Metals	2,426	Buy	3,250	77.3	89.1	98.8	31.4	27.2	24.6
Thermax	3,265	Hold	3,600	55.7	68.6	80.6	58.6	47.6	40.5
Triveni Turbine	533	Buy	750	11.3	13.9	17.1	47.2	38.4	31.2
V-Guard Industries	373	Buy	460	6.0	8.4	9.9	61.9	44.2	37.5
KEI Industries	3,958	Buy	4,420	77.2	101.1	129.6	51.3	39.2	30.5
Polycab India	7,103	Buy	8,000	136.7	185.2	238.4	52.0	38.3	29.8
Dixon Technologies	16,888	Buy	18,500	125.3	229.5	318.9	134.7	73.6	53.0
Amber Enterprises	7,254	Buy	9,300	92.3	112.7	179.3	78.6	64.4	40.5
Cummins India	3,922	Buy	4,350	68.8	77.9	91.8	57.0	50.4	42.7
Blue Star Limited	1,921	Buy	2,000	28.7	34.3	41.3	66.8	56.1	46.5
Carborundum Universal	933	Hold	1,040	15.4	20.7	25.8	60.5	45.0	36.2
Honeywell Automation	37,825	Hold	40,500	595.8	695.4	863.3	63.5	54.4	43.8
Va Tech Wabag	1,591	Buy	1,770	47.5	61.9	76.9	33.5	25.7	20.7
Soft Coverage									
Hindustan Aeronautics	4,471	Positive	6,000	125.0	141.0	159.8	35.8	31.7	28.0
Dee Development Engineers	275	Positive	380	6.7	17.3	22.2	41.3	15.9	12.4
Kirloskar Oil Engines	890	Positive	1,100	28.3	33.9	40.3	31.4	26.3	22.1
Power									
NTPC	337	Buy	398	24.2	26.0	28.0	13.9	13.0	12.0
Power Grid	283	Buy	350	16.7	18.0	19.7	16.9	15.7	14.4
Tata Power	386	Buy	485	12.4	18.9	21.8	31.1	20.4	17.7
CESC	167	Buy	195	6.0	7.4	8.1	27.8	22.6	20.6

Source: Company, Mirae Asset Sharekhan Research; UR – Under Review

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