

SECTOR UPDATE

Q3FY2026 Results Review

SECTOR

Capital Goods and Power

SECTOR VIEW

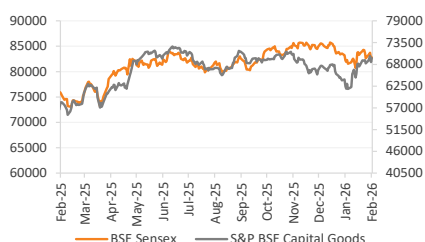
Positive

Coverage universe

Company	CMP (Rs)	Reco.	PT (Rs)
Capital goods			
L&T	4417	BUY	4700
Bharat Electronics	440	BUY	525
Finolex Cables	823	BUY	1,250
KEC International	584	BUY	800
Kalpataru Projects International	1,193	BUY	1,400
Ratnamani Metals	2,557	BUY	3,250
Thermax	3,148	HOLD	3,200
Triveni Turbine	493	BUY	640
V-Guard Industries	323	BUY	430
KEI Industries	4,751	BUY	4,800
Polycab India	7,959	BUY	8,800
Dixon Technologies	10,595	BUY	14,400
Amber Enterprises	7,768	BUY	9,300
Cummins India	4,875	BUY	4,950
Blue Star Limited	1,962	BUY	2,060
Carborundum Universal	846	HOLD	1,040
Honeywell Automation	31,585	HOLD	UR
Va Tech Wabag	1,290	BUY	1,800
Hindustan Aeronautics	4,024	Positive	5,400
Dee Development Engineers	275	Positive	380
Kirloskar Oil Engines	1,400	Positive	1,650
Power			
NTPC	375	BUY	430
Power Grid	303	BUY	350
Tata Power	379	BUY	485
CESC	155	BUY	195

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

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

Quick Snapshot

- Strong order book providing healthy revenue visibility, robust balance sheets that offers room for capex, and policy support keep sector in good stead.
- Companies in our coverage saw revenues rise ~13% y-o-y, in line with estimates, with project-based companies' number averaging 11% with major companies posting a stronger growth mid-teens- to higher teens except for companies like Thermax, Cummins, Ratnamani and Honeywell posted a muted growth and product-based companies clocking an 18% revenue growth.
- Removal of ban on Chinese players bidding for government contracts would have a very limited impact due to critical conditions of manufacturing facility in India.
- Power PSUs' numbers were a mixed bag - NTPC's APAT grew 5.2% while PowerGrid saw a weak quarter (But upgrade to capex announcements). Tata Power's operating profit rose 12.0%.
- **Preferred Picks** - Amber Enterprises, L&T, Bharat Electronics Ltd (BEL), Kirloskar Oil Engines Ltd. (KOEL), Va Tech Wabag, Cummins India (KIC), Kalpataru Projects International Ltd (KPIL), KEC International, Polycab India, KEI industries and Dee Development. In power, we like NTPC, Powergrid and Tata Power.

Steady order inflows: Most project-based companies had healthy order intake - L&T reported a 17% y-o-y jump in inflows on a higher base. L&T has been focus winning a large order for an ultra-mega project in hydrocarbon segment. On the exports front, L&T has been gaining huge traction in orders inflows from international geographies specifically from the Middle East. Moreover, BEL, KEC, Thermax, VA Tech Wabag, Kalpataru power transmission had healthy order intake and are well placed to meet their annual order intake guidance. Inflows were driven by power, T&D, hydrocarbon, renewable energy, water, steel, cement industries. Capital goods sector has broadly relied on public sector capex, which is faring well on a YTD basis, but the concern is towards the private capex which remains muted except for select pockets such as data centers, thermal power and B&F segment. Companies in our universe are exploring different export markets. Core EPC companies are eyeing large projects in the Middle East, LatAm and other geographies. Companies are gaining traction in sectors like transmission, Renewables, decarbonization etc.

News-led dampeners: Media reports indicated that the finance ministry is considering scrapping five-year-old restrictions on Chinese firms bidding for government contracts estimated to be worth around \$700-750 billion. The managements of all the major companies have highlighted that the Chinese players can bid for government contracts provided they have a manufacturing facility in India. Also, management of few companies have highlighted that the allowance is for only some critical components in the power plant which was anyhow imported from China leading to a very minimal impact on the operations of the business. So over the last few sessions market has performed well and eroded the fears of Chinese players' entrance. We expect limited impact Indian companies due to localization mandates, strategic infrastructure considerations, and existing order book visibility exceeding seven years for major players.

Power sector: NTPC clocked a decent 7% y-o-y growth in standalone adjusted PAT with the regulated equity base growing 12% y-o-y. Revenue was up 2.4% 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 weaker than estimates capitalization and capex upgrades drove the show. recently raised its FY26 capex forecast to Rs. 32,000 crore from Rs 28,000 crore earlier and capitalization to Rs. 22,000 crore from Rs. 20,000 crore earlier. the company plans to further scale up capex to Rs 37,000 crore and capitalisation to Rs 30,000 crore in FY27, and further to Rs 45,000 crore and Rs 35,000 crore, respectively. Tata Power's operating profit rose 12% y-o-y to Rs. 3,913 crore, led by strong performance of solar EPC, cell & module plant and Odisha discoms. CESC had an in-line quarter with 7.5% y-o-y growth in consolidated PAT to Rs. 285 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 sector's 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: BEL, L&T, Cummins India, Dee Development, Polycab, KEI, Tata Power

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

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

Q3FY26 result snapshot
Rs cr

Particulars	Sales			Operating Profit			PAT		
	Q3 FY26E	Q3 FY25	YoY (%)	Q3 FY26E	Q3 FY25	YoY (%)	Q3 FY26E	Q3 FY25	YoY (%)
Larsen & Toubro	71,450	64,668	10	7,416	6,255	19	4,558	3,359	36
Bharat Electronics	7154	5771	24	2127	1670	27	1580	1311	20
KEC International	6,001	5,349	12	430	374	15	186	130	44
Kalpataru Projects	5788	4826	20	481	402	20	241	157	53
Ratnamani Metals	1,066	1,316	-19	205	204	0	154	133	15
Thermax	2,635	2,508	5	255	189	35	170	113	50
Triveni Turbines	624	503	24	134	109	23	92	93	0
Cummins India	3,055	3,086	-1	632	600	5	554	514	8
Carborundum Universal	1,273	1,255	1	157	177	-11	75	141	-47
Hindustan Aeronautics Ltd.	7,699	6,957	11	1,872	1,692	11	1852	1434	29
Kirloskar Oil Engines	1,381	1,025	35	169	106	59	107	57	88
Dee Development	287	162	77	48	6	739	19	-13	-240
Va Tech Wabag	961	811	19	122	100	21	96	70	37
Honeywell Automation	1169	1091	7	148	142	4	121	132	-8
Project based companies	110541	99328	11.3	14196	12025	18.1	9804	7631	28.5
Finolex cables	1,599	1,182	35	158	129	22	164	146	12
V-Guard	1,326	1,185	12	96	83	15	63	48	31
KEI Industries	2,955	2,467	20	320	241	33	235	165	43
Polycab India	7,636	5,226	46	966	726	33	630	471	34
Amber Enterprises	2,943	2,133	38	246	159	55	102	37	176
Blue star Limited	2,925	2,807	4	221	209	5	137	133	3
Dixon Technologies	10,672	10,454	2	414	391	6	321	215	49
Products based	30055	25455	18	2421	1938	25	1652	1215	36
Grand total	140596	124783	13	16617	13963	19	11456	8846	30

Source: Company; Mirae Asset Sharekhan Research
Q3FY26 result snapshot
Rs cr

Particulars	Sales			Operating Profit			PAT		
	Q3 FY26E	Q3 FY25	YoY (%)	Q3 FY26E	Q3 FY25	YoY (%)	Q3 FY26E	Q3 FY25	YoY (%)
NTPC	45846	44786	2.4	15234.4	14492.9	5.1	5597	5225	7.1
Power Grid	12395	11476	8.0	10652.9	9113.7	16.9	4185	3566	17.4
Tata Power	13948	15391	-9.4	3055.0	3330.3	-8.3	772	1004	-23.1
CESC	4005	3561	12.5	779.0	609.2	27.9	285	265	7.5
Total	76194	75214	1.3	29721.3	27546.1	7.9	10839	10060	7.7

Source: Company; Mirae Asset Sharekhan Research

Valuations
Rs cr

Particulars	CMP (Rs.)	Reco	Price Target (Rs.)	EPS (Rs.)				P/E (x)			
				FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Capital goods											
Larsen and Toubro	4417	BUY	4700	106	124	151	182	41.6	35.7	29.2	24.2
Bharat Electronics	440	BUY	525	7.3	8.6	10.1	11.8	60.4	50.9	43.5	37.2
Finolex Cables	823	BUY	1,250	45.8	48.3	50.4	54.0	18.0	17.0	16.3	15.2
KEC International	584	BUY	800	22.2	28.2	43.7	53.0	26.3	20.7	13.4	11.0
Kalpataru Projects International	1,193	BUY	1,400	39.8	60.1	81.0	95.8	30.0	19.8	14.7	12.5
Ratnamani Metals	2,557	BUY	3,250	77.3	90.8	102.8	119.9	33.1	28.1	24.9	21.3
Thermax	3,148	HOLD	3,200	55.7	61.7	75.2	97.4	56.5	51.0	41.9	32.3
Triveni Turbine	493	BUY	640	11.3	12.4	14.9	18.4	43.7	39.7	33.1	26.8
V-Guard Industries	323	BUY	430	6.0	6.3	7.8	9.6	53.6	51.5	41.4	33.6
KEI Industries	4,751	BUY	4,800	77.2	93.5	117.8	148.9	61.5	50.8	40.3	31.9
Polycab India	7,959	BUY	8,800	136.7	188.1	236.8	291.0	58.2	42.3	33.6	27.4
Dixon Technologies	10,595	BUY	14,400	125.3	154.3	263.0	330.0	84.5	68.6	40.3	32.1
Amber Enterprises	7,768	BUY	9,300	74.5	86.4	181.0	264.6	104.2	89.9	42.9	29.4
Cummins India	4,875	BUY	4,950	68.8	82.0	98.1	115.8	70.9	59.4	49.7	42.1
Blue Star Limited	1,962	BUY	2,060	28.7	31.6	37.5	45.6	68.2	62.0	52.4	43.1
Carborundum Universal	846	HOLD	1,040	15.4	20.7	25.8	28.3	54.8	40.8	32.8	29.9
Honeywell Automation	31,585	HOLD	UR	595.8	695.4	863.3	900.0	53.0	45.4	36.6	35.1
Va Tech Wabag	1,290	BUY	1,800	47.5	57.8	74.4	86.1	27.2	22.3	17.3	15.0
Hindustan Aeronautics	4,024	Positive	5,400	125.0	137.4	158.2	207.0	32.2	29.3	25.4	19.4
Dee Development Engineers	275	Positive	380	6.7	17.3	22.2	32.0	41.3	15.9	12.4	8.6
Kirloskar Oil Engines	1,400	Positive	1,650	28.3	36.7	44.4	54.3	49.5	38.2	31.5	25.8
Power											
NTPC	375	BUY	430	24.2	26.0	28.0	29.4	15.5	14.4	13.4	12.8
Power Grid	303	BUY	350	16.7	16.2	18.4	21.6	18.2	18.7	16.5	14.0
Tata Power	379	BUY	485	12.4	18.9	21.8	23.4	30.6	20.1	17.4	16.2
CESC	155	BUY	195	6.0	7.4	8.1	9.5	25.8	20.9	19.1	16.3

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

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