



Q4FY2025 Results Review

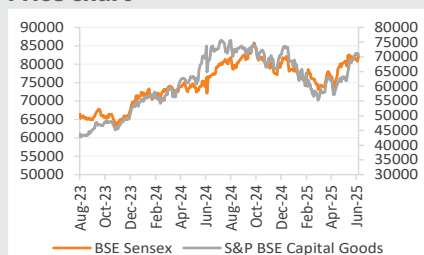
Sector:	Capital Goods and Power
Sector View:	Positive

Coverage universe

Company	CMP (Rs)	Reco.	PT (Rs)
Capital goods			
L&T	3658	BUY	4550
Bharat Electronics	390	BUY	430
Finolex Cables	971	BUY	1,250
KEC International	886	BUY	1,000
Kalpataru Projects International	1,157	BUY	1,570
Ratnamani Metals	2,868	BUY	3,250
Thermax	3,538	HOLD	3,600
Triveni Turbine	593	BUY	750
V-Guard Industries	375	BUY	460
KEI Industries	3,747	BUY	3,800
Polycab India	6,095	BUY	7,300
Dixon Technologies	14,836	BUY	18,500
Amber Enterprises	6,390	BUY	8,142
Cummins India	3,382	BUY	4,000
Blue Star Limited	1,590	BUY	1,900
Carborundum Universal	950	HOLD	1,040
Honeywell Automation	39,180	HOLD	40,500
Va Tech Wabag	1,583	BUY	1,770
Soft Coverage			
Hindustan Aeronautics	4,994	Positive	6,000
Dee Development Engineers	277	Positive	380
Kirloskar Oil Engines	870	Positive	1,100
Power			
NTPC	333	BUY	400
Power Grid	296	BUY	350
Tata Power	399	BUY	485
CESC	168	BUY	195

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

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Capital Goods and Power

Execution remained tad slower, margins improved

Summary

- Our universe of capital goods companies performed in line with expectations, missing revenue estimates by barely 3%. Margins remained higher than estimates. Order book grew across sectors with strong order inflow pipelines for FY26. Traction across sectors like T&D, datacenter, real estate and defence remained strong. Revenue and bottomline grew ~14%/~20% y-o-y with a margin improvement of 57 bps to 14.2%.
- Most project-based companies saw slower execution leading to a slower growth of 9% versus our expectations of 12%. Margins rose 100 bps majorly as the defence sector's margins rose. Net profit beat estimates, rising 18% y-o-y as margins rose. Product companies' revenue/PAT grew by 45%/32% and OPM declined by 50 bps as an impact of volatility commodity prices. Outlook for FY26 looks promising, supported by execution of strong order books and tailwinds from public capex.
- Power PSUs reported a soft quarter with Adj. PAT flat y-o-y for NTPC and standalone PAT up 5% y-o-y for Power Grid, led by other income. Tata Power had a good quarter with adjusted earnings increase of 15% y-o-y while CESC had an inline quarter with PAT de-growth of 7% y-o-y. Power demand was weak in the quarter with the soft macro environment.
- 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 and Dee Development. In power, we like NTPC, Powergrid and Tata Power.

Q4FY25 was broadly in-line, missing revenue estimates by just 3% although margins beat estimates. Out-of-the-box performance was seen in the defence sector (BEL and HAL), which posted an operationally strong quarter with margins improvement of 400/800 bps respectively. Both companies are eyeing a strong order inflow in FY26 led by increasing order inflow pipelines. Order inflows were healthier than expected particularly in T&D, infrastructure and defence sector. The management commentary signifies the slow pick up in private capex with respect to orders from Cement, Pharma, Steel and Petrochemicals whereas ordering activity in power sector, transmission and Distribution, defence, renewable energy remain resilient. Revenue growth of our universe was strong at 14%, primarily led by strong performance from EMS companies (Dixon and Amber) followed by cable companies. Consumer durables companies (Bluestar) clocked decent numbers amid a continuing heatwaves.

Slower execution in projects: Overall execution of project-based companies has led to 9% y-o-y growth for Q4FY25 which was slower than 15% in Q3FY25. Though slower revenue growth, margins improved and were higher than our estimates by 100 bps. Defence companies had a strong improvement in margins higher than the consensus estimates. Cummins and KOEL also showed a strong demand for CPCB-IV power gensets projects though total revenues growth was softer due to decline in other segments. L&T had a operationally strong performance in comparison to estimates with a very strong pipeline of orders. EMS companies (Dixon and Amber) reported another strong and robust quarter across revenues and margins front. Dixon led growth with 121% revenue growth trailed by Amber growing 34% y-o-y. 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.

Strong order inflows: Q4FY25 closed with a good note, wherein companies with the highest-ever order books led by healthy order inflows. The government's focus on capex spending on infrastructure led to a revival trend in capital goods sector. During this quarter, we keenly observes the uptick in order inflow, majorly led by transmission and infrastructure orders. L&T order inflow is basically a proxy play to the industry order inflows. L&T garnered order inflows of Rs 89,613 crore in Q4FY25 was the surprising element leading to FY25 order inflows growth to 18%. L&T's current order book stands at Rs 1.9 lakh crore. Export order inflows also surged for Triveni Turbines, Cummins, L&T, etc. Order inflows were boosted by the sectors like infrastructure, transmission, data centers, electric vehicles, semiconductors, railways and hydrogen and PLI-led spending. Indian defence pipeline remains strong in near term on account of emergency procurement, as well as for medium-to-long term from both - base and large orders.

Power sector: Mixed results - NTPC had a weak quarter with Adj. PAT flat y-o-y and the regulated equity base growing 4% y-o-y. Standalone PAT of the company grew 22% y-o-y led by regulatory income. Revenue was up only 3% 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 79 GW currently and targets to add 11.8/9.9 GW in the next two years, respectively. Power Grid's earnings were soft with a 5% y-o-y increase in standalone PAT led by other income. It tracked the slower asset capitalization 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 and a rise in the capitalization as well. Tata Power reported a good 15% y-o-y rise in its adjusted PAT to Rs. 1,025 crore, led by the generation business, cell & module plant, Odisha dicoms and a lower tax rate. CESC had an inline quarter with 7% y-o-y de-growth in PAT to Rs. 373 crore with losses in Malegaon DF compensated a little by the standalone business.

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 Q4FY2025: BEL, HAL, L&T, Cummins India, Dee Development, Triveni Turbines, KPIL, HAL, Polycab, KEI, Bluestar, Tata Power

Laggards for Q4FY2025: Thermax, Honeywell Automation, Carborundum Universal, Finolex Cables, PowerGrid, NTPC.

Top 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 and Dee Development. In power, we like NTPC, Powergrid and Tata Power.

Q4FY25 result snapshot

Particulars	Revenue (Rs. cr)			EBITDA (Rs. cr)			Net Profit (Rs. cr)		
	Q4FY25	Q4FY24	y-o-y (%)	Q4FY25	Q4FY24	y-o-y (%)	Q4FY25	Q4FY24	y-o-y (%)
Capital Goods									
Larsen and Toubro	74,392	67,079	11	8,203	7,234	13	5,022	4,303	17
Bharat Electronics	9150	8564	7	2816	2287	23	2127	1797	18
Finolex Cables	1,595	1,401	14	171	162	6	192	186	3
KEC International	6,872	6,165	11	539	388	39	268	152	77
Kalpataru Projects International	6204	5147	21	522	400	31	241	150	61
Ratnamani Metals	1,715	1,496	15	302	246	23	203	193	5
Thermax	3,085	2,764	12	300	273	10	205	190	7
Triveni Turbine	538	458	17	120	90	34	95	76	24
V-Guard	1,480	1,262	17	121	100	21	78	79	-1
KEI Industries	2,915	2,319	26	301	245	23	227	169	34
Polycab India	6,986	5,592	25	1,025	762	35	734	546	34
Dixon Technologies	10,293	4,658	121	443	182	143	215	97	121
Amber Enterprises	3,754	2,805	34	295	230	28	119	100	19
Cummins India	2,457	2,316	6	520	484	7	521	502	4
Blue Star	4,019	3,327	21	279	241	16	194	157	24
Carborundum Universal	1,217	1,201	1	146	209	-30	28	135	-79
Honeywell Automation	1115	951	17	159	170	-6	140	148	-6
Va Tech Wabag	1156	934	24	141	116	22	100	72	39
Soft Coverage									
Dee Development Engineers	286	243	18	63	35	83	32	12	170
Hindustan Aeronautics	13,700	14,769	-7	5,305	4,406	20	3959	3194	24
Kirloskar Oil Engines	1,412	1,392	1	171	178	-4	100	118	-15
Total	154339	134842	14	21942	18438	19	14801	12376	20
Project based	123299	113478	8.7	19307	16516	16.9	13042	11041	18.1
Product based	31040	21364	45	2635	1921	37	1759	1335	32
Power									
NTPC	43904	42532	3.2	13319	11365	17	5,778	4,722	22.4
Power Grid	10983	11051	-0.6	9223	9142	1	4,336	4,128	5.0
Tata Power	17096	15847	7.9	3246	2332	39	1025	895	14.5
CESC	4017	3959	1.5	952	982	-3	373	400	-6.8
Total	76000	73389	3.6	26740	23821	12	11512	10145	13.5

Source: Company, Mirae Asset Sharekhan Research

Valuations

Particulars	CMP (Rs.)	Reco	Price Target (Rs.)	EPS (Rs.)			P/E (x)		
				FY25	FY26E	FY27E	FY25	FY26E	FY27E
Capital goods									
Larsen and Toubro	3658	BUY	4550	106	136	163	34.5	26.9	22.5
Bharat Electronics	390	BUY	430	7.3	8.6	10.0	53.6	45.1	38.9
Finolex Cables	971	BUY	1,250	45.8	48.3	50.4	21.2	20.1	19.3
KEC International	886	BUY	1,000	22.2	36.5	46.2	39.9	24.3	19.2
Kalpataru Projects International	1,157	BUY	1,570	39.8	59.3	77.5	29.0	19.5	14.9
Ratnamani Metals	2,868	BUY	3,250	77.3	89.1	98.8	37.1	32.2	29.0
Thermax	3,538	HOLD	3,600	55.7	68.6	80.6	63.5	51.6	43.9
Triveni Turbine	593	BUY	750	11.3	14.6	18.2	52.6	40.7	32.5
V-Guard Industries	375	BUY	460	6.0	8.4	9.9	62.3	44.5	37.7
KEI Industries	3,747	BUY	3,800	77.2	98.8	125.1	48.5	37.9	29.9
Polycab India	6,095	BUY	7,300	136.7	177.3	222.9	44.6	34.4	27.3
Dixon Technologies	14,836	BUY	18,500	176.0	190.2	276.7	84.3	78.0	53.6
Amber Enterprises	6,390	BUY	8,142	92.3	136.8	197.0	69.2	46.7	32.4
Cummins India	3,382	BUY	4,000	68.8	76.3	88.1	49.2	44.3	38.4
Blue Star Limited	1,590	BUY	1,900	28.7	35.6	43.1	55.3	44.7	36.9
Carborundum Universal	950	HOLD	1,040	15.4	20.7	25.8	61.6	45.9	36.8
Honeywell Automation	39,180	HOLD	40,500	595.8	695.4	863.3	65.8	56.3	45.4
Va Tech Wabag	1,583	BUY	1,770	47.5	61.9	76.9	33.3	25.6	20.6
Soft Coverage									
Hindustan Aeronautics	4,994	Positive	6,000	125.0	141.0	159.8	40.0	35.4	31.2
Dee Development Engineers	277	Positive	380	6.7	17.3	22.2	41.6	16.0	12.5
Kirloskar Oil Engines	870	Positive	1,100	28.3	33.9	40.3	30.7	25.7	21.6
Power									
NTPC	333	Buy	400	24.2	26.0	28.0	13.8	12.8	11.9
Power Grid	296	Buy	350	16.7	18.0	19.7	17.7	16.4	15.0
Tata Power	399	Buy	485	12.4	18.9	21.8	32.2	21.1	18.3
CESC	168	Buy	195	6.0	7.4	8.1	28.0	22.7	20.7

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

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