

India

Overweight (no change)

Highlighted Companies

Kalpataru Projects International Limited

ADD, TP Rs1328, Rs1228 close

With the merger of JMC Projects (India), Kalpataru Projects International or KPIL (formerly Kalpataru Power Transmission) has created a synergy to expand its capabilities and competencies significantly. The merger offers a competitive edge to take on a wide range of projects.

Larsen & Toubro Ltd

ADD, TP Rs3870, Rs3573 close

Larsen & Toubro (L&T) is well placed to achieve its 'Lakshya 2026' revenue of Rs2.7tr and order inflow of Rs3.7tr, translating into a revenue and order inflow CAGR of 14%.

Skipper Limited

ADD, TP Rs435, Rs391 close

We expect Skipper to maintain consistent margins and a healthy revenue CAGR of 28% over FY23-26F led by its strong order book in the engineering products segment and healthy performance of the polymer products segment. The domestic T&D environment is showing signs of a rebound, after a two-year slowdown.

Summary Valuation Metrics

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Kalpataru Projects International Limited	35.1	24.24	18.96
Larsen & Toubro Ltd	38.72	30.46	25.1
Skipper Limited	45.22	27.98	22.52

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Kalpataru Projects International Limited	3.47	3.09	2.71
Larsen & Toubro Ltd	5.81	5.03	4.3
Skipper Limited	4.58	3.96	3.39

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Kalpataru Projects International Limited	0.57%	0.61%	0.65%
Larsen & Toubro Ltd	0.59%	0.62%	0.62%
Skipper Limited	0.02%	0.14%	0.22%

Industrial Goods and Services

1QFY25 results preview

- We expect a healthy revenue growth of 17% YoY in 1QFY25F, led by improved opening order book position and firm pricing.
- The EBITDA margin in 1QFY25F is likely to increase by 63bp YoY, led by operational efficiency and strategic pricing actions.
- We remain Overweight on the sector, with our preferred stocks being Larsen & Toubro, Kalpataru Projects, and Skipper.

Healthy growth is on track

We expect our capital goods coverage universe to continue posting a healthy growth in 1QFY25F, with an overall aggregate revenue growth of ~17% YoY (-15% QoQ). The EBITDA margin, at an aggregate level, in 1QFY25F is likely to increase by 63bp YoY to ~10.6%, mainly due to softening commodity prices coupled with operational efficiency at most companies. We expect the core PAT of our coverage universe to grow by ~34% YoY. Our PAT estimates are below Bloomberg consensus estimates for Voltas, Larsen & Toubro or L&T and Thermax while they are above in the case of Siemens, KEC International and ABB India. As regards the EBITDA margin, our estimates are above Bloomberg consensus estimates for ABB India and Siemens.


Domestic order placement activity likely to moderate

While the launch of the production-linked incentive or PLI schemes by the government had a positive impact on the Indian economy and they are expected to attract a capex of ~Rs3tr over the next five years, in the near term, private capex was muted due to the general elections in India. In 1QFY25, new investments declined by 93% YoY. We expect the order inflow of our coverage universe to clock a 15% CAGR over FY24-26F. The order inflow for key sectors like power T&D, railways, metro rail and water supply witnessed a steady growth in FY24 led by government capex. On the private capex front, investment activity witnessed selective growth in the sectors such as data centres, industrial automation, cement, metals & mining, and PLI-related capex. New orders announced by L&T in 1QFY25 stood at ~Rs200bn.

Maintain ADD rating on L&T, Siemens and KEC International

We remain Overweight on the industrial sector as the valuations currently factor in a strong capex recovery. Total capex was up 15% in FY24, while it clocked a 17% CAGR over FY21-24 and is likely to remain strong in the coming years. We remain positive on the sector as the order flow is expected to pick up after the recently concluded general elections. The initial capex efforts are predominantly driven by private sector entities, capitalizing on opportunities presented by the PLI scheme. However, government-led investments in infrastructure projects are yet to gain significant momentum in the coming quarters. We have an ADD rating on L&T, Siemens, KEC International, Kalpataru Projects International, and Skipper as their order backlog provides revenue visibility, apart from reasonable valuations. We have a HOLD rating on ABB India, Thermax and Voltas and a REDUCE rating on Cummins India due to weak export demand and stretched valuation.

Research Analyst(s)



Arafat SAIYED
 T (91) 22 4161 1542
 E arafat.saiyed@incredcapital.com

Anirvan DIVAKERA
 T (91) 02241611548
 E anirvan.divakera@incredresearch.com

Figure 1: Summary

Company	Rating	CMP Rs	TP Rs	Sales (Rs m)		EBITDA Margin (%)		Core PAT (Rs m)	
				Jun-24	YoY (%)	Jun-24	YoY(bps)	Jun-24	YoY (%)
Cummins India	REDUCE	3,958	3,170	25,059	13.5	18.0	258	4,024	27.5
ABB India	HOLD	8,618	8,165	30,812	22.8	17.3	336	4,375	47.9
KEC International	ADD	921	850	50,126	18.1	6.9	117	1,212	186.4
Kalpataru Projects	ADD	1,245	1,328	49,453	16.6	8.4	(61)	1,366	20.9
Thermax	HOLD	5,295	4,770	22,251	15.1	8.2	136	1,450	31.2
Siemens	ADD	7,803	7,565	56,486	15.9	14.7	307	6,566	44.1
Voltas	HOLD	1,452	1,378	44,426	32.2	6.7	114	1,932	49.4
L&T	ADD	3,614	3,965	5,50,209	14.9	10.4	19	31,905	28.0
Skipper	ADD	367	435	7,453	34.4	10.0	(84)	163	16.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY25 results preview

Industrial sector – earnings preview

Figure 2: Capital goods sector - 1QFY25F quarterly snapshot

(Rs m)	Jun-24	Jun-23	YoY (%)	Mar-24	QoQ (%)	Remarks
ABB India						
Net Sales	30,812	25,086	22.8	30,804	0.0	We expect a healthy 23% YoY growth in revenue led by robust growth across segments. We expect operating leverage, easing commodity prices and pricing benefits to aid the EBITDA margin by 336bp YoY, leading to ~48% YoY growth in PAT.
EBIDTA	5,319	3,487	52.5	5,652	(5.9)	
EBITDA margin (%)	17.3	13.9	336 bps	18.3	-108 bps	
PBT	5,849	3,932	48.8	6,171	(5.2)	
Core PAT	4,375	2,958	47.9	4,596	(4.8)	
Cummins India						
Net Sales	25,059	22,087	13.5	23,162	8.2	We estimate ~14% YoY revenue growth while the EBITDA margin is likely to improve by 258bp. PAT is likely to increase by 28% YoY.
EBIDTA	4,511	3,406	32.4	5,443	(17.1)	
EBITDA margin (%)	18.0	15.4	258 bps	23.5	-550 bps	
PBT	5,295	4,146	27.7	7,006	(24.4)	
Core PAT	4,024	3,157	27.5	5,615	(28.3)	
Larsen & Toubro						
Net Sales	5,50,209	4,78,824	14.9	6,70,787	(18.0)	We estimate 1QFY25F sales growth to be healthy at ~15% YoY while the EBITDA margin is expected to increase by 19bp YoY to 10.4%. PAT is expected to grow by ~28% YoY to Rs32bn. Order inflow is likely to be at ~Rs550bn.
EBIDTA	56,996	48,686	17.1	72,340	(21.2)	
EBITDA margin (%)	10.4	10.2	19 bps	10.8	-43 bps	
PBT	51,263	43,324	18.3	63,282	(19.0)	
Core PAT	31,905	24,930	28.0	43,025	(25.8)	
KEC International						
Net Sales	50,126	42,436	18.1	61,648	(18.7)	We estimate sales growth of 18% YoY led by improved execution, mainly in the civil and T&D segments. The EBITDA margin is expected to grow by 117bp. PAT is likely to increase by 186% YoY.
EBIDTA	3,472	2,443	42.1	3,880	(10.5)	
EBITDA margin (%)	6.9	5.8	117 bps	6.3	63 bps	
PBT	1,346	467	188.5	1,933	(30.4)	
Core PAT	1,212	423	186.4	1,517	(20.2)	
Siemens						
Net Sales	56,486	48,732	15.9	57,499	(1.8)	We estimate robust revenue growth estimate of 16% YoY led by strong growth in mobility, digital industries, and smart infra. We expect the EBITDA margin to improve by 307bp to 14.7%, while PAT is expected to rise by 44% YoY.
EBIDTA	8,304	5,666	46.5	8,782	(5.4)	
EBITDA margin (%)	14.7	11.6	307 bps	15.3	-57 bps	
PBT	8,755	6,071	44.2	10,879	(19.5)	
Core PAT	6,566	4,558	44.1	8,029	(18.2)	
Thermax						
Net Sales	22,251	19,330	15.1	27,637	(19.5)	We estimate revenue growth of ~15% YoY, led by a healthy order backlog and healthy execution. We expect the EBITDA margin to improve by 136bp YoY aided by operating leverage while PAT is likely to improve by ~31% YoY.
EBIDTA	1,825	1,322	38.0	2,732	(33.2)	
EBITDA margin (%)	8.2	6.8	136 bps	9.9	-168 bps	
PBT	1,941	919	111.4	2,507	(22.6)	
Core PAT	1,450	1,106	31.2	1,874	(22.6)	
Voltas						
Net Sales	44,426	33,599	32.2	42,029	5.7	We estimate 32% YoY sales growth, led by a healthy growth in room AC and project businesses. The EBITDA margin is likely to increase by 114bp YoY while PAT is expected to hit Rs1.4bn, up 49% YoY.
EBIDTA	2,957	1,854	59.6	1,906	55.2	
EBITDA margin (%)	6.7	5.5	114 bps	4.5	212 bps	
PBT	3,253	2,340	39.0	2,124	53.2	
Core PAT	1,932	1,293	49.4	1,106	74.6	
Kalpataru Projects International						
Net Sales	49,453	42,410	16.6	59,710	(17.2)	We estimate a sales growth of 17% YoY led by improved execution, mainly in the civil and T&D segments. The EBITDA margin is expected to decline by 61bp. Elevated working capital requirement leading to higher interest expense to sustain, while PAT is likely to increase by 21% YoY.
EBIDTA	4,154	3,820	8.7	4,520	(8.1)	
EBITDA margin (%)	8.4	9.0	-61 bps	7.6	83 bps	
PBT	1,729	1,650	4.8	2,110	(18.1)	
Core PAT	1,366	1,130	20.9	1,690	(19.2)	
Skipper						
Net Sales	7,453	5,546	34.4	11,535	(35.4)	We estimate a sales growth of 34% YoY, led by strong growth in the engineering and infrastructure product segments. The EBITDA margin is expected to decline by 84bp while PAT is likely to increase by 17% YoY.
EBIDTA	745	601	23.9	1,085	(31.3)	
EBITDA margin (%)	10.0	10.8	-84 bps	9.4	59 bps	
PBT	222	211	5.6	463	(52.0)	
Core PAT	163	140	16.5	239	(31.6)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Overall - industrials

Industrials	Jun-24	Jun-23	YoY (%)	Mar-24	QoQ (%)
Revenue	8,36,276	7,18,049	16.5	9,84,810	(15.1)
EBITDA	88,282	71,286	23.8	1,06,339	(17.0)
EBITDA margin	10.6	9.9	63 bps	10.8	-24 bps
PBT	79,653	63,057	26.3	96,475	(17.4)
PAT	52,993	39,695	33.5	67,692	(21.7)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: 1QFY25F earnings and Bloomberg consensus estimates

Company	Sales (Rs m)			EBITDA margin (%)			Core PAT (Rs m)		
	InCred	Consensus	Diff (%)	InCred	Consensus	YoY(bp)	InCred	Consensus	YoY (%)
ABB India	30,812	30,052	3%	17.3	14.5	273	4,375	3,671	19%
Cummins India	25,059	21,321	18%	18.0	20.4	(244)	4,024	3,795	6%
L&T	5,50,209	5,56,785	-1%	10.4	11.3	(97)	31,905	33,719	-5%
KEC International	50,126	46,501	8%	6.9	6.9	(1)	1,212	960	26%
Siemens	56,486	51,811	9%	14.7	12.8	189	6,566	5,175	27%
Thermax	22,251	22,114	1%	8.2	10.0	(178)	1,450	1,520	-5%
Voltas	44,426	45,061	-1%	6.7	7.2	(50)	1,932	2,386	-19%
Kalpataru Projects International	49,453			8.4			1,366		
Skipper	7,453			10.0			163		

SOURCE: COMPANY REPORTS, INCRED RESEARCH, BLOOMBERG

Figure 5: L&T's order inflow in 1QFY25 (as announced by the company)

Date	Quarter	Details	Value (Rs bn)	Value (Rs bn)	Order type
08-May-24	1QFY25	Power T&D	Rs50-100	75	Major
17-May-24	1QFY25	Construction: B&F	Rs10-25	17.5	Significant
13-Jun-24	1QFY25	Hydrocarbon: Offshore order from ONGC	Rs25-50	37.5	Large
18-Jun-24	1QFY25	Construction: B&F	Rs10-25	17.5	Significant
24-Jun-24	1QFY25	Power T&D: Solar/energy storage	Rs10-25	17.5	Significant

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Order details (Rs m)

	Order Inflow					Order Book				
	Jun-24F	Jun-23	YoY (%)	Mar-24	QoQ (%)	Jun-24F	Jun-23	YoY (%)	Mar-24	QoQ (%)
Larsen & Toubro	5,50,000	6,55,200	-16.1	8,91,500	-38.3	47,57,881	41,26,480	15.3	45,07,000	5.6
Thermax	29,521	25,670	15.0	23,090	27.8	1,08,379	1,05,050	3.2	1,01,110	7.2
ABB India	35,317	30,440	16.0	36,070	-2.1	93,259	77,270	20.7	89,320	4.4
KEC International	49,500	45,000	10.0	52,520	-5.8	2,93,996	3,01,250	-2.4	2,96,440	-0.8
Kalpataru Projects International	64,025	51,220	25.0	1,23,370	-48.1	5,99,692	4,73,320	26.7	5,84,150	2.7
Aggregate	7,28,362	8,07,530	-9.8	11,26,550	-35.3	58,53,207	50,83,370	15.1	55,78,020	4.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Valuation

Company	Bloomberg Ticker	Recom.	CMP		Mkt cap	P/E (x)		P/BV (x)		EV/EBITDA (x)		Dividend Yield (%)	
			Rs	Rs		FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
ABB India	ABB IN	HOLD	8,618	8,165	21,922	109.0	82.8	23.4	19.0	96.0	71.7	0.2%	0.2%
Cummins India	KKC IN	REDUCE	3,958	3,170	13,171	58.1	50.8	14.2	11.8	51.2	43.5	0.5%	0.5%
Larsen & Toubro	LT IN	ADD	3,614	3,870	59,645	30.8	25.4	5.1	4.4	22.1	19.1	0.6%	0.6%
Siemens	SIEM IN	ADD	7,803	7,565	33,348	86.4	70.1	15.5	13.1	68.9	54.2	0.2%	0.3%
Thermax	TMX IN	HOLD	5,295	4,770	7,157	74.2	55.5	11.7	10.0	57.2	42.8	0.2%	0.2%
Voltas	VOLT IN	HOLD	1,452	1,378	5,766	49.2	38.2	7.2	6.6	40.8	30.9	1.0%	1.3%
KEC International	KECI IN	ADD	921	850	2,843	27.3	21.7	5.0	4.2	15.8	13.4	0.8%	1.0%
Kalpataru Projects International	KPIL IN	ADD	1,245	1,328	2,429	23.7	18.8	3.1	2.7	12.3	10.4	0.6%	0.6%
Skipper	SKIPPER IN	ADD	367	435	464	25.6	20.3	3.6	3.1	10.7	9.0	0.2%	0.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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