

India

Neutral (no change)

Highlighted Companies

Cummins India Ltd

ADD, TP Rs1130, Rs1111 close

We believe strong underlying demand in the powergen segment, pick-up in key industrial sub-segments, and export push are key near-term growth drivers.

Larsen & Toubro Ltd

ADD, TP Rs1900, Rs1663 close

Divestment/loss reduction in non-core businesses, deleveraging, and the government's focus on infrastructure spending, in our view, bode well for the company's medium-term earnings.

Schaeffler India Ltd

ADD, TP Rs2440, Rs2378 close

In our view, new product launches/businesses, market penetration, export focus and localization would continue to aid earnings traction.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Cummins India Ltd	34.74	32.5	28.6
Larsen & Toubro Ltd	26.95	21.7	18.05
Schaeffler India Ltd	59.07	44.81	38.14

P/BV (x)	Mar22-A	Mar23-F	Mar24-F
Cummins India Ltd	6.35	5.84	5.29
Larsen & Toubro Ltd	2.83	2.59	2.33
Schaeffler India Ltd	10.17	8.78	7.54

Dividend Yield	Mar22-A	Mar23-F	Mar24-F
Cummins India Ltd	1.53%	1.62%	1.71%
Larsen & Toubro Ltd	2.16%	1.26%	1.26%
Schaeffler India Ltd	0.32%	0.67%	0.76%

Analyst(s)



Sachin MANIAR

T (91) 22 4161 1545

E sachin.maniar@incredcapital.com

Abhishek JOSHI

T (91) 22 4161 1559

E abhishek.joshi@incredcapital.com

Industrial - Overall

1QFY23F results preview

- We expect strong sales execution on an aggregate basis on a low base, pick-up in execution, improved opening order backlog, and firm pricing action.
- New investments (as per CMIE) and government expenditure show an upward capex trajectory. Order inflow momentum is likely to be steady.
- We remain Neutral on the sector with our preferred stocks being L&T, Cummins India, and Schaeffler.

Robust sales growth with operating leverage support margins

We expect robust sales growth in 1QFY23F on account of a low base (Covid-19 impact in 1QFY22), pick-up in sales execution with supply chain easing, improved opening order backlog and firm pricing action. We expect an overall aggregate revenue growth of 26.6% yoy for companies under our coverage. 1QFY23F aggregate EBITDA margin is likely to improve by 145bp yoy aided by operating leverage, pricing benefits, and cost reduction measures offsetting gross margin pressure, as the benefits of moderation in commodity prices will start reflecting only from the next quarter.

Order inflow momentum likely to sustain

1Q new investment proposals (+22% yoy), as per CMIE, showed a remarkable strong uptick but were influenced by a few large private sector-concentrated orders (top 5 orders formed a 68% share) with a few large-size project MoUs signed at the World Economic Forum meet recently in Davos. Central government expenditure grew 70% yoy in Apr-May 2022. L&T's new orders announced stood at ~Rs183bn and the order traction is likely to improve over the coming quarters. We expect strong L&T ex-service sales growth of 18% yoy (led by the infrastructure segment), but EBITDA margin to decline (37bp yoy) due to the pressure of high commodity prices.

Strong rebound seen in defence sector companies from a low base

We expect bearings companies to continue posting strong revenue growth yoy but show a slight dip qoq due to seasonality despite the automotive sector's qoq volume growth and pricing benefits, while margins could fall qoq on a high base. Defence sector companies may post strong sales growth due to a low base with concurrent yoy margin uptick. Short cycle orders, improved backlog, and pricing action to aid strong sales and margins yoy for ABB and Siemens. KEC's revenue is likely to see a strong uptick but margin pressure to sustain in 1Q (flat qoq). Thermax's improved order book to aid robust sales growth.

Maintain Add rating on L&T, Cummins India, and Schaeffler

We remain Neutral on the overall industrial sector as valuations currently factor in strong capex recovery, whereby any disappointment in order inflow momentum would put earnings at risk. We have an Add rating on L&T, BEL and KEC with their order backlog providing revenue visibility along with reasonable valuations, and in case of Cummins India due to strong end-market demand and exports. We like Schaeffler for its ability to outperform market growth due to new product launches and export focus.

Figure 1: 1QFY23F earnings estimates for our coverage universe

Company	Rating	Sales (Rs m)		EBITDA margin (%)		Core PAT (Rs m)	
		Jun-22	yoy(%)	Jun-22	yoy(bp)	Jun-22	yoy(%)
ABB	Reduce	19,542	37.1	9.4	275	1,407	105.9
BHEL	Reduce	34,033	17.3	(10.0)	634	-4,079	(8.4)
Cummins	Add	15,014	26.8	13.2	64	1,776	35.8
L&T	Add	3,47,600	18.5	10.8	2	16,571	41.1
KEC International	Add	29,666	16.8	5.9	(38)	281	(39.0)
Siemens	Hold	35,693	31.8	11.2	277	2,959	83.2
Thermax	Hold	15,366	46.0	6.3	31	728	71.8
Voltas	Hold	27,469	53.9	9.2	159	2,070	69.9
Bharat Electronics	Add	22,884	40.0	12.0	815	1,747	1,466.5
Hindustan Aeronautics	Add	32,325	100.0	17.6	250	4,780	140.5
Bharat Dynamics	Add	4,886	280.0	12.7	3,890	506	(341.7)
SKF	Add	10,069	45.2	15.0	(140)	1,082	36.7
Schaeffler	Add	15,663	27.0	18.5	171	1,893	47.8
Timken	Hold	6,218	32.9	24.1	425	978	72.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY23F results preview

Overall industrial sector – earnings preview

Figure 2: Capital goods -1QFY23F snapshot

(Rs m)	Jun-22	Jun-21	Mar-21	yoy(%)	qoq(%)	Remarks
ABB						
Net Sales	19,542	14,250	19,684	37.1	(0.7)	We expect strong revenue growth yoy led by robust growth across segments mainly for motion and electrification projects and is also supported by pricing action. We expect operating leverage and pricing benefits to aid EBITDA margin by ~275bp yoy on a low base, flattish qoq, leading to strong PAT growth for the quarter. Order inflow commentary from the core sector would be key monitorable.
EBITDA	1,837	948	1,879	93.9	(2.2)	
EBITDA margin (%)	9.4	6.6	9.5	275 bp	-14 bp	
Core PAT	1,407	683	1,458	105.9	(3.5)	
BHEL						
Net Sales	34,033	29,013	80,617	17.3	(57.8)	We expect 17% revenue growth yoy on a low base, even though execution challenges continue in the power segment and revenue booking is curtailed to control elevated working capital. We expect negative EBITDA margin due to gross margin pressure and high fixed cost. Quarterly net provisions are volatile and will have a substantial impact on EBITDA margin.
EBITDA	-3,403	-4,740	11,519	(28.2)	(129.5)	
EBITDA margin (%)	(10.0)	(16.3)	14.3	634 bp	-2,429 bp	
Core PAT	-4,079	-4,454	9,089	(8.4)	(144.9)	
Cummins						
Net Sales	15,014	11,845	14,936	26.8	0.5	We expect 27% revenue growth in 1Q led by 23%/38% growth in domestic/export market, respectively, from a low base. Average pig iron prices rose by 14% qoq, although they moderated in Jun 2022. We expect flattish gross margin qoq as some pricing actions would offset commodity price pressure. We expect a marginal yoy improvement in EBITDA margin due to operating leverage which will offset normalization of employee/ other expenses from a low base.
EBITDA	1,982	1,488	2,066	33.2	(4.1)	
EBITDA margin (%)	13.2	12.6	13.8	64 bp	-63 bp	
Core PAT	1,776	1,307	1,892	35.8	(6.1)	
Larsen & Toubro						
Net Sales	3,47,600	2,93,347	5,28,507	18.5	(34.2)	We expect 1Q (ex-service) sales growth to be strong at 18% yoy on likely improving execution in the infrastructure segment. We expect yoy ex-service EBITDA margin to decline by 37bp yoy to 8.4% due to high commodity price pressure. L&T announced ~Rs183b worth of order inflow in 1QFY23 and the actual order inflow is likely to be in line with our estimate of Rs240bn comprising unannounced orders as well. Working capital requirement and government spending outlook are key monitorables.
EBITDA	37,664	31,715	65,205	18.8	(42.2)	
EBITDA margin (%)	10.8	10.8	12.3	2 bp	-150 bp	
Core PAT	16,571	11,744	36,207	41.1	(54.2)	
KEC International						
Net Sales	29,666	25,400	42,748	16.8	(30.6)	We expect yoy sales growth to increase by 17% due to improved execution mainly in civil, railway, and cable segments. EBITDA margin is likely to remain under pressure and would be flattish qoq impacted by lower gross margin due to high commodity prices and losses suffered by SAE. Elevated working capital requirement is leading to higher interest cost, which will impact PAT further. Order inflow announced stood at Rs22.4bn in 1Q, but the order pipeline remains strong.
EBITDA	1,755	1,599	2,517	9.7	(30.3)	
EBITDA margin (%)	5.9	6.3	5.9	-38 bp	3 bp	
Core PAT	281	461	1,120	(39.0)	(74.9)	
Siemens						
Net Sales	35,693	27,080	36,285	31.8	(1.6)	We expect robust revenue growth of 32% yoy (on a comparable basis ex-C&S Electric) led by strong growth in digital industries, smart infra and pricing benefits. We expect EBITDA margin to improve yoy aided by operating leverage and pricing benefits which will be offset by gross margin pressure, but we expect qoq margin to decline on a high base. Including C&S Electric, we expect revenue of Rs38.3bn with EBITDA margin at 11.2%.
EBITDA	3,998	2,283	4,454	75.1	(10.2)	
EBITDA margin (%)	11.2	8.4	12.3	277 bp	-108 bp	
Core PAT	2,959	1,615	3,289	83.2	(10.0)	
Thermax						
Net Sales	15,366	10,524	19,919	46.0	(22.9)	We expect robust revenue growth of ~46% yoy on a low base and strong opening order backlog, reflecting strong execution for the energy sector and flue gas desulphurisation orders within the environment segment. We expect EBITDA margin to improve by 31bp yoy aided by operating leverage, and the energy segment's margin improvement offsetting lower gross margin mainly in the chemical segment. Order inflow growth yoy is likely to be strong and in line with the last few quarters, with the bagging of a large order from the refinery segment.
EBITDA	968	630	1,352	53.6	(28.4)	
EBITDA margin (%)	6.3	6.0	6.8	31 bp	-49 bp	
Core PAT	728	424	1,025	71.8	(29.0)	
Voltas						
Net Sales	27,469	17,852	26,666	53.9	3.0	We expect robust sales growth led by the UCP segment due to a low base, favourable summer season, and likely gain in market share qoq due to summer sales pick-up in North India in 1Q. EBITDA margin is likely to improve yoy on a low base and operating leverage, but margins to remain under pressure qoq likely due to lower EMP segment's margins on a high base and pricing pressure limiting UCP segment's margin improvement.
EBITDA	2,527	1,358	2,610	86.1	(3.2)	
EBITDA margin (%)	9.2	7.6	9.8	159 bp	-59 bp	
Core PAT	2,070	1,218	1,827	69.9	13.3	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Defence companies -1QFY23F snapshot

(Rs m)	Jun-22	Jun-21	Mar-21	yoy(%)	qoq(%)	Remarks
Bharat Electronics						
Net Sales	22,884	16,346	63,249	40.0	(63.8)	We expect 40% yoy sales growth on a low base led by execution pick-up for some large orders along with easing of supply chain problem. EBITDA margin is expected to improve yoy due to the benefits of operating leverage. Management commentary on the order pipeline and working capital requirement are key monitorables.
EBITDA	2,746	629	15,678	336.9	(82.5)	
EBITDA margin (%)	12.0	3.8	24.8	815 bp	-1,279 bp	
Core PAT	1,747	112	11,418	1,466.5	(84.7)	
Hindustan Aeronautics						
Net Sales	32,325	16,162	1,15,610	100.0	(72.0)	We expect sales to double yoy in 1Q on a low base where the Covid-19 pandemic impacted sales execution last year. We expect EBITDA margin of 17.6%, which is an improvement yoy from a low base. Higher other income yoy due to strong net cash position is likely to boost PAT growth.
EBITDA	5,689	2,441	24,978	133.1	(77.2)	
EBITDA margin (%)	17.6	15.1	21.6	250 bp	-400 bp	
Core PAT	4,780	1,988	31,020	140.5	(84.6)	
Bharat Dynamics						
Net Sales	4,886	1,286	13,810	280.0	(64.6)	We expect a sharp increase in revenue growth yoy in 1Q on a low base where Covid-19 has impacted sales execution last year apart from improved opening order backlog. We expect EBITDA margin of 12.7% in 1Q vs. EBITDA loss last year. Management commentary on large orders of Akash-1S is key monitorable.
EBITDA	621	-337	4,040	(284.2)	(84.6)	
EBITDA margin (%)	12.7	(26.2)	29.3	3,890 bp	-1,656 bp	
Core PAT	506	-210	2,643	(341.7)	(80.8)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Bearings companies-1QFY23F snapshot

(Rs m)	Jun-22	Jun-21	Mar-21	yoy(%)	qoq(%)	Remarks
SKF						
Net Sales	10,069	6,935	10,390	45.2	(3.1)	We expect revenue growth of ~45% yoy on a low base, down 3% qoq, in 1Q led by 3-4% qoq growth in the automobile segment, including export growth, and ~7-8% qoq decline in the industrial segment. We expect qoq EBITDA margin to fall marginally on lower sales.
EBITDA	1,510	1,138	1,594	32.8	(5.3)	
EBITDA margin (%)	15.0	16.4	15.3	-140 bp	-35 bp	
Core PAT	1,082	791	1,095	36.7	(1.2)	
Schaeffler						
Net Sales	15,663	12,329	15,675	27.0	(0.1)	We expect sales growth of ~27% yoy, (flattish qoq) led by 26%/27%/22%/44% yoy and almost flattish qoq growth in the automotive/ auto after-market/ industrial (including two-wheeler and tractor bearings sales)/export segments, respectively. We expect EBITDA margin to improve yoy on strong export growth but decline qoq on a high base.
EBITDA	2,898	2,071	3,085	39.9	(6.1)	
EBITDA margin (%)	18.5	16.8	19.7	171 bp	-118 bp	
Core PAT	1,893	1,281	2,071	47.8	(8.6)	
Timken						
Net Sales	6,218	4,679	6,674	32.9	(6.8)	We expect 1Q sales growth of 33% yoy on a low base, but down 7% qoq, due to a qoq decline in mobility and industrial sectors. We expect EBITDA margin to improve yoy aided by operating leverage and a higher share of exports, although we expect margins to decline qoq on a high base.
EBITDA	1,497	928	1,798	61.4	(16.7)	
EBITDA margin (%)	24.1	19.8	26.9	425 bp	-286 bp	
Core PAT	978	567	1,213	72.4	(19.4)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

New investment proposals, as per CMIE, saw a strong uptick, despite subdued government project proposals, but investments were concentrated among a few large projects in the private sector

Key highlights of CMIE 1QFY23 capex data ➤

- New investment proposals:** As per the CMIE's (Centre for Monitoring Indian Economy) capex data, **1QFY23 new investment proposals were strong at Rs3.6tr (up 22% yoy, down 40% qoq) vs. average quarterly run-rate of Rs3.9tr in FY22, but showed a remarkable strong uptick compared to first estimates of new investment proposals in recent quarters.**
 - These numbers undergo a substantial upward revision in coming months. **1QFY23 investments are 130% higher than the first estimates of new investment proposals in 1QFY22** and 46% higher than average quarterly first estimates number of Rs2.45tr in FY22.
 - 1QFY23 has been supported by large investments in the **renewable energy segment (57% share of total new investment proposals) followed by the manufacturing sector (36% share aided by a large order in the chemicals sector)**. However, we are not certain about the timeline on project completion or execution in some large renewable projects where Memorandums of Understanding or MoUs were signed with either state governments at investment summits or at the recent World Economic Forum meet in Davos.
 - New orders announced were **mainly relating to a few large orders, with top five projects accounting for 68% of new order announcements** in 1QFY23, which includes Adani Green's pumped storage project for green power in Maharashtra worth Rs600bn and 10GW solar projects in Andhra Pradesh worth Rs446bn, Acme Cleantech Solutions' hydrogen and ammonia manufacturing plant worth Rs520bn, Renew Power's renewable energy project in Maharashtra worth Rs500bn and renewable energy and green hydrogen projects in Karnataka worth Rs375bn. In terms of numbers of projects announced, new projects announced in 1QFY23 stood at 450 (down 19% yoy and 52% qoq), denoting project concentration spread on a few large projects.
 - Two large business groups: Adani and Renew Power accounted for 54.5% of new investment proposals in 1QFY23** with their shares at 30%/24.5%, respectively. Renew Power signed two MoUs with Maharashtra and Karnataka state governments each to invest in renewable energy projects, but the exact nature of these investments or their location within these states is not clear. The MoUs were signed in May 2022 and the investments are to be made by 2028F.

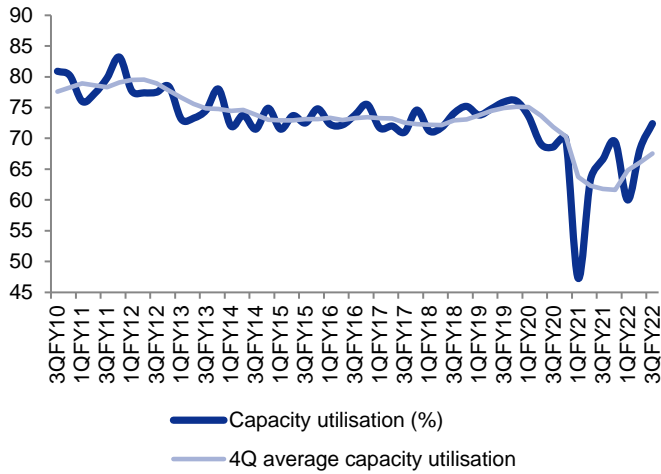
- Earlier, the Renew Power group had announced a project at Dholera in Gujarat. But there hasn't been much information on this project after the announcement.
- **Deterioration in government-led new proposals: Government-led new investment proposals' share dropped to the lowest level of 9% in 1QFY23 from 28% in FY22 vs. 45% in FY21 and an average 55% over FY15-20.** 91% of new investment proposals during the quarter came from the private sector - the highest in several years. Private sector's new investment proposals increased by 44% yoy (down 16% qoq) in 4QFY22. Government-led new investment proposals declined from Rs14.5tr in FY15 to Rs4.4tr in FY22, while the private sector's proposals saw an increase from Rs9.3tr to 11.2tr during same period.
 - **Has the private sector seen a recovery?:** Investments are concentrated in a few large projects and the spread of new investments is still too small as two business groups' projects accounted for ~55% of new projects announced. Also, **a few large size projects announced relate to MoUs signed by Indian companies at the World Economic Forum meet recently in Davos, which were worth Rs1.5tr (~42% of 1QFY23 new projects announced) which are largely optics at big international events.**
 - **Project commissioning:** The commissioning of projects in 1QFY23 rose by 23% yoy (-29% qoq) to Rs874bn vs. quarterly average of Rs1.5tr in the previous four quarters.
 - Also, these numbers will undergo a substantial upward revision in coming months. Hence, 1QFY23 investment commissioned data of Rs874bn is 75% higher than 1QFY22 first release's estimated data on project commissioning and in line with the average of previous four quarters' first release estimated data on project commissioning.
 - Unlike project announcement data, projects commissioning was well spread out with the largest order commissioned accounting for a mere 4% of total projects commissioned in 1QFY23.
 - The share of manufacturing sector in project commissioning increased to 25.5% in 1QFY23 vs. an average 18% in previous four years, which reflects higher projects were announced in the manufacturing sector in last few quarters.
 - **Projects that are under implementation, as per CMIE, increased by 5.5% yoy (+3% qoq) to Rs139.5tr.** Projects under implementation but were stalled declined by 4% yoy (flat qoq) to Rs13.4tr in 1QFY23 and formed 9.6% of under- implementation projects.

Figure 5: CMIE capex summary

(Rs bn)	1QFY23	1QFY22	yoy growth (%)	FY22	FY21	yoy growth (%)
New projects announced	3,572	2,937	21.6	15,655	8,631	81.4
Revived projects	268	1,142	-76.5	3,792	1,356	179.6
Projects completed	874	714	22.5	5,998	3,381	77.4
Shelved projects	202	335	-39.8	996	1,380	-27.8
Projects outstanding	2,25,270	2,21,028	1.9	2,25,056	2,20,747	2.0
Announced	57,159	55,864	2.3	57,437	58,296	-1.5
Under implementation	1,39,492	1,32,230	5.5	1,35,869	1,31,488	3.3
Implementation stalled	13,404	14,022	-4.4	13,420	13,620	-1.5

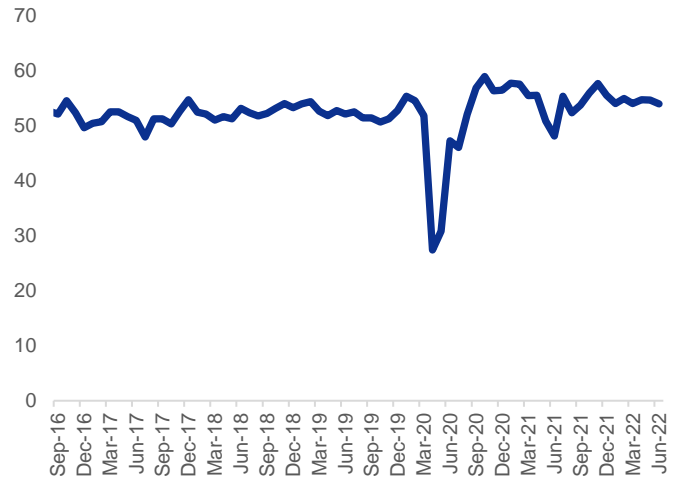
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Capacity utilization bounced back sharply during 3QFY22, above 72% level, for the first time after 1QFY20



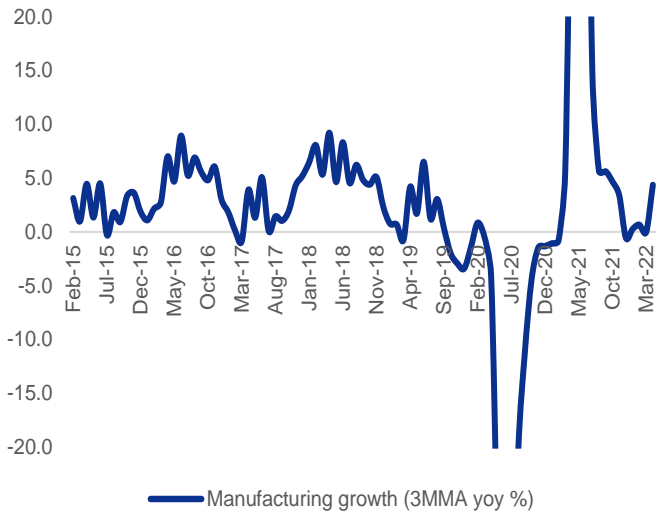
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Manufacturing PMI data remained in the range of 54-55% over last six months



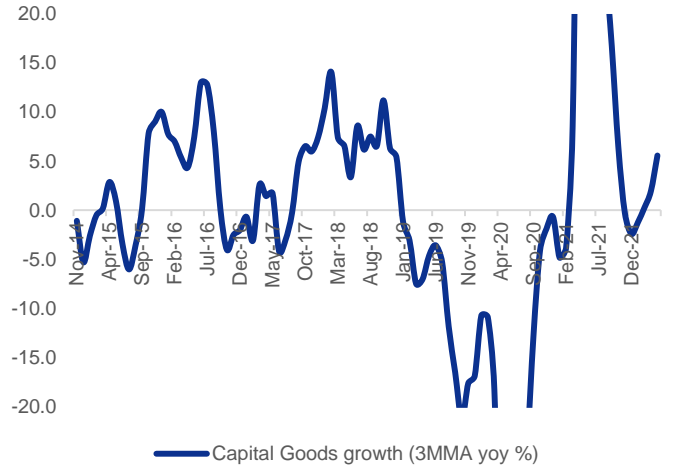
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: 3 MMA manufacturing IIP growth was at 5.6% during Apr 2022



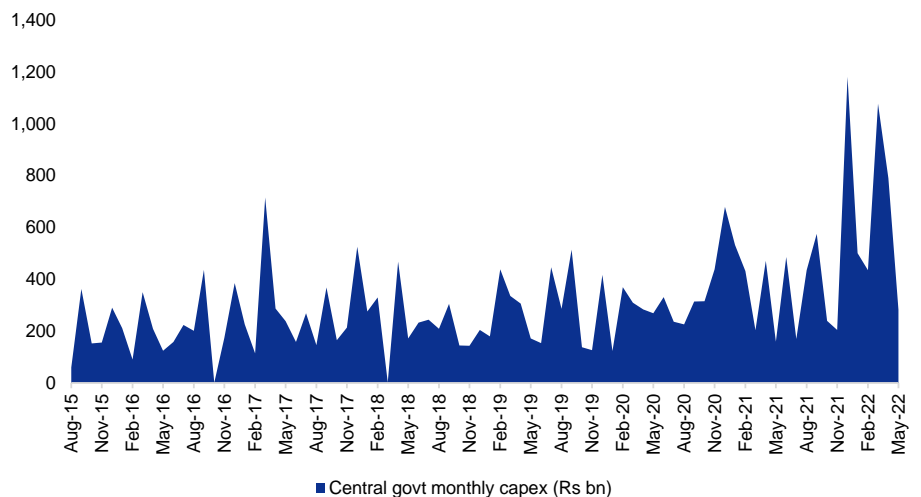
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: 3MMA capital goods IIP growth was at 4.4% during Apr 2022



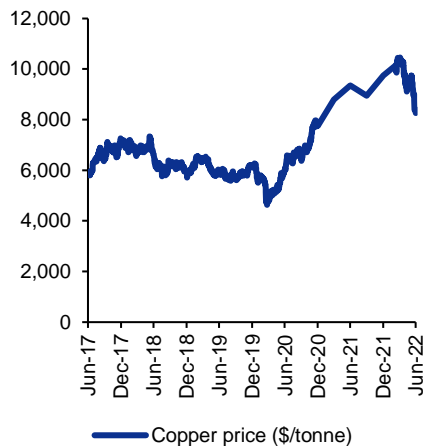
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Central government capex was up 70% yoy in first two months of FY22



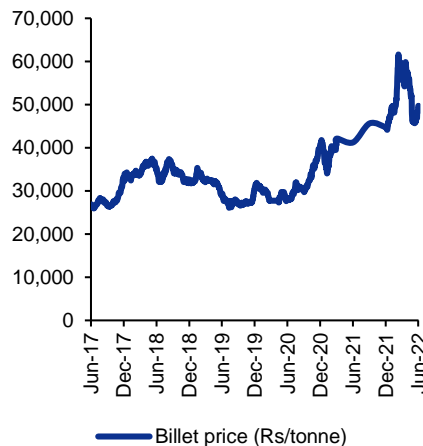
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: LME copper prices fell by 23.5% at the end of Jun 2022 from their peak in Apr 2022



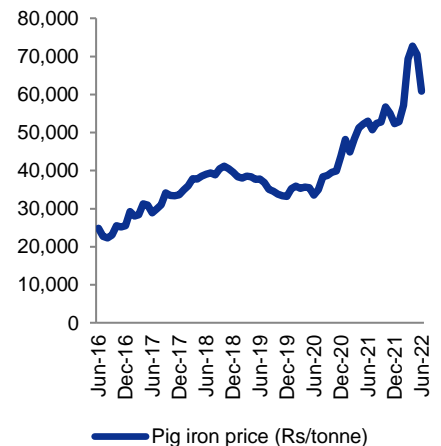
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Billet prices declined by 17.1% at the end of Jun 2022 from their peak in Apr 2022



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Pig iron prices fell by 18.5% at the end of Jun 2022 from their peak in Apr 2022



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: L&T's order inflow in 1QFY23 (announced by the company)

1QFY23	Segment	Sub-segment	Client	Amount (Rs m)	Details
19-Apr-22	Infrastructure	Water and effluent treatment	Tanzania, Uttar Pradesh	Between 10,000 to 25,000	Commissioning of water supply schemes for various towns in Tanzania. Also, secured add-on domestic orders to implement various rural water supply projects under the Jal Jeevan Mission to provide Functional House Tap Connections (FHTC) in Uttar Pradesh.
05-May-22	Infrastructure	Transportation	National High-Speed Rail Corporation Limited (NHSRCL)	Between 25,000 to 50,000	Construction of 116 route km of High-Speed Ballast-less Track works for the Mumbai-Ahmedabad High-Speed Rail (MAHSR) project of the double-line high-speed railway line between Vadodara and Sabarmati in Gujarat.
09-May-22	Infrastructure	Water and effluent treatment	Department of Water Resources, Government of Jharkhand	Between 10,000 to 25,000	Execution of EPC order for the Masalia Ranishwar mega lift irrigation scheme on a turnkey basis. The project envisages to provide water to irrigate 22,283 ha. of Culturable Command Area (CCA).
13-May-22	Infrastructure	Water and effluent treatment	Public Health Engineering Department, Jodhpur Rajasthan	Between 10,000 to 25,000	Secured a design a build order to execute a Parallel Carrier System to the Rajiv Gandhi Lined Canal (RGLC Phase III) on a single-point responsibility basis.
30-May-22	Infrastructure	Transportation	Chennai Metro Rail Project	Between 10,000 to 25,000	Awarded Package C3 of Phase-II Chennai Metro Rail Projects. The scope of work involves the construction of an elevated viaduct of approximately 10km, including an elevated ramp and 10 elevated metro stations.
06-Jun-22	Infrastructure	Water and effluent treatment	Brihanmumbai Municipal Corporation (BMC)	Between 25,000 to 50,000	Secured the order to execute the Bandra wastewater treatment facility under the Mumbai Sewage Disposal Project - Stage II. The scope of work includes design, build, operation and maintenance of the 360MLD sewage treatment plant with a provision to generate in-house power.
23-Jun-22	Hydrocarbon	Upstream	Saudi Aramco	Between 25,000 to 50,000	Secured three offshore packages from a prestigious overseas client. The scope of work comprises EPC and installation for various new offshore jacket structures.
11-Jul-22	Infrastructure	Buildings & factories	Data Centre Service providers (Mumbai), Commercial office (Hyderabad), Madhya Pradesh State Tourism Development Coproation Ltd	Between 10,000 to 25,000	Secured orders to construct Data Centres of total capacity 10.8 MW at Mumbai and Navi Mumbai. The scope of work involves design, build, supply, installation, T&C works for the Data Centre and allied buildings including fit outs. Also, secured a repeat order to construct commercial office space of an approximate built-up area of 1m sqft at Hyderabad. The company also secured an EPC order for the 'Statue of Oneness' in Madhya Pradesh. The project is scheduled to be completed in 15 months.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: KEC International's order inflow in 1QFY23 (announced by the company)

Date	Details	Amount (Rs m)
16-May-22	Secured orders for T&D and cabling projects in Americas and the Middle East. Secured orders in the technologically-enabled/ conventional segments in India: 1.Overhead Electrification (OHE) for Metro Rail – Order for overhead electrification (OHE), auxiliary sub-stations, SCADA system and associated works for elevated and underground metro stations. 2.Conventional overhead electrification (OHE) – Order for overhead electrification (OHE) and associated works. 3.Semi high-speed rail – Order for 2 x 25 KV overhead electrification (OHE) & associated works for speed upgradation (Mission 'Raftaar'). Secured orders in the residential, hydrocarbon and data centre segments in India. Secured orders for various types of cables in India and overseas.	11,470
20-Jun-22	Secured orders for T&D projects in India, the Middle East and Americas. Secured an order for 2 x 25 KV overhead electrification (OHE) & associated works for speed upgradation (Mission 'Raftaar') in India. Secured orders in the residential, industrial and defence segments in India. Secured orders for various types of cables in India and overseas.	10,920

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Sector comparison

Company	Bloomberg Ticker	Recom.	Price Rs	TP Rs	Mkt cap (US\$ m)	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
						FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
ABB India	ABB IN	Reduce	2,608	1,975	6,920	134	90	72	13.7	11.6	10.3	94	65	51	0.2	0.2	0.2
Bharat Heavy Electricals	BHEL IN	Reduce	48	38	2,066	41	-107	27	0.6	0.6	0.6	19	105	12	0.8	-	1.9
Cummins India	KKC IN	Add	1,000	1,130	3,910	39	32	29	6.3	5.8	5.3	34	28	24	1.5	1.5	1.5
Larsen & Toubro	LT IN	Add	1,465	1,900	29,907	27	21	18	2.8	2.5	2.3	17	14	12	2.2	1.3	1.3
Siemens India	SIEM IN	Hold	2,681	2,500	12,044	69	55	47	8.1	7.3	6.5	46	36	31	0.4	0.4	0.5
Thermax	TMX IN	Hold	2,081	2,165	3,125	75	50	38	6.7	6.1	5.5	51	34	26	0.4	0.5	0.6
Voltas	VOLT IN	Hold	964	1090	4043	63	47	37	5.8	5.4	4.9	46	37	30	0.5	0.7	0.8
KEC International	KECI IN	Add	415	470	1,333	28	23	14	2.8	2.6	2.2	14	11	8	1.0	0.9	1.5
SKF	SKF IN	Add	3,709	3,100	2,306	46	37	31	9.7	8.0	6.5	32	26	22	0.4	0.5	0.5
Schaeffler	SCHFL IN	Add	2,395	2,440	4,675	60	45	38	10.2	8.8	7.6	38	29	25	0.3	0.7	0.8
Timken	TMKN IN	Hold	2,552	2,320	2,401	59	46	40	11.6	9.3	7.6	37	30	27	0.1	0.1	0.1
Bharat Electronics	BHE IN	Add	235	240	7,253	24	21	19	4.8	4.3	3.8	18	16	14	1.9	2.2	2.4
Bharat Dynamics	BDL IN	Add	705	575	1,653	24	18	16	4.3	3.7	3.3	15	11	10	1.2	2.3	2.5
Hindustan Aeronautics	HNAL IN	Add	1,745	2,025	7,341	11	13	13	3.0	2.6	2.3	8	7	6	2.3	2.3	2.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.