India

Overweight *(no change)*

Highlighted Companies

Kalpataru Projects International Limited

ADD, TP Rs1543, Rs1199 close

Kalpataru Projects International continues to expand its capabilities and competencies significantly, with a strong presence across industries. The merger of JMC offers a competitive edge to take on a wide range of projects.

Larsen & Toubro Ltd

ADD, TP Rs3980, Rs3526 close

We believe L&T is one of the key beneficiaries of the investment upcycle in India, with its strong expertise and a track record of delivering high-value projects. We expect L&T to report a strong order inflow in the next couple of years led by multiple high-value orders.

Skipper Limited

ADD, TP Rs615, Rs531 close

Skipper continues to be a key beneficiary of the T&D uptick in India. The sector is showing positive signs of a rebound and order prospects are expected to provide healthy revenue visibility. Skipper plans to raise its capacity by 75,000mpta witha capex of ~Rs2bn in FY25F.

Summary Valuation Metrics

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Kalpataru Projects International Limited	34.26	25.94	18.96
Larsen & Toubro Ltd	38.21	33.11	26.45
Skipper Limited	68.45	36.1	27.74

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Kalpataru Projects International Limited	3.39	3.05	2.68
Larsen & Toubro Ltd	5.74	5.04	4.35
Skipper Limited	6.23	5.33	4.5

Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Kalpataru Projects International Limited	0.59%	0.63%	0.67%
Larsen & Toubro Ltd	0.6%	0.62%	0.62%
Skipper Limited	0.02%	0.08%	0.11%

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Industrial Goods and Services

One more quarter of sustained growth

- Voltas and BEL saw the highest margin expansion at 313bp & 514bp, respectively. Skipper continues to post strong results, with 66% PAT growth.
- Despite lower order prospects at Rs8.08tr (down 10% YoY), L&T maintained 10% order inflow growth and 15% revenue growth guidance for FY25F.
- In view of long-term order visibility, strong execution & margin expansion, we retain Overweight rating for the sector. We upgrade Cummins India to HOLD.

Sustains healthy growth in 2QFY25

Our capital goods coverage universe reported healthy sales/EBITDA/PAT YoY growth of 18%/17%/17%, respectively, for the quarter. Skipper reported strong sales growth of 44% YoY, while Data Patterns (India) and Bharat Dynamics posted a weak performance, with lower sales. The EBITDA margin of our coverage universe was largely flat YoY at 12.5%. Voltas and Bharat Electronics or BEL witnessed the highest margin expansion at 313bp and 514bp, respectively. On the profitability front, strong PAT growth was witnessed in Voltas (273% YoY) on a lower base. Skipper continued to report a strong set of numbers, with a PAT growth of 66% YoY. Bharat Dynamics or BDL and Data Patterns (India) were the major laggards, registering PAT decline. The order book of our coverage universe grew 14% YoY, with healthy growth across companies. The order book of Kalpataru Projects International grew by 29%, followed by ABB India (up 25% YoY) and L&T (up 13% YoY).

Positive management commentaries

Management commentaries continue to remain optimistic on the growth prospects, given the fact that India's economy is expected to grow at a healthy pace and witness an uptick in spending by the government, demand improvement, heathy balance sheets of banks, PLI schemes, etc. For L&T, despite lower order prospects at Rs8.08tr (down 10% YoY), management maintained 10% order inflow growth and 15% revenue growth guidance for FY25F. The margin in the projects and manufacturing business is expected to remain at a level like that in FY24, at ~8.25%. Thermax has decided against bidding for certain large, complex government projects (worth Rs40–60bn). Thermax is investing in biomass-based boilers and green solutions like bio-CNG. Skipper expects 25%+ revenue CAGR over the next two-to-three years.

Outlook & valuation

Investment activity remains healthy, urban India is strong while rural India is seeing signs of a recovery. Private capex is likely to pick up while public spending remained muted in the backdrop of general elections in India in the last few quarters. The capital goods sector outperformed the broader market with a revival in the capex cycle led by an increase in order inflow and higher execution. The Capital Goods Index posted a 38% gain in the last 12 months vs. BSE Sensex rising by ~20%, while it was largely flat in the last six months compared to a 6% gain in the Sensex during the same period. We believe the outperformance will continue and the sector deserves a higher valuation. In view of long-term order visibility, strong execution, margin expansion and higher profitability, we maintain our Overweight rating for the sector. We upgrade Cummins India's rating to HOLD (from REDUCE).

Figure 1: Results summary

			Revenue (Rs m)		EBITDA (Rs m)		PAT (Rs m)	
Company	Rating	CMP (Rs)	Sep-24	YoY (%)	Sep-24	YoY (%)	Sep-24	YoY (%)
ABB India	ADD	6,680	29,122	5.2	5,402	23.2	4,405	21.7
Cummins India	HOLD	3,330	24,923	31.2	4,810	42.1	4,506	37.2
Larsen & Toubro	ADD	3,526	6,15,546	20.6	63,620	13.0	33,953	5.4
KEC International	ADD	1,006	51,133	13.7	3,202	16.7	854	53.0
Thermax	HOLD	5,004	26,116	13.4	2,780	35.8	1,980	24.8
Voltas	HOLD	1,709	26,191	14.2	1,622	130.8	1,328	272.6
Kalpataru Projects Int.	ADD	1,199	49,299	9.1	4,384	18.5	1,256	39.5
Skipper	ADD	531	11,097	43.7	1,124	52.6	329	66.4
Bharat Electronics	ADD	281	45,834	14.8	13,885	38.2	10,913	34.3
Bharat Dynamics	ADD	990	5,448	-11.5	988	-26.3	1,225	-16.7
Hindustan Aeronautics	ADD	4,087	59,766	6.0	16,301	6.6	14,845	20.2
Data Patterns (India)	ADD	2,167	910	-16.0	343	-15.8	303	-10.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

Figure 2: Results snapshot

Company	Rating	Sales (Rs m)					EBITDA (Rs m)					Core PAT (Rs m)					EBITDA Margin (%)				
		Sep-24	Sep-23	Jun-24	YoY (%)	QoQ (%)	Sep-24	Sep-23	Jun-24	YoY (%)	QoQ (%)	Sep-24	Sep-23	Jun-24	YoY (%)	QoQ (%)	Sep-24	Sep-23	Jun-24	YoY (bp)	QoQ (bp)
ABB India	ADD	29,122	27,692	28,309	5.2	-2.8	5,402	4,385	5,425	23.2	0.4	4,405	3,620	4,426	21.7	0.5	18.6	15.8	19.2	271	-61
Cummins India	HOLD	24,923	18,997	23,042	31.2	-7.5	4,810	3,386	4,673	42.1	-2.9	4,506	3,285	4,198	37.2	-6.8	19.3	17.8	20.3	148	-98
Larsen & Toubro	ADD	6,15,546	5,10,240	5,51,198	20.6	-10.5	63,620	56,320	56,153	13.0	-11.7	33,953	32,226	27,857	5.4	-18.0	10.3	11.0	10.2	-70	15
KEC International	ADD	51,133	44,990	45,119	13.7	-11.8	3,202	2,743	2,704	16.7	-15.6	854	558	696	53.0	-18.5	6.3	6.1	6.0	17	27
Thermax	HOLD	26,116	23,025	21,844	13.4	-16.4	2,780	2,046	1,412	35.8	-49.2	1,980	1,586	1,094	24.8	-44.7	10.6	8.9	6.5	176	418
Voltas	HOLD	26,191	22,928	49,210	14.2	87.9	1,622	703	4,238	130.8	161.3	1,328	357	3,350	272.6	152.2	6.2	3.1	8.6	313	-242
Kalpataru Projects Int.	ADD	49,299	45,180	45,870	9.1	-7.0	4,384	3,700	3,780	18.5	-13.8	1,256	900	840	39.5	-33.1	8.9	8.2	8.2	70	65
Skipper	ADD	11,097	7,724	10,917	43.7	-1.6	1,124	737	1,047	52.6	-6.9	329	198	324	66.4	-1.5	10.1	9.5	9.6	59	54
Bharat Electronics	ADD	45,834	39,933	41,998	14.8	-8.4	13,885	10,044	9,377	38.2	-32.5	10,913	8,123	7,771	34.3	-28.8	30.3	25.2	22.3	514	797
Bharat Dynamics	ADD	5,448	6,158	1,912	-11.5	-64.9	988	1,340	-523	-26.3	N/A	1,225	1,471	72	-16.7	-94.1	18.1	21.8	-27.4	-362	4,551
Hindustan Aeronautics	ADD	59,766	56,358	43,476	6.0	-27.3	16,301	15,288	9,937	6.6	-39.0	14,845	12,353	14,356	20.2	-3.3	27.3	27.1	22.9	15	442
Data Patterns (India)	ADD	910	1,083	1,041	-16.0	14.3	343	408	372	-15.8	8.4	303	338	328	-10.4	8.3	37.7	37.6	35.7	5	196
Aggregate	**OVERWEIGHT**	**10,09,701**	**8,62,385**	**9,15,970**	**17.1**	**-9.3**	**1,27,467**	**1,08,103**	**1,05,509**	**17.9**	**-17.2**	**83,156**	**70,733**	**71,094**	**17.6**	**-14.5**	**12.6**	**12.5**	**11.5**	**9**	**111**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Valuation summary

Company	Bloomberg Ticker	Rating	CMP	Shares	Mkt Cap	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
			Rs	(m)	(Rs bn)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
ABB India	ABB IN	ADD	6,680	212	1,416	87.8	79.4	66.0	22.1	18.1	14.8	69.1	61.7	51.1	0.2%	0.3%	0.3%
Cummins India	KKC IN	HOLD	3,330	277	923	50.7	43.8	37.2	13.1	10.7	8.7	45.9	38.9	32.1	0.5%	0.5%	0.5%
Larsen & Toubro	LT IN	ADD	3,526	1375	4,847	32.6	26.0	22.9	5.0	4.3	3.7	23.2	19.1	17.1	0.6%	0.6%	0.6%
KEC International	KECI IN	ADD	1,006	257	259	33.6	30.6	24.9	5.5	4.8	4.2	18.0	17.2	15.2	0.7%	0.7%	0.9%
Siemens	SIEM IN	ADD	6,737	356	2,398	77.5	62.8	59.4	13.9	11.8	10.1	61.5	48.3	46.0	0.2%	0.3%	0.3%
Thermax	TMX IN	HOLD	5,004	113	563	74.9	55.5	44.7	11.3	9.7	8.3	58.1	43.2	35.6	0.2%	0.2%	0.2%
Voltas	VOLT IN	HOLD	1,709	331	565	58.2	47.5	40.1	8.8	7.6	6.6	44.5	38.2	33.3	0.3%	0.4%	0.5%
Kalpataru Projects Int.	KPIL IN	ADD	1,199	162	195	28.3	20.6	17.8	3.3	2.9	2.5	14.3	11.9	10.6	0.6%	0.6%	0.7%
Skipper	SKIPPER IN	ADD	531	105	56	30.1	23.1	17.8	4.4	3.7	3.1	11.4	10.3	8.6	0.1%	0.1%	0.2%
Bharat Electronics	BHE IN	ADD	281	7310	2,054	41.3	32.8	28.2	10.3	8.6	7.2	30.5	24.1	20.6	0.9%	1.2%	1.3%
Bharat Dynamics	BDL IN	ADD	990	367	363	61.4	45.0	41.0	9.8	8.4	7.3	53.2	37.6	34.8	0.4%	0.5%	0.6%
Hindustan Aeronautics	HNAL IN	ADD	4,087	669	2,733	34.1	30.1	33.3	7.9	6.6	5.8	23.5	20.1	21.1	0.8%	0.9%	0.8%
Data Patterns (India)	DATAPATT IN	ADD	2,167	56	121	56.4	46.1	35.3	8.3	7.2	6.1	44.6	35.2	26.0	0.3%	0.3%	0.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals vs InCred and consensus estimates

Sep-24	Actuals			InCred Estimates			Consensus Estimates			Difference vs InCred (%)			Difference vs Consensus (%)		
(Rs m)	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT
ABB India	29,122	5,402	4,405	34,046	6,303	5,106	30,653	4,713	3,970	-14.5	-14.3	-13.7	-5.0	14.6	10.9
Cummins India	24,923	4,810	4,506	22,106	4,355	4,016	22,218	4,220	3,884	12.7	10.5	12.2	12.2	14.0	16.0
Larsen & Toubro	6,15,546	63,620	33,953	5,73,165	61,725	34,497	5,66,526	61,400	32,000	7.4	3.1	-1.6	8.7	3.6	6.1
KEC International	51,133	3,202	854	50,083	3,255	1,117	50,939	3,377	1,046	2.1	-1.6	-23.5	0.4	-5.2	-18.3
Thermax	26,116	2,780	1,980	25,825	2,371	1,881	25,587	2,356	1,802	1.1	17.3	5.3	2.1	18.0	9.9
Voltas	26,191	1,622	1,328	27,983	1,623	854	28,134	1,449	1,171	-6.4	-0.1	55.6	-6.9	11.9	13.4
Kalpataru Projects Int.	49,299	4,384	1,256	50,863	4,069	1,111	45,964	3,840	1,280	-3.1	7.7	13.0	7.3	14.2	-1.9
Skipper	11,097	1,124	329	9,687	958	273				14.6	17.4	20.4			
Bharat Electronics	45,834	13,885	10,913	46,870	11,247	9,273	51,580	10,754	8,430	-2.2	23.5	17.7	-11.1	29.1	29.5
Bharat Dynamics	5,448	988	1,225	7,390	1,827	1,892	5,836	903	1,114	-26.3	-45.9	-35.2	-6.7	9.4	10.0
Hindustan Aeronautics	59,766	16,301	14,845	63,121	17,924	14,260	61,475	17,345	13,558	-5.3	-9.1	4.1	-2.8	-6.0	9.5
Data Patterns (India)	910	343	303	1,280	470	404	1,268	466	392	-28.9	-27.0	-25.0	-28.2	-26.3	-22.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: Key order details across our coverage universe

(Rs m)	Order Inflow					Order book				
	Sep-24	Sep-23	YoY (%)	Jun-24	QoQ (%)	Sep-24	Sep-23	YoY (%)	Jun-24	QoQ (%)
ABB India	33,420	30,040	11.3	34,350	-2.7	99,950	80,080	24.8	95,170	5.0
Larsen & Toubro	8,00,460	8,91,530	-10.2	8,91,500	-10.2	51,04,020	45,07,340	13.2	45,07,000	13.2
KEC International	58,180	45,000	29.3	76,640	-24.1	3,40,880	3,13,200	8.8	3,27,150	4.2
Thermax	33,540	19,720	70.1	25,690	30.6	1,15,930	1,02,640	12.9	1,06,820	8.5
Kalpataru Projects Int.	48,500	70,560	-31.3	70,150	-30.9	6,06,310	4,70,400	28.9	5,71,950	6.0
Skipper	16,600	15,290	8.6	7,650	117.0	65,900	60,740	8.5	58,440	12.8
Bharat Electronics	32,444	72,901	-55.5	49,708	-34.7	7,45,950	6,53,560	14.1	7,59,340	-1.8
Data Patterns (India)	454	1,445	-68.6	381	19.2	9,714	10,033	-3.2	10,171	-4.5
Aggregate	**10,23,598**	**11,46,486**	-10.7	**11,56,069**	**-11.5**	**70,88,654**	**61,97,993**	**14.4**	**64,36,041**	**10.1**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Earnings revision summary

	New Estimates			Old Estimates			Change (%)		
(Rs)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
ABB India	88.4	97.7	117.5	89.9	103.0	122.4	-1.7	-5.2	-4.0
Cummins India	70.8	81.9	96.5	68.6	79.2	93.2	3.2	3.4	3.5
Larsen & Toubro	108.9	136.3	154.6	117.1	137.0	158.5	-7.0	-0.5	-2.4
KEC International	30.0	32.9	40.3	29.5	38.9	51.2	1.7	-15.4	-21.3
Thermax	67.9	91.7	113.7	67.7	91.4	113.4	0.3	0.3	0.3
Voltas	30.2	37.0	43.9	29.2	35.4	41.7	3.4	4.5	5.1
Kalpataru Projects Int.	46.2	63.2	73.3	49.2	64.2	75.2	-6.0	-1.4	-2.5
Skipper	14.7	19.1	24.9	14.5	17.9	22.2	1.2	7.1	12.2
Data Patterns (India)	39.7	48.5	63.5	51.3	67.7	N/A	-22.5	-28.4	N/A

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key management commentary & highlights

ABB India

- ABB India sees robust demand across its 23 market segments and 18 divisions, supported by high activity in data centres and transportation. The 'Make in India' initiative has deepened local market engagement, fostering demand for premium products. ABB India's revenue visibility is strong, especially in emerging segments like data centres and transportation equipment, as the company targets greater geographic and market segment penetration.
- The company has a strong order book worth ~Rs100bn (up 25% YoY), comprising 25% large orders and 75% base orders, providing good revenue visibility for coming quarters. The order inflow was up 11% YoY at Rs33.4bn.
- Building on its positive momentum, ABB India continues to focus on energy transition and infrastructure to strengthen its energy efficiency portfolio and capitalize on emerging opportunities.
- **Outlook**: The company continues its leadership in the automation industry, driven by strong operating performance, healthy order execution, strategic pricing, and efficient capacity utilization. ABB India has delivered strong margin expansion in 9MCY24 (up 473bp at 18.7%), which is likely to continue led by supply chain optimization and pricing power. The demand for power distribution solutions, particularly in data centre, transportation, mobility, and EV segments, and a positive trend in margin due to high-quality orders will lead to further expansion. For CY24F-26F, we cut revenue estimates by 3%-5% and EPS estimates by 2%-5%. We retain our ADD rating on ABB India with a lower target price of Rs9,000 (Rs9,400 earlier), valuing it at 80x Sep 2026F EPS. Downside risks: Delay in order execution and lower margins.

Cummins India

- Management reiterated its guidance of achieving 2x India's GDP growth, aiming at a revenue growth of ~15% in FY25F with margin expansion. The company is committed to profitable growth, aligning with the infrastructure development trend. Cummins India has a strong portfolio comprising CPCB IV+ emission norms-compliant products to meet customer demand across its entire product range. The operating leverage, cost control, and efficiency improvement could help maintain the margin, despite the current fluctuations due to project business volume.
- Despite rising competition, the company has kept prices stable and is closely monitoring the pricing trend as more players introduce products in this category. Since the launch of CPCB IV+ norms-compliant products, prices have remained consistent. The company has cleared its CPCB-II inventory, and there are no sales of such products in its 2Q results. Cummins India typically operates at 60-65% of its capacity, with some lines running at over 90% of their capacity.
- Data centres are a key growth area, spurred by artificial intelligence or AI-driven global demand for reliable power. While data centres currently represent a smaller portion of its revenue, Cummins India aims to expand its presence with products tailored for this segment and is well-positioned to do so. The company holds a strong position due to high product acceptance and strong customer relationships.
- **Outlook**: Management expects double-digit revenue growth in FY24F. For FY25F-27, we raise revenue estimates by 3%-5% and PAT estimates by 3%-4%, factoring in the higher sales of CPCB IV-compliant products. The stock price remained largely flat in three-month and six-month periods. We upgrade our rating on it to HOLD (from REDUCE) with a higher target price of Rs3,745 (Rs3,620 earlier), valuing it 42x Sep 2026F EPS. Upside risks: Strong demand

for its products and a higher margin. Downside risks: Weak demand for its products and a lower margin.

Data Patterns (India)

- Despite a sluggish quarter, management expects 20-25% revenue growth in FY25F and order inflow of Rs7-8bn. The company is exploring the possibility of faster growth in the coming years, depending on the order mix and delivery timeline. Management aims to update growth guidance based on additional orders expected by the year-end.
- The company is looking to spend Rs1.5bn over the next two years to develop new products, expand infrastructure, and prepare for anticipated growth. Data Patterns (India) is expanding into Europe and East Asia, competing effectively with foreign OEMs. In-house design and product capabilities enable the company to provide cost-competitive solutions.
- The company has a healthy bidding pipeline, targeting Rs20-30bn in orders over the next 18-24 months. Management is particularly optimistic about opportunities in radar and electronic warfare, expecting repeat orders in these areas and continued momentum from products in development.
- **Outlook**: Data Patterns (India) reported a weaker-than-expected performance in 2Q due to delay in execution, which is likely to be compensated in the coming quarters. Factoring in a weak 1H performance, we have cut revenue/earnings estimates by 32%/23% and 33%/28% for FY25F and FY26F, respectively. We introduce FY27F EPS of Rs63.5 with a revenue of Rs10.9bn. We maintain our ADD rating on the stock with a lower target price of Rs2,800 (Rs3,000 earlier), valuing it at 50x Sep 2026F (from Sep 2025F) EPS, implying 28% upside from the CMP. Downside risks: Lower-than-expected new order wins and margins, & any budgetary cut or delay by the government.

Kalpataru Projects International (KPIL)

- KPIL is optimistic about achieving a high revenue growth rate in 2HFY25F, although challenges in the water segment could impact the annual target slightly. KPIL maintains its guidance on order inflow of Rs220-230bn in FY25F. Nevertheless, T&D and other key segments continue to perform well, and KPIL expects a better margin due to the improved order mix over the last two years. KPIL maintains a positive margin outlook in the T&D business, where the margin is trending upwards, compared to the past few years.
- Europe remains a priority market, with strong potential in Latin America and selective engagement in Africa and the Middle East. KPIL is cautious about the Middle East T&D segment due to profitability constraints.
- **Outlook**: The T&D market witnessed a significant improvement, driven by the rising adoption of renewables and the increase in power demand, leading to infrastructure development and accreditation. We cut FY25F-27F revenue estimates by 1%-3% and PAT estimates by 1%-6%, factoring in lower execution in railway and water segments. We value the standalone business at 22x Sep 2026F EPS and investments at Rs40/share. We retain our ADD rating on KPIL with a lower target price of Rs1,543 (Rs1,575 earlier). Higher commodity prices and higher working capital & debt levels, coupled with the order inflow slowdown, are downside risks.

KEC International

- KEC International's management has given guidance of a healthy order pipeline worth Rs1,500bn, of which the transmission segment will account for 60%, divided between India and international T&D businesses. The company has a healthy order book, with L1 status orders at a record high of Rs425bn.
- Management is looking at an order inflow of Rs250bn in FY25F, despite being selective in high-quality projects with favourable cash flow and margin. YTD order inflow grew by 50% to Rs135bn.
- The T&D business received significant heathy orders from the government and private developers. The company is also expanding its tower supply business internationally, notably in Australia. It is focusing on expanding its capabilities

in energy transition areas, including wind and green hydrogen, to capitalize on the global shift towards renewable energy.

- **Outlook**: We expect the company to report healthy revenue growth on the basis of its robust order book and a healthy tender pipeline. For FY25F, we raise the PAT estimate by 2% on 3% higher revenue while maintaining FY26F/27F estimates. We retain our ADD rating on the stock with a target price of Rs1,125, valuing it at 25x Sep 2026F EPS. Downside risks: Slower-than-expected recovery in the standalone entity's business margin and higher working capital requirement.

Larsen & Toubro

- Despite a 2% lower order inflow in 1HFY24, management maintained its order inflow guidance of 10% and revenue growth guidance of 15% for FY25F. For projects and manufacturing business, the margin is expected to remain at a level like in FY24, at ~8-8.25%. Tendering activity is expected to remain muted in coming quarters.
- Total order prospects pipeline declined by 8% YoY to Rs8.08tr for the remaining six months of FY25F, which is largely attributed to a lower hydrocarbon order pipeline. We believe L&T is likely to miss its 10% order inflow growth guidance for FY25F mainly due to lower international order inflow. Order inflow for the quarter decreased by 10% YoY to ~Rs800bn. The share of international orders was 63% compared to 67% last year. Order book stood at Rs5.1tr (+13% YoY), with 60% being domestic orders and 40% international.
- The company is well-positioned for newer energy and cleaner sources of energy. L&T Power has been now renamed as L&T Carbon Light. It will participate in some carbon capture projects and other carbon light solutions.
- **Outlook**: The Union Budget for 2024-25 provides a roadmap for 'Viksit Bharat', meant for India's development by 2047F. This continuity in policy is expected to boost India's economic growth and help L&T achieve its 'Lakshya 26' target. For FY25F/FY26F/27F, we lower our PAT estimates by 7%/0.5%/2.4% and increase revenue estimates by 2.4%/1.2%/0.3%, respectively, factoring in higher execution and lower margin. We maintain ADD rating on L&T with a lower SOTP-based target price of Rs3,980 (Rs4,020 earlier) valuing the core business at 28x Sep 2026F and the listed subsidiary at its current price. Downside risks: Slower-than-expected order inflow and margin pressure coupled with execution miss.

Skipper

- Skipper's management maintained its 25%+ revenue CAGR guidance over the next couple of years based on a strong order book worth Rs66bn (1.8x TTM sales) while maintaining the margin at ~10%-10.5%. The company bagged new orders worth Rs16.6bn in 2QFY25. The focus continues to be on high-value projects, enhancing operational efficiency, and expanding into new markets. The order pipeline remains strong at Rs180bn, of which 66% is from the international market and 34% from the domestic market.
- Skipper emphasized its strategic initiatives to increase engineering capacity, expand globally, and focus on high-margin projects. The company is looking to expand its engineering capacity by 75,000mtpa to touch 3,75,000mtpa with a capex of Rs2bn. Skipper continues to enhance its global presence, particularly in the Asia Pacific, Middle East, and North American markets.
- **Outlook**: We expect Skipper to maintain consistency based on its strong order book (Rs66bn) and a healthy pipeline (Rs180bn). The T&D environment is showing signs of a rebound, especially in high-voltage power transmission and renewable energy projects. Factoring in a strong 2Q performance and healthy order inflow, we increased our PAT estimates by 1%/7%12% and revenue estimates by 4%/2%/5% for FY25F/26F/27F, respectively. We retain our ADD rating on Skipper with a higher target price of Rs615 (Rs500 earlier), valuing the stock at 28x (from 25x) Sep 2026F EPS. Higher commodity prices as well

as higher working capital needs, along with the slowdown in orders, are key downside risks.

Thermax

- The company's management stated that margin is expected in the range of 8.5–9% and will be sustainable across core segments. There may be some issues due to the mix comprising large orders in the industrial infrastructure segment and the impact of freight challenges in the international market.
- Thermax has decided against bidding for certain large, complex government projects (worth Rs40–60bn) due to the risks associated with execution, cash flow impact, and profitability. Thermax is investing in biomass-based boilers and green solutions like bio-CNG.
- During 2QFY25, the order inflow jumped 70% YoY to Rs33.5bn while the order book stood at Rs116bn, up 13% YoY. Management is positive about the next two-to-three years, particularly in sectors like refining, petrochemicals, and power. The overall order inflow pipeline remains robust, with opportunities in refining and petrochemical projects in India. Some orders, particularly those with extended duration and higher volume, may compress the margin but provide stable revenue.
- **Outlook**: The capex momentum, especially in water, power and environmental segments, augurs well for Thermax. We largely maintain our FY24-27F estimates. The stock has gained 73% in the last 12 months, and was largely flat in the last six months, despite trading at ~2+SD. We retain our HOLD rating on Thermax with a higher target price of Rs5,175 (Rs4,770 earlier), valuing it at 50x Sep 2026F EPS. Upside risk: Healthy execution with a significant margin expansion. Downside risks: Delay in order execution & lower margin.

Voltas

- Voltas achieved a milestone of selling 2m air conditioners within a span of eight months in 2024, reflecting strong market demand. In 2QFY25, Voltas recorded a 15% increase in revenue YoY, with the Unitary Cooling Products or UCP division leading the charge with a 56% volume growth over the previous six months. The company also recorded the highest half-yearly profit in its history.
- Management stated that while ACs did not register significant sales during the festive period, other appliances like washing machines performed well. Despite the extended monsoon season affecting sales, the overall performance was strong.
- The company is focused on building its brand presence rapidly, despite being late to the market, with a growth strategy emphasizing significant market penetration, including e-commerce and modern trade channels. Management expects a potential early demand surge due to the festive season. However, factors such as inflation rate, crude oil price fluctuations, and geopolitical challenges will play a crucial role in shaping future economic conditions and consumer demand.
- **Outlook**: Voltas achieved a milestone in selling 2m air-conditioners or ACs within a span of eight months in 2024, reflecting strong market demand. It has started commercial operations at the RAC factory (Chennai) with a capacity of 1m ACs. For FY25F-27F, we increase our revenue estimates by 1%-6%, factoring in higher volume in the UCP division and raise PAT estimates by 3%-5%. We retain HOLD rating on Voltas with a higher target price of Rs1,820 (Rs1,620 earlier), valuing it at 45x (from 42x) Sep 2026F, in line with the mean multiple. Upside risks: Quick margin recovery and strong revenue growth. Downside risks: More EMP segment losses & market share contraction in the RAC segment.

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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.