Industrial Goods and Services

3Q review: Capital goods & defence sectors

- Our capital goods coverage universe posted healthy 3Q sales/EBITDA/PAT YoY growth of 17.1%/17.7%/20.4%. EBITDA margin was flat YoY at 12.0%.
- Challenges such as global market volatility, trade wars, & inflation may impact growth. The Capital Goods index fell 21% vs. Sensex's 6% in last six months.
- Retain Overweight stance on the sector. We have upgraded Cummins India, Voltas & Thermax to ADD (from HOLD) on better valuation & healthy earnings.

Sustains healthy growth in 3QFY25

Our capital goods coverage universe reported healthy sales/EBITDA/PAT YoY growth of 17.1%/17.7%/20.4%, respectively, in 3QFY25. Skipper continued to report strong sales growth of 42% YoY, while Data Patterns (India) and Siemens posted a weak performance, with lower sales. The EBITDA margin of our coverage universe was flat YoY at 12.0 %. Voltas (+527bp), ABB India (+440bp) and Bharat Electronics or BEL (+325bp) witnessed the highest margin expansion. On the profitability front, strong PAT growth was witnessed in Skipper (+76% YoY) ABB India (+54 YoY) and BEL (+47% YoY). Thermax and Data Patterns (India) were the major laggards, showing PAT decline. The order inflow of our coverage universe grew by 35% YoY led by Larsen & Toubro or L&T (+53% YoY) and KEC International (+124% YoY). The order book grew by 18% YoY for our coverage universe

Positive management commentaries

Management commentaries continue to remain optimistic about the growth prospects. L&T remains focused on volume-led, profitable growth. With strong order prospects and emerging opportunities, it aims to sustain the momentum. Management maintained its order inflow guidance of 10% and revenue growth guidance of 15% for FY25F. The total order prospects pipeline declined by 12% YoY to Rs5.5tr for the remaining three months of FY25. Thermax is looking at double-digit revenue growth in FY25F, supported by continued demand. For Cummins, the CPCB IV+ transition is progressing well, with prices expected to stabilize in the next two quarters. KEC International has given growth guidance of 12-14% (vs. previous guidance of 15%) for FY25F. For FY26F, it has given guidance of ~15% growth, Margin is expected to touch 9-10%. Skipper expects 25%+ revenue CAGR over the next two-to-three years.

Outlook and valuation

The challenges such as global market volatility, trade wars, and inflation could impact growth sustainability. Private capex is likely to pick up while public spending may remain muted in the backdrop of general elections in India held recently. The capital goods sector underperformed the broader market over the last six months due to rich valuation and is now trading below its mean level. The Capital Goods index fell 21% in the last six months vs. BSE Sensex declining by ~6%. The sector is likely to outperform the broader market, led by order growth visibility, strong execution, margin expansion and higher profitability. We have maintained our Overweight stance on the sector. We have upgraded our rating on Cummins India, Voltas, and Thermax to ADD (from HOLD) on better valuations.

Figure 1: Results summary

Company	Rating	CMP (Rs)	Revenue (Rs m)		EBITDA (Rs m)		PAT (Rs m)	
			Dec-24	YoY (%)	Dec-24	YoY (%)	Dec-24	YoY (%)
ABB	ADD	5,142	33,649	22.0	6,573	57.6	5,319	54.1
Cummins India	ADD	2,717	30,860	21.8	6,000	11.5	5,140	13.0
Larsen & Toubro	ADD	3,220	6,46,678	17.3	62,549	8.6	33,588	14.0
KEC International	ADD	717	53,494	6.8	3,745	21.6	1,296	33.7
Siemens	ADD	4,844	35,872	-3.3	4,009	-11.5	3,721	-9.6
Thermax	ADD	3,212	25,078	7.9	1,890	0.8	1,137	-20.2
Voltas	ADD	1,227	31,051	18.3	1,974	594.5	1,308	N/A
Kalpataru Projects Int.	ADD	903	57,325	17.1	4,792	13.0	1,396	-3.1
Skipper	ADD	390	11,352	41.6	1,109	43.9	361	76.3
Bharat Electronics	ADD	245	57,561	39.1	16,533	57.5	13,161	47.3
Bharat Dynamics	ADD	1,010	8,321	38.3	1,269	6.8	1,471	9.0
Hindustan Aeronautics	ADD	3,345	69,569	14.8	16,808	17.2	14,326	14.3
Data Patterns (India)	ADD	1,424	1,170	-16.1	540	-10.0	447	-12.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

Overweight *(no change)*

Highlighted Companies

ABB India Ltd

ADD, TP Rs7627, Rs5142 close

ABB India continues to focus on energy transition and infrastructure segments to strengthen its energy-efficiency portfolio and capitalize on emerging opportunities. The company continues its leadership in the automation industry, driven by strong operating performance, healthy order execution, strategic pricing, and efficient capacity utilization.

Cummins India Ltd

ADD, TP Rs3909, Rs2717 close

The CPCB IV+ transition is progressing well, with prices expected to stabilize in the next two quarters. Cummins India has maintained its early-mover advantage in CPCB IV+ products, allowing it to retain pricing stability despite rising competition.

Skipper Limited

ADD, TP Rs695, Rs390 close

The 75,000tpa capacity expansion remains on track, with the completion of a portion of it by 4QFY25F and adding Rs7bn revenue potential at full capacity utilization in FY26F. Skipper continues to enhance its presence in global markets.

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
ABB India Ltd	58.1	52.7	43.8
Cummins India Ltd	37.7	32.8	27.8
Skipper Limited	25.1	20.3	15.7

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
ABB India Ltd	15.4	12.5	10.2
Cummins India Ltd	9.9	8.0	6.5
Skipper Limited	3.9	3.3	2.7

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
ABB India Ltd	0.7%	0.4%	0.5%
Cummins India Ltd	0.7%	0.7%	0.7%
Skipper Limited	0.1%	0.1%	0.2%

Research Analyst(s)

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

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

Figure 2: Results snapshot

Company	Sales (Rs m)					EBITDA (Rs m)					PAT (Rs m)					EBITDA Margin (%)				
	Dec-24	Dec-23	Sep-24	YoY (%)	QoQ (%)	Dec-24	Dec-23	Sep-24	YoY (%)	QoQ (%)	Dec-24	Dec-23	Sep-24	YoY (%)	QoQ (%)	Dec-24	Dec-23	Sep-24	YoY (bp)	QoQ (bp)
ABB India	33,649	27,575	29,122	22.0	-13.5	6,573	4,172	5,402	57.6	-17.8	5,319	3,452	4,405	54.1	-17.2	19.5	15.1	18.6	440	98
Cummins India	30,860	25,341	24,923	21.8	-19.2	6,000	5,379	4,810	11.5	-19.8	5,140	4,549	4,506	13.0	-12.3	19.4	21.2	19.3	-179	14
Larsen & Toubro	6,46,678	5,51,278	6,15,546	17.3	-4.8	62,549	57,590	63,620	8.6	1.7	33,588	29,474	33,953	14.0	1.1	9.7	10.4	10.3	-77	-66
KEC International	53,494	50,067	51,133	6.8	-4.4	3,745	3,079	3,202	21.6	-14.5	1,296	969	854	33.7	-34.1	7.0	6.1	6.3	85	74
Siemens	35,872	37,095	44,570	-3.3	24.2	4,009	4,530	5,448	-11.5	35.9	3,721	4,116	5,225	-9.6	40.4	11.2	12.2	12.2	-104	-105
Thermax	25,078	23,244	26,116	7.9	4.1	1,890	1,874	2,780	0.8	47.1	1,137	1,425	1,980	-20.2	74.1	7.5	8.1	10.6	-53	-311
Voltas	31,051	26,257	26,191	18.3	-15.7	1,974	284	1,622	594.5	-17.8	1,308	-276	1,328	N/A	1.6	6.4	1.1	6.2	527	16
Kalpataru Projects Int.	57,325	48,960	49,299	17.1	-14.0	4,792	4,240	4,384	13.0	-8.5	1,396	1,440	1,256	-3.1	-10.1	8.4	8.7	8.9	-30	-53
Skipper	11,352	8,016	11,097	41.6	-2.2	1,109	771	1,124	43.9	1.4	361	205	329	76.3	-8.8	9.8	9.6	10.1	16	-36
Bharat Electronics	57,561	41,367	45,834	39.1	-20.4	16,533	10,494	13,885	57.5	-16.0	13,161	8,933	10,913	47.3	-17.1	28.7	25.4	30.3	335	-157
Bharat Dynamics	8,321	6,016	5,448	38.3	-34.5	1,269	1,187	988	6.8	-22.1	1,471	1,350	1,225	9.0	-16.7	15.2	19.7	18.1	-449	-290
Hindustan Aeronautics	69,569	60,609	59,766	14.8	-14.1	16,808	14,341	16,301	17.2	-3.0	14,326	12,535	14,845	14.3	3.6	24.2	23.7	27.3	50	-311
Data Patterns (India)	1,170	1,395	910	-16.1	-22.2	540	600	343	-10.0	-36.5	447	510	303	-12.4	-32.2	46.2	43.0	37.7	313	848
Aggregate	**10,61,981**	**9,07,220**	**9,89,955**	**17.1**	**-6.8**	**1,27,791**	**1,08,542**	**1,23,911**	**17.7**	**-3.0**	**82,670**	**68,681**	**81,121**	**20.4**	**-1.9**	**12.0**	**12.0**	**12.5**	**7**	**-48**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Valuation summary

Company	Bloomberg Ticker	Recom.	CMP	TP	Mkt Cap	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
			Rs	Rs	(Rs bn)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
ABB India	ABB IN	ADD	5,142	7,627	1,090	58.1	52.7	43.8	15.4	12.5	10.2	44.9	40.1	33.2	0.7%	0.4%	0.5%
Cummins India	KKC IN	ADD	2,717	3,909	753	37.7	32.8	27.8	9.9	8.0	6.5	33.8	28.8	23.6	0.7%	0.7%	0.7%
Larsen & Toubro	LT IN	ADD	3,220	4,200	4,427	32.3	24.2	21.3	4.7	4.0	3.5	23.0	18.0	16.2	0.7%	0.7%	0.7%
KEC International	KECI IN	ADD	717	1,122	192	32.8	20.1	15.7	3.5	3.1	2.7	14.3	11.5	9.7	0.7%	1.1%	1.4%
Siemens	SIEM IN	ADD	4,844	7,910	1,724	50.1	44.2	39.9	9.4	8.0	6.8	40.3	34.8	30.8	0.3%	0.3%	0.4%
Thermax	TMX IN	ADD	3,212	3,870	362	55.4	43.4	34.8	7.6	6.7	5.8	40.2	32.4	26.4	0.3%	0.3%	0.3%
Voltas	VOLT IN	ADD	1,227	1,845	406	55.1	43.9	36.0	7.5	6.6	5.8	40.6	34.9	29.8	0.4%	0.5%	0.6%
Kalpataru Projects Int.	KPIL IN	ADD	903	1,461	147	31.4	21.3	18.4	3.4	3.0	2.6	14.8	12.1	10.8	0.6%	0.6%	0.7%
Skipper	SKIPPER IN	ADD	390	695	41	25.1	20.3	15.7	3.9	3.3	2.7	10.1	9.2	7.7	0.1%	0.1%	0.2%
Bharat Electronics	BHE IN	ADD	245	400	1,788	37.2	32.8	27.9	10.5	8.7	7.3	27.4	24.1	20.4	1.0%	1.2%	1.4%
Data Patterns (India)	DATAPATT IN	ADD	1,424	2,827	80	51.7	41.9	31.3	7.3	6.3	5.4	40.4	31.7	22.9	0.3%	0.3%	0.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus InCred and consensus estimates

Dec-24	Actuals			InCred Estimates			Consensus Estimates			InCred Diff. (%)			Consensus Diff. (%)		
(Rs m)	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT
ABB India	33,649	6,573	5,319	31,860	5,820	4,789	31,773	5,715	4,749	5.6	12.9	11.1	5.9	15.0	12.0
Cummins India	30,860	6,000	5,140	29,229	5,700	4,860	27,410	5,604	5,009	5.6	5.3	5.8	12.6	7.1	2.6
Larsen & Toubro	6,46,678	62,549	33,588	6,41,518	68,642	36,681	6,47,420	67,690	37,712	0.8	-8.9	-8.4	-0.1	-7.6	-10.9
KEC International	53,494	3,745	1,296	57,544	4,213	1,589	56,152	3,992	1,621	-7.0	-11.1	-18.5	-4.7	-6.2	-20.1
Thermax	25,078	1,890	1,137	28,299	2,434	1,973	27,206	2,545	1,839	-11.4	-22.4	-42.4	-7.8	-25.7	-38.2
Voltas	31,051	1,974	1,308	29,452	2,362	1,818	30,240	2,042	1,580	5.4	-16.4	-28.1	2.7	-3.3	-17.2
Kalpataru Projects Int.	57,325	4,792	1,396	55,650	4,897	1,823	58,365	5,100	1,722	3.0	-2.1	-23.4	-1.8	-6.0	-18.9
Skipper	11,352	1,109	361	10,793	1,090	324				5.2	1.7	11.4			
Bharat Electronics	57,561	16,533	13,161	50,337	12,230	9,913	50,348	10,696	9,540	14.4	35.2	32.8	14.3	54.6	38.0
Bharat Dynamics	8,321	1,269	1,471	9,145	2,151	2,154	10,159	2,292	2,052	-9.0	-41.0	-31.7	-18.1	-44.6	-28.3
Data Patterns (India)	1,170	540	447	1,814	742	603	1,895	740	602	-35.5	-27.2	-26.0	-38.2	-27.0	-25.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: Key order details across our coverage universe

(Rs m)	Order Inflow					Order Book				
	Dec-24	Dec-23	YoY (%)	Sep-24	QoQ (%)	Dec-24	Dec-23	YoY (%)	Sep-24	QoQ (%)
ABB India	26,950	31,470	-14.4	33,420	-19.4	93,800	84,040	11.6	99,950	-6.2
Larsen & Toubro	11,60,360	7,59,900	52.7	8,91,500	30.2	56,42,230	46,98,070	20.1	45,07,000	25.2
KEC International	86,080	38,500	123.6	58,180	48.0	3,74,400	3,01,610	24.1	3,40,880	9.8
Thermax	22,960	25,060	-8.4	33,540	-31.5	1,13,830	1,07,160	6.2	1,15,930	-1.8
Kalpataru Projects Int.	83,160	55,070	51.0	48,500	71.5	6,14,290	5,17,530	18.7	6,06,310	1.3
Skipper	13,182	4,020	227.9	16,600	-20.6	63,541	57,790	10.0	65,900	-3.6
Bharat Electronics	1,511	1,16,257	-98.7	53,544	-97.2	7,11,000	6,87,280	3.5	7,67,050	-7.3
Data Patterns (India)	2,403	991	142.5	454	429.3	10,831	9,628	12.5	9,714	11.5
Aggregate	**13,96,606**	**10,31,268**	**35.4**	**11,35,738**	**23.0**	**76,23,922**	**64,63,108**	**18.0**	**65,12,734**	**17.1**

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		97.6	117.3		97.7	117.5		-0.1	-0.1
Cummins India	72.1	82.9	97.7	70.8	81.9	96.5	1.8	1.3	1.3
Larsen & Toubro	102.0	136.3	154.7	108.9	136.3	154.6	-6.3	0.0	0.0
KEC International	21.2	34.8	44.9	28.4	37.4	49.3	-25.3	-7.0	-9.0
Siemens	90.3	111.4		90.3	111.4		0.0	0.0	N/A
Thermax	60.7	77.5	96.8	67.9	91.7	113.7	-10.6	-15.5	-14.9
Voltas	26.8	33.6	41.0	30.2	37.0	43.9	-11.3	-9.1	-6.5
Kalpataru Projects Int.	41.6	61.2	71.0	46.2	63.2	73.3	-10.0	-3.2	-3.1
Skipper	15.5	19.2	24.9	14.7	19.1	24.9	5.3	0.0	0.0
Bharat Electronics	7.5	8.5	10.0	5.9	6.9	-	26.8	23.4	N/A
Data Patterns (India)	38.0	46.9	62.8	39.7	48.5	63.5	-4.4	-3.3	-1.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key management commentary & highlights

ABB India

- **Margin expansion on track:** ABB India reported a healthy performance in 4QCY24, with an improvement in margin (up 440bp YoY) to 19.5% (historical high) led by pricing and higher localization, while revenue grew by 22% YoY to Rs33.6bn, 6% above our/Bloomberg or BB consensus estimates. The operating leverage is likely to benefit in the coming quarters, with limited scope for margin expansion. We believe that ABB India will benefit from its pricing advantage, the product mix improving towards higher-margin segments, and a wide product portfolio. EBITDA jumped 58% YoY to Rs6.6bn, 13% above our estimate and 15% above BB consensus estimate. PAT grew by 54% YoY to Rs5.3bn, 11% above our estimate and 12% above BB consensus estimate.
- **Subdued order inflow:** ABB India's order inflow declined by 14% YoY to ~Rs27bn due to a high base but it remains optimistic, citing a strong project pipeline. The order backlog stood at ~Rs94bn, with 65-70% expected to be executed next year. The growth was driven by strong performance in electrification, motion, and robotics segments, with robotics seeing significant traction in automobiles and electronics space. While the motion segment's order growth remained flat, a recovery is expected due to private capex. ABB India's revenue is primarily driven by private sector demand across sectors like infrastructure, transportation, & data centres. Premiumization continued, expanding the gross margin by 350bp+, a trend which is expected to sustain.
- **Outlook and valuation:** Building on its positive momentum, ABB India continues to focus on energy transition and infrastructure segments to strengthen its energy-efficiency portfolio and capitalize on emerging opportunities. 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 posted strong margin expansion in CY24 (up 465bp at 18.9%), 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 CY25F-26F, we maintain our estimates and retain ADD rating on ABB India with a lower target price of Rs7,627 (Rs9,000 earlier), valuing it at 65x CY26F (from 80x Sep 2026F) EPS.

Cummins India

- **Revenue-led growth:** Cummins India reported a better-than-expected performance in 3QFY25, with revenue at Rs30.9bn, up 22% YoY (+24% QoQ), 6% above our estimate and 13% above Bloomberg or BB consensus estimate. Domestic sales grew by 18% YoY to Rs25.8bn, while exports jumped 43% YoY to Rs4.6bn. EBITDA grew 12% YoY to Rs6bn, 5% above our estimate and 7% above BB consensus estimate, while the margin declined by 179bp (+14bp QoQ) to 19.4%. PAT came in at Rs5.1bn, up 13% YoY, 6% above our estimate and 3% above BB consensus estimate.
- **Revival of exports:** The export business rebounded strongly, registering a 43% YoY growth. With a diversified product portfolio, the company remains optimistic about a sustained recovery in export demand. The company benefits from its access to cutting-edge technology, trusted brand reputation, an extensive range of high-quality products and world-class manufacturing capabilities.
- **Double-digit revenue growth to continue:** Management gave guidance of double-digit revenue growth in FY25F, supported by continued demand across powergen, industrial, and distribution segments. The CPCB IV+ transition is progressing well, with prices expected to stabilize in the next two quarters. Cummins India has maintained its early-mover advantage in CPCB IV+

products, allowing it to retain pricing stability despite rising competition. Management expects price stabilization in the next few quarters as more players enter the CPCB IV+ market. CPCB IV+ products contributed ~45% to the powergen segment's sales.

- **Upgrade to ADD rating on valuation comfort:** Effective Jul 2024, there was a complete switchover to CPCB IV+ emission norms-compliant products in the powergen segment. Management expects double-digit revenue growth in FY25F. We maintain our estimates for FY25F-27F. The stock price corrected by ~21% in the last three months. Upgrade our rating on the stock to ADD (from HOLD) with a higher target price of Rs3,909 (Rs3,745 earlier), valuing it 40x FY27F (from 42x Sep 2026F) EPS.

Larsen & Toubro

- **Healthy order execution continues:** Larsen & Toubro (L&T) reported a healthy 3QFY25 revenue of Rs647bn, up 17% YoY (+5% QoQ), in line with our/Bloomberg or BB consensus estimates. Revenue growth was led by infrastructure projects, up 15% YoY, at Rs324bn while energy projects grew by 41% YoY to Rs111bn. EBITDA came in at Rs62.5bn, up 8.6% YoY, 9% below our estimate and 8% below BB consensus estimate. The EBITDA margin declined by 77bp YoY to 9.7%. PAT grew by 14% YoY to Rs33.6bn, 8% below our estimate and 11% below BB consensus estimate.
- **Maintains guidance:** Amid this economic landscape, L&T remains focused on volume-led, profitable growth. With strong order prospects and emerging opportunities, it aims to sustain the momentum. 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 the level like in FY24, at ~8-8.25%. Tendering activity is expected to remain muted, with the total order prospects pipeline set to decline by 12% YoY to Rs5.5tr in the remaining three months of FY25F, largely attributed to a lower hydrocarbon pipeline.
- **Investments to continue in India and the Middle East:** The slowdown in India's economy has largely bottomed out & it is likely to improve led by government spending. Globally, economic uncertainty persists, with the potential US tariff war, sluggish European growth, and concerns over China's economy. However, the GCC region, led by Saudi Arabia, continues to invest in infrastructure & energy transition projects.
- **Retain ADD rating with a higher target price of Rs4,200:** The Indian economy is expected to grow amid strong rural consumption, a robust services sector, and increased government spending on infrastructure post-elections. The challenges such as global market volatility, trade wars, and inflation could impact growth sustainability. For FY25F, we have increased our revenue estimate by 1% and cut the PAT estimate by 6%, factoring in 3Q numbers while maintaining the estimates for FY26F/27F. We retain ADD rating on L&T with a higher SOTP-based target price of Rs4,200 (Rs4,020 earlier) valuing the core business at 28x FY27 (from Sep 2026F) EPS and the listed arm at its current price.

KEC International

- **Muted order execution**: KEC International posted weaker-than-expected 3QFY25 results due to lower execution in railway and oil & gas segments. Revenue was up 6.8% YoY (+4.6% QoQ) at Rs53.4bn, 7% below our estimate and 5% below Bloomberg or BB consensus estimate. The revenue of T&D segment grew by 17% YoY to Rs31.7bn, while non-T&D businesses declined 8% YoY driven by railway (down 30% YoY) and oil & gas (down 58% YoY) segments. EBITDA grew by 21% YoY to Rs3.7bn (+17% QoQ), 11% below our estimate and 6% below BB consensus estimate. The EBITDA margin rose by 85bp YoY to 7%. PAT jumped 33% YoY & 52% QoQ to Rs1.3bn, ~19% below our estimate and 20% below BB consensus estimate.

- **Lower revenue guidance with EBITDA margin of ~7%**: Management gave revenue growth guidance of 12-14% (vs. previous guidance of 15%) for FY25F. For FY26F, management has given guidance of ~15% growth, driven by T&D business expansion and civil business recovery. Margin is expected to reach 9-10% as the business mix shifts towards higher-margin T&D projects. KEC International is looking to increase its capacity at the Jabalpur plant by 48,000mtpa to touch 468,000mtpa, enabling better service across India and the Middle East.
- **Healthy order inflow:** The YTD order inflow grew by 70% YoY to Rs Rs220bn, 70% from the T&D business, with FY25F inflow guidance of Rs50bn. The order book stands at Rs374bn, with an additional L1 pipeline of Rs40bn, (from T&D) totalling over Rs410bn.
- **Outlook & valuation:** The T&D business received significant heathy orders from the government & private developers. The company is also expanding its tower supply business internationally, notably in Australia. It is focusing on expanding capabilities in energy transition areas, including wind and green hydrogen, to capitalize on the global shift towards renewable energy. We expect the company to report healthy revenue growth on the back of its robust order book and a healthy tender pipeline. Factoring in lower revenue in railway and oil & gas sectors, we cut revenue estimates by ~1-3% & PAT estimates by 7-25% for FY25F27F. We maintain our ADD rating on the stock with a slightly lower target price of Rs1,122 (Rs1,125 earlier), valuing it at 25x FY27F (from Sep 2026F) EPS.

Voltas

- **Healthy volume growth in RAC segment:** Voltas reported weaker-than-expected profits in 3QFY25, despite a beat on the revenue front. Revenue grew by 18% YoY (19% QoQ) to Rs31bn, 5% above our estimate & 3% above Bloomberg or BB consensus estimate. Revenue growth was driven by the UCP segment, up 20% YoY at Rs17.7bn. Overall volume growth in 9MFY25 was 42%. Blended EBITDA was at Rs1.97bn, up 595% YoY, 16% below our estimate & 3% below BB consensus estimate. The EBITDA margin rose by 527bp YoY to 6.4%. PAT was at Rs1.3bn, vs. a net loss of Rs276m YoY, 28% below our estimate & 17% below BB consensus estimate.
- **Voltas Beko JV to break even; market share gain on track:** Voltas Beko's home appliances business saw strong growth, with a 59% volume growth in 3QFY25 & 56% in 9MFY25. The market share in washing machines improved to 8.3% while in refrigerators it reached 5.1%. The company has become the second-largest player in semi-automatic washing machines with a 16.7% share. It is looking at EBITDA breakeven by Mar 2025F.
- **AC capacity to double; evaluating compressor manufacturing:** The Chennai plant is now almost fully integrated, manufacturing sheet metal, injection moulds, and heat exchangers in-house. Voltas is looking at a capex of Rs4bn, including doubling air-conditioner or AC production capacity from 1m to 2m units. It is evaluating a Rs2.5m investment in manufacturing compressors.
- **Outlook and valuation:** For FY25F-27F, we lower our revenue estimates by 4%-7% and PAT estimates by 7%- 11%. The stock has corrected 35% in the last three months and so we upgraded its rating to ADD (from HOLD) with a higher target price of Rs1,845 (Rs1,620 earlier), valuing it at 45x FY27 (from Sep 2026F) EPS, in line with the mean multiple.

Thermax

- **Subdued 3QFY25 performance:** Thermax reported a subdued 3QFY25 performance, with a revenue growth of 8% YoY at Rs25.1bn, 11% below our estimate and 8% below Bloomberg or BB consensus estimate. Revenue growth was seen across sectors, with the green solutions business witnessing the highest growth of 53% YoY. The chemical business revenue was up 19% YoY while core industrial products and industrial infrastructure segments saw modest growth of 6% and 3%, respectively. EBITDA came in at Rs1.9bn, flat YoY, 22% below our estimate and 26% below BB consensus estimate. The EBITDA margin was down by 53bp at 7.5%. Adjusted PAT stood at Rs1.1bn, down 20% YoY, 42% below our estimate and 38% below BB consensus estimate. The order inflow declined by 8% YoY to Rs22.96bn, while the order book stood at Rs113.8bn, up 6% YoY.

- **Cost overrun in industrial infrastructure business** The industrial infrastructure segment's EBIT witnessed a massive decline of 97% while the chemical segment's EBIT was down 20% YoY. The industrial infrastructure segment's profitability has been impacted due to lower margin in certain projects due to cost overrun. The chemical segment's profitability is lower due to product mix changes. During 3Q, revenue was impacted by ~Rs5bn and profitability by ~Rs600m. Thermax faced challenges in project execution, particularly in the flue gas desulfurization (FGD) and BioCNG segments. The FGD project incurred higher-than-expected costs
- **Large projects to revive in the coming quarters:** Management gave guidance of a revival from 4QFY25F as change orders start getting released. BioCNG, despite being a growth area, has seen significant investments and losses, but there is now some optimism as the project stabilizes. The company is focused on improving project execution, stabilizing the BioCNG segment, and capitalizing on growth opportunities in industrial product and heat pump segments.
- **Upgrade to ADD rating with a lower target price of Rs3,870:** The capex momentum, especially in water, power and environmental segments, augurs well for Thermax. For FY25F-27F, we have cut revenue estimates by 3-6% and PAT estimates by 11-16%. The stock has corrected 35% in the last three months and is available at its mean P/E. Upgrade to ADD rating (from HOLD), but with a lower target price of Rs3,870 (Rs5,175 earlier), valuing Thermax at 40x FY27F (from 50x Sep 2026F) EPS.

Kalpataru Projects International

- **T&D and oil & gas sector drives revenue:** Kalpataru Projects International or KPIL reported a 17% YoY revenue growth in 3QFY25, with standalone revenue rising by 16% YoY. The growth was driven by T&D (+42% YoY), B&F (+26% YoY), and oil & gas (+123% YoY) segments. However, the water segment remained sluggish, impacted by delayed payments from Jal Jeevan Mission (JJM) projects. Margins were affected by lower water segment revenue and currency fluctuations in Brazil.
- **Order inflow at an all-time high:** KPIL reported record-high YTD order inflow of Rs202bn, including a recent Rs8.2bn contract. The order book touched Rs614bn (+19% YoY), with 80%-90% of new orders concentrated in T&D and B&F segments, ensuring healthy execution visibility. The company expanded its global presence in Sweden through major HVDC project wins and strengthened its metro rail footprint with Nagpur metro and Kanpur metro orders, with the latter using the tunnel boring machine (TBM) technology.
- **Strong balance sheet post QIP**: KPIL successfully raised capital via a qualified institutional placement or QIP of shares in Dec 2024, The proceeds were used to strengthen the balance sheet, leading to a 27% QoQ reduction in net debt to Rs26.9bn (consolidated) and a 35% QoQ decline to Rs18.2bn (standalone). Net working capital days improved to 112 days (standalone) and 94 days (consolidated), reflecting higher efficiency. KPIL's Linjemontage Sweden subsidiary doubled its revenue YoY, securing a record Rs31.4bn of orders, while Fasttel Brazil faced profitability challenges due to currency devaluation affecting US dollar-denominated loans.
- **Maintain positive outlook:** KPIL remains well-positioned for future growth, with strong execution momentum in T&D, B&F and oil & gas segments. We have cut FY25F/26F/27F EPS by 10%/3%/3%, respectively, factoring in lower execution in railway and water segments. We have valued the standalone business at 20x FY27F EPS (22x Sep 2026F earlier) and investments at

Rs40/share. Retain our ADD rating on KPIL with a lower target price of Rs1,461 (Rs1,543 earlier).

Skipper

- **Robust revenue growth:** Skipper reported a solid 42% YoY revenue growth to Rs11.35bn in 3QFY25, led by engineering products (+75% YoY at Rs9.06bn). However, its polymer and infrastructure businesses declined by 14% and 23% YoY, respectively. EBITDA increased by 44% YoY to Rs1.1bn, with margin at 9.8% (-33bp YoY). PAT surged 76% YoY to Rs361m, driven by lower finance costs & operational efficiency. The order book grew to Rs63.54bn (+10% YoY), with order inflow at Rs13.18bn for the quarter, indicating continued strong demand.
- **Sub-station EPC is the future growth driver:** Skipper has forayed into the sub-station EPC business, marking a major step beyond its core transmission line segment. Management expects sub-station projects to offer a higher margin (13-15%) compared to traditional T&D lines (~10%), enhancing profitability. The company is well-positioned to win its first major sub-station contract soon, with the segment expected to scale significantly from FY27F. The domestic T&D pipeline remains strong at Rs200bn, aided by government-driven grid modernization & renewable energy integration.
- **Capacity expansion & strong financial position:** The 75,000tpa capacity expansion remains on track, with completion of a portion of it by 4QFY25F and adding Rs7bn revenue potential at full capacity utilization in FY26F. Skipper continues to enhance its presence in global markets, particularly in North America, leveraging India's exemption from US tariffs on transmission structures. Net working capital improved to 88 days, aided by Rs1.48bn from a rights share issue, helping optimize finance costs.
- **Maintain ADD rating:** We expect Skipper to maintain a ~25% revenue CAGR, backed by expansion in sub-station EPC business, rising order inflow, and sustained execution strength. Factoring in the strong 3Q performance, we increase our revenue/EBITDA/PAT estimates by 3%/2%5%, respectively, for FY25F and maintain estimates for FY26F/27F. We also maintain our ADD rating on Skipper with a higher target price of Rs695 (Rs615 earlier), valuing the stock at 28x FY27F EPS (from 28x Sep 2026F EPS).

Bharat Electronics

- **Healthy order execution-led growth:** Bharat Electronics (BEL) reported a healthy 3QFY25 revenue of Rs57.6bn, up 39% YoY (26% QoQ), beating InCred/Bloomberg (BB) consensus estimates by ~14%. For 9MFY25, revenue grew by 25% YoY led by execution of LR-SAM, Weapon Locating Radar, Shakti Electronic Warfare and a civilian project. EBITDA stood at Rs16.5bn (up 58% yoy), beating our/Bloomberg consensus estimates by 35%55%, respectively. Despite a 33bp YoY contraction in gross margin, the EBITDA margin improved by 335bp to 28.7%, led by lower employee costs and a better product mix. PAT came in at Rs13.2bn, up 47% YoY, 33% above our estimate and 38% above BB consensus estimate.
- **Order book position:** At the end of Dec 2024, BEL's order book stood at Rs711bn, ~3.1x its trailing 12-month (TTM) sales. The order inflow was subdued in 3Q, with the total inflow at Rs111bn in 9MY25, but management retained its inflow guidance of Rs250bn for FY25F as it expects large inflows to kick in during 4QFY25F. For FY26F, management expects an order inflow of Rs250-500bn led by large orders like QRSAM (Rs250bn) and MRSAM package (Rs150bn), which provide revenue visibility post FY26F. BEL continues to explore new growth opportunities.
- **Reiterate ADD rating:** We feel the strong order backlog, traction in exports & the non-defence portfolio will drive near-term sales. Healthy order inflow in 4QFY25F and a large value order pipeline, combined with consistent execution & margin, and the confidence in BEL's abilities will help maintain its premium valuation. For FY25F-26F, we raise revenue estimates by 6-8% and PAT

estimates by 23-27%, factoring in the robust performance in the last few quarters and strong outlook. We have introduced FY27F EPS of Rs10 on a revenue of Rs341bn. Retain our ADD rating on BEL with a higher target price of Rs400 (Rs235 earlier) as we roll forward our valuation based on a P/E of 40x FY27F EPS (from 27x Dec 2025F EPS earlier).

Data Patterns (India)

- **Execution delay:** Data Patterns (India) reported a subdued performance in 3QFY25 with revenue at Rs1.17bn, down 16% YoY, ~35% below our estimate and 38% below Bloomberg or BB consensus estimate. Execution during the quarter was affected due to a delay in receipt of orders and deferment of deliveries. The gross margin increased to 80% in 3Q from 67.7% YoY. EBITDA stood at Rs540m, down ~10% YoY, and ~27% below our/BB consensus estimates. The EBITDA margin, however, improved by 313bp YoY. PAT came in at Rs447m, down 12% YoY, and ~25% below our/BB consensus estimates.
- **Maintain revenue growth guidance of 20-25% for FY25F:** Despite the sluggish quarter, management expects a 20-25% revenue growth in FY25F and order inflow of Rs7-8bn. Despite near-term execution challenges, the company remains confident of delivering on its commitments. Margin continues to be strong, with EBITDA for the nine-month period standing at 40%, reflecting operational efficiency and a favourable product mix. The order book stood at Rs10.8bn (up 12% YoY) at the end of 3Q, including orders currently under negotiations worth Rs1.2bn. Order inflow in 9MFY25 stood at RsRs3.3bn. The company has a healthy bidding pipeline, targeting Rs20-30bn of orders over the next 18-24 months.
- **Healthy TAM and order pipeline:** Data Patterns (India) aims to transition from being a sub-system supplier to a full-system integrator, which will allow it to win large contracts. The company is looking for total opportunities worth Rs100–200bn, emphasizing the importance of developing complete system-level solutions rather than just sub-systems to increase long-term competitiveness. The company is targeting Rs20-30bn of new orders over the next 18 months.
- **Maintain ADD rating:** Data Patterns (India) reported a weaker-than-expected performance in 3QFY25 due to delay in some projects, which is likely to be compensated in the coming quarters. We have cut revenue estimates by 1-6% and PAT estimates by 1-4% for FY25F-27F. We retain our ADD rating on the stock with a slightly higher target price of Rs2,827 (Rs2,800 earlier), valuing it at 45x FY27F (from 50x Sep 2026F) EPS. Downside risks: Lower-than-expected new order wins and margin, & any budgetary cut or delay by the government.

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InCred Research Services Private Limited
Research Analyst SEBI Registration Number: INH000011024
Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051
Phone: +91-22-6844-6100
Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051
Phone: +91-22-4161-1500
Name of the Compliance Officer: Mr. Yogesh Kadam
Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Rajarshi Maitra
Phone no. +91-022-41611546
Email ID: rajarshi.maitra@incredresearch.com
CIN: U74999MH2016PTC287535

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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.