Industrials

Geopolitical headwinds impact execution

- **NHAI awarding muted, global headwinds derail execution:** We have witnessed a weak domestic awarding environment for coverage universe, driven by elevated commodity prices, indecisiveness at the client side, and client capital preservation. The NHAI bids have slowed down as it contemplates pivot toward equity intensive toll and HAM projects. The authority is also working at improving bankability of the projects with new model being worked upon including a toll plus annuity-based model. We expect ordering to pick pace from H2FY27. Infra companies continue to face challenges on payment from JJM projects, which seems to have slowed down in Q1FY27, post recovery in Q4FY26.The silver lining has been the successful fundraise from public and private markets by the InvITs, which directionally augur wells for the large road asset owners. This shall cushion the impact of slower ordering from the NHAI and as and when ordering recovers, we may see sector re-rating. For now, asset monetization is arresting further de-rating. The InvIT platforms may see slowing addition of new assets as NHAI weak ordering has restricted the supply of assets. We are hopeful that new models like Toll+Annuity awards will help increase awards supply and supplement the depletion in roads order book.
- **Capital goods mixed performance, muted transmission orders whilst data center continues to rock:** Ordering in the big ticket HV products has seen some slowdown in Q1FY27 due to high commodity inflation and volatile pricing; clients have delayed order finalization. With ceasefire in West Asia, the ordering has picked up in Q2FY27. We see limited impact of transmission sector opening up for Chinese players (as per recent government notification), as these players are small in size and have miniscule capacity to impact the supply side. Incumbents like Hitachi Energy, GVTD, and Siemens Energy may continue to enjoy superior margins and return ratios. On the data center side, the capex has seen significant pick-up, driven by colocation and hyperscalers. In the power gen piece, Cummins has taken a price hike of 2.5%, blended on 1 July 2026, to mitigate impact of commodity inflation. Lead delivery times have got extended by 3 months to 6 months now. Demand is surpassing supplies. Other players like ABB and Siemens India too stand to benefit from data center-driven capex.
- **Earnings trend YoY/QoQ:** We expect EPC/infra universe revenue/EBITDA/PAT to decline -3.7/-7.2/-3.3% YoY, with EBITDA margin at 13% (-0.5/+0.5bps YoY/QoQ). In capital goods, revenue/EBITDA/PAT are expected to grow by +10.5/+8.3/+6.3% YoY and EBITDA margin is at 10.3% (-21.1/-55.6bps YoY/QoQ). The valuation of core EPC/infra is at 20.3/17.1/15x FY27/28/29E core EPS; for capital goods, the valuation for FY27/28/29E stands at 50.4/40.4/34x, and for power and utilities (NTPC Green), the valuation for FY27/28/29E stands at 24.9/13.9/10.2x EV/EBIDTA.
- **Geopolitical tensions have impacted execution and margins:** In Q1FY27, the shortage of diesel and bitumen has led to weaker execution. Besides elevated commodity prices may have resulted in margin compression and negative operating leverage owing to weaker execution. The silver lining is that the impact is milder-than-estimated. With supply chains improving post ceasefire and opening up of Strait of Hormuz, players like LT and KEC may see improved performance. Supply chains are improving though still sometime away from pre- war normalization.
- **Recommendations and stock picks:** We prefer strong balance sheet plays as (1) ordering remains stable in renewables, T&D, buildings, and revival is expected in water & railways, roads; (2) asset monetization is fructifying; (3) balance sheets are strong and NWC days stable; and (4) cash flow generation is likely to improve. **LT, Cummins India, and Kalpataru are our top picks in the capital goods space. In the infra space, we like HG and NCC.**

Capital Goods: Recommendation Summary

Particulars	CMP INR	TP INR	RECO
Siemens	3,496	4,275	BUY
Larsen & Toubro	3,945	4,529	BUY
ABB India	6,836	6996	ADD
Cummins India	5,622	7,096	BUY
KEC International	505	557	ADD
Hitachi Energy India	32,605	31,414	ADD
Thermax	4,809	5,300	BUY
Kalpataru Power	1,352	1,764	BUY
Siemens Energy India	3,526	3844	BUY

Source: HSIE Research

Infrastructure: Recommendation Summary

Particulars	CMP INR	TP INR	RECO
J. Kumar Infraprojects	501	589	ADD
KNR Constructions	129	154	BUY
NCC	146	243	BUY
CemIndia Projects	1,566	1459	BUY
Ashoka Buildcon	132	183	BUY
PNC Infratech	243	304	BUY
IRB Infra Developers	20	27	ADD
Dilip Buildcon	426	554	ADD
Ahluwalia Contracts	843	824	ADD
HG Infra Engineering	564	907	BUY

Source: HSIE Research

Power and Utilities: Recommendation Summary

Particulars	CMP INR	TP INR	RECO
NTPC Green Energy	94	126	BUY

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Financial summary: Q1FY27E

Capital Goods	NET SALES (INR Bn)			EBITDA (INR Bn)			EBITDA Margin (%)			APAT (INR Bn)		
	1QFY27	QoQ (%)	YoY (%)	1QFY27	QoQ (%)	YoY (%)	1QFY27	QoQ (bps)	YoY (bps)	1QFY27	QoQ (%)	YoY (%)
Larsen & Toubro*	699.3	-15.5	9.8	67.3	-21.9	6.5	9.6	-78.7	-30.4	40.0	-24.0	10.5
Siemens*	46.3	19.8	16.6	5.2	21.7	14.9	11.2	17.3	-16.5	4.2	13.7	-45.8
ABB India ^	33.1	4.0	3.0	4.1	1.4	-18.8	12.5	-31.7	-335.7	3.5	3.7	26.9
Cummins India	32.8	9.0	12.9	6.8	6.4	9.6	20.8	-51.4	-63.8	6.1	-2.3	9.9
KEC International*	50.8	-20.4	1.2	3.3	-27.0	-6.5	6.4	-57.6	-53.3	0.9	-52.1	-25.9
Hitachi Energy India	21.2	-22.9	43.5	3.5	-15.5	127.2	16.6	146.8	610.9	2.8	-15.4	112.6
Thermax*	25.3	-26.0	17.6	2.1	-41.0	-5.2	8.4	-216.0	-203.2	1.3	7.1	-15.6
Kalpataru Power	54.9	-21.1	9.0	4.8	-28.6	12.0	8.7	-91.6	23.1	2.5	1.1	22.1
Siemens Energy# India	22.7	-5.1	27.3	4.7	-5.5	38.4	20.7	-8.3	166.2	3.6	-5.1	35.3
Aggregate	**986.6**	**-14.0**	**10.5**	**101.9**	**-18.4**	**8.3**	**10.3**	**-55.6**	**-21.1**	**64.8**	**-17.5**	**6.3**

**Consolidated; #3QFY26 – YE Sep; ^2QCY26- YE Dec;*

Source: Company, HSIE Research

EPC/Infra	NET SALES (INR Bn)			EBITDA (INR Bn)			EBITDA Margin (%)			APAT (INR Bn)		
	1QFY27	QoQ (%)	YoY (%)	1QFY27	QoQ (%)	YoY (%)	1QFY27	QoQ (bps)	YoY (bps)	1QFY27	QoQ (%)	YoY (%)
Dilip Buildcon	17.7	-5.0	-12.1	1.9	-6.9	-8.5	10.5	-21.0	40.6	0.6	-6.5	25.4
PNC Infratech	11.5	-21.0	1.3	1.4	-20.5	-0.9	12.1	8.0	-26.7	0.8	-25.1	-6.9
KNR Constructions	4.3	-15.00	-9.91	0.33	37x	-46.81	7.61	744.13	-527.81	0.19	NA	-57.22
IRB Infra Developers*	15.2	-0.5	-18.6	6.8	-0.7	-5.8	44.6	-9.5	607.0	2.9	-2.2	43.2
NCC	46.8	-12.0	6.8	3.9	-14.1	-2.4	8.2	-19.9	-77.7	1.6	-26.1	-14.9
HG Infra Engineering	10.6	-22.0	-38.2	1.3	2.4	-44.9	12.3	292.9	-148.9	0.4	-22.1	-71.4
Ashoka Buildcon	13.2	-25.3	1.0	1.2	-2.8	-3.4	8.9	206.1	-40.8	0.4	-11.1	41.8
Ahluwalia Contracts	10.8	-18.7	7.0	1.0	-22.5	11.1	8.9	-43.6	32.6	0.6	-29.1	11.1
CemIndia Projects Ltd*	27.7	-7.0	8.8	2.6	-26.0	13.7	9.6	-246.1	41.1	1.5	-39.0	7.7
J. Kumar Infraprojects	14.9	-5.0	1.0	2.1	-4.0	-2.6	14.1	14.3	-53.0	0.9	-15.2	-13.0
Aggregate	**172.6**	**-12.2**	**-3.7**	**22.4**	**-8.8**	**-7.2**	**13.0**	**0.5**	**-0.5**	**9.8**	**-18.4**	**-3.3**

Source: Company, HSIE Research; **Consolidated*

Power and Utilities	NET SALES (INR Bn)			EBITDA (INR Bn)			EBITDA Margin (%)			APAT (INR Bn)		
	1QFY27	QoQ (%)	YoY (%)	1QFY27	QoQ (%)	YoY (%)	1QFY27	QoQ (bps)	YoY (bps)	1QFY27	QoQ (%)	YoY (%)
NTPC Green Energy	11.0	20.3	61.3	9.5	23.1	58.0	86.9	201.4	-185.1	2.7	39.0	24.3

Source: Company, HSIE Research; **Consolidated*

Valuation summary

EPC/Infra	MCap INR Bn	CMP INR	TP INR	RECO	Adj. EPS (INR/sh)			P/E (x)			EV/EBIDTA (x)			ROE (%)		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Dilip Buildcon	61	426	554	ADD	22.8	32.8	35.5	14.0	11.3	10.2	5.4	4.7	4.1	5.3	8.0	8.0
PNC Infratech	61	243	304	BUY	16.1	20.2	21.9	5.1	10.5	9.6	3.4	6.3	5.7	7.4	9.4	9.4
KNR Constructions	36	129	154	BUY	5.6	7.7	10.8	9.2	11.9	8.1	5.9	7.4	4.7	4.5	5.6	6.7
IRB Infra Developers	123	20	27	ADD	1.2	1.4	1.4	17.2	15.1	14.5	4.9	17.7	16.7	11.9	12.9	12.9
NCC	91	146	243	BUY	12.1	16.2	19.8	12.0	6.2	4.4	4.9	3.0	2.2	9.2	11.3	12.5
HG Infra Engineering	36	564	907	BUY	77.1	89.7	97.6	5.2	5.6	5.1	3.6	3.2	2.8	7.9	8.0	7.6
Ashoka Buildcon	35	132	183	BUY	7.2	11.6	13.8	3.6	8.0	6.4	1.2	3.5	3.1	4.5	6.9	7.7
Ahluwalia Contracts	56	843	824	ADD	48.0	57.9	66.5	17.4	13.8	11.8	10.2	9.1	7.7	15.0	16.1	15.8
CemIndia Projects Ltd	263	1566	1459	BUY	40.7	50.6	57.5	37.7	30.3	26.7	21.0	17.4	15.4	25.4	24.6	22.1
J. Kumar Infraprojects	38	501	589	ADD	57.4	63.8	72.6	8.8	7.9	6.9	4.1	3.0	2.5	12.0	12.9	14.2
Wt. Average					**28.0**	**34.7**	**39.3**	**20.3**	**17.1**	**15.0**	**10.3**	**11.0**	**9.8**	**14.6**	**15.3**	**14.8**

Source: Company, HSIE Research

Capital Goods	MCap INR Bn	CMP INR	TP INR	RECO	Adj. EPS (INR/sh)			P/E (x)			EV/EBIDTA (x)			ROE (%)		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Larsen & Toubro	5390	3922	4529	BUY	143.1	174.9	207.1	27.4	22.4	18.9	11.8	13.3	11.1	17.0	18.5	19.2
Siemens	1221	3496	4275	BUY	55.6	68.5	79.6	61.7	48.3	41.3	47.8	39.9	34.1	13.5	14.8	15.3
ABB India	1441	6836	6996	ADD	81.1	101.4	131.8	83.8	65.9	50.6	67.6	54.4	40.7	20.0	20.8	22.2
Cummins India	1524	5662	7096	BUY	95.2	115.3	147.1	57.7	47.7	37.4	49.5	40.1	30.5	29.3	27.9	27.8
KEC International	131	505	557	ADD	23.2	37.1	51.8	21.1	13.2	9.5	10.9	5.9	4.6	9.6	13.9	16.9
Hitachi Energy India	1440	32605	31414	ADD	398.2	478.6	497.3	81.1	67.5	64.9	61.5	50.8	47.5	29.3	26.6	21.8
Thermax	527	4809	5300	BUY	74.5	102.7	128.0	62.9	43.9	35.2	44.1	31.5	25.6	15.9	17.3	18.5
Kalpataru Power	232	1352	1764	BUY	72.2	88.2	103.1	18.8	15.4	13.2	6.5	8.4	7.3	8.8	8.9	8.9
Siemens Energy India	1199	3526	3844	BUY	56.8	71.3	85.7	59.3	47.2	39.3	45.0	37.2	31.0	30.8	29.9	27.9
Wt. Average					**137.5**	**168.0**	**194.2**	**50.4**	**40.4**	**34.0**	**35.4**	**30.3**	**25.0**	**20.8**	**21.2**	**20.3**

Source: Company, HSIE Research

Power and Utilities	MCap INR Bn	CMP INR	TP INR	RECO	Adj. EPS (INR/sh)			P/E (x)			EV/EBIDTA (x)			ROE (%)		
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
NTPC Green Energy	781	94	126	BUY	1.4	3.5	4.6	65.1	27.2	20.5	21.3	15.0	12.7	6.2	13.5	15.4

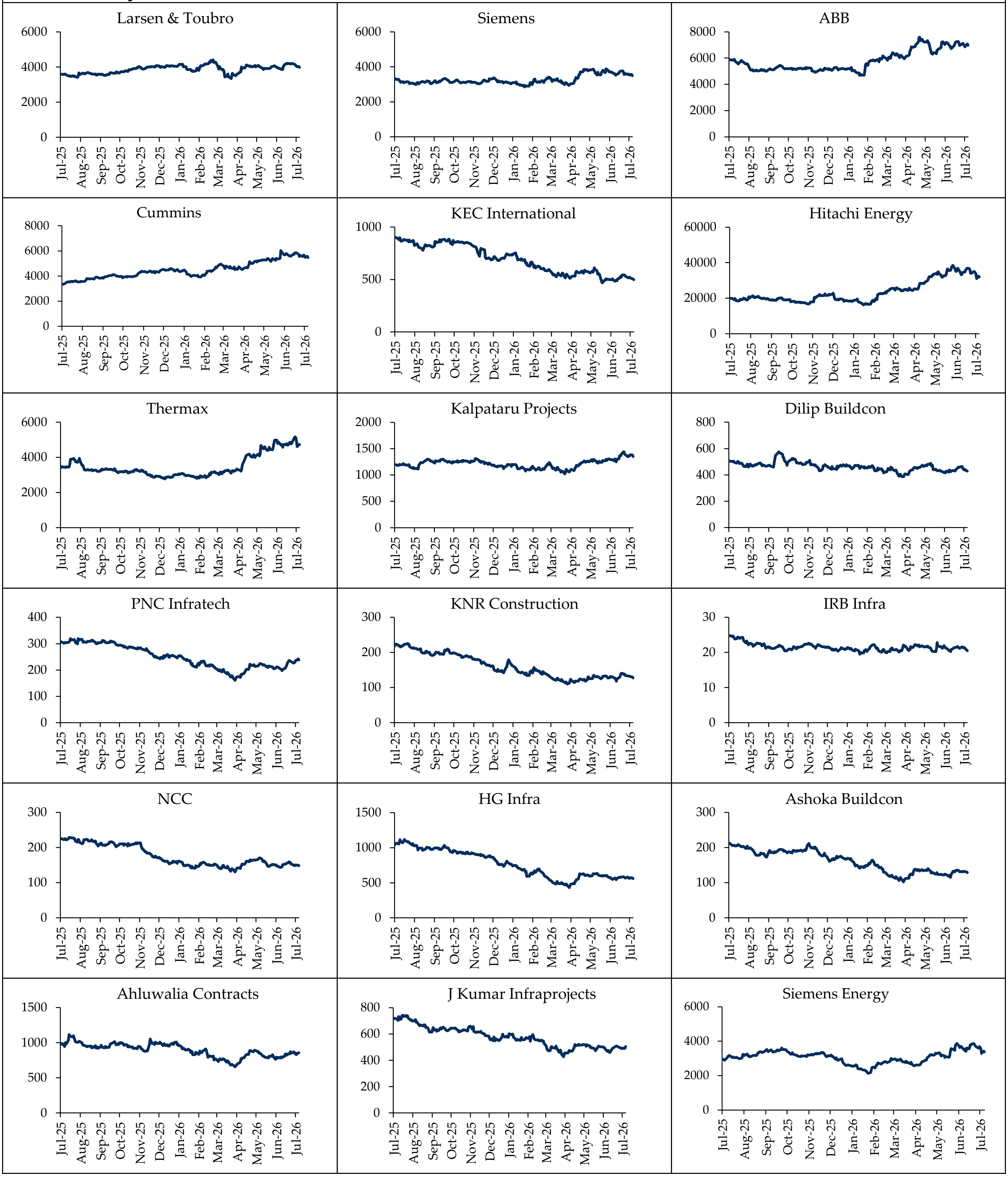
Source: Company, HSIE Research

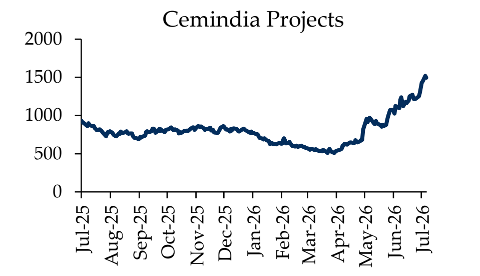
Change in Target Price

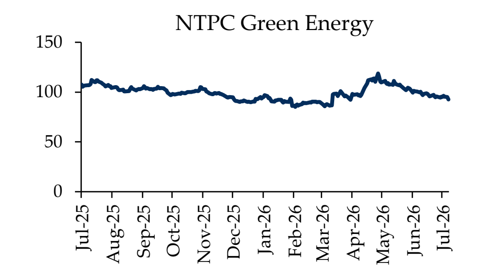
INR/sh	CMP	Old TP	New TP	Upside	Comments
CemIndia Projects	1532	942	1459	-4.8%	We see significant part of Cemindia group order inflow to come in from Adani group, with nearly 50%+ inflows share and growing annually. Adani order inflows in the past has come from ports, roads, data center etc and future newer segments like Pump storage, Airports, Commercial building etc can add to overall inflows. We increase our valuation multiple from 18x to 27x to capture this opportunity/growth and increase our TP to INR 1,459/sh. We maintain BUY on the stock.

Source: HSIE Research

Price history







Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:

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