

Q3FY2026 Results Preview

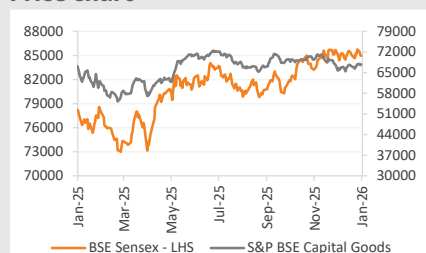
Sector:	Capital Goods
Sector View:	Positive

Coverage universe

Company	CMP (Rs)	Reco	PT (Rs)
Project based			
Bharat Electronics	417	Buy	500
KEC International	693	Buy	1,000
Kalpataru Power	1,142	Buy	1,570
Ratnamani Metals	2,279	Hold	2,900
Thermax	3,060	Hold	3,600
Triveni Turbines	531	Buy	750
Cummins India	4,120	Buy	4,950
Carborundum Universal	820	Buy	1,040
Hindustan Aeronautics Ltd.	4,488	Positive	6,000
Kirloskar Oil Engines	1,188	Positive	1,376
Dee Development	228	Positive	380
Va Tech wabag	1,260	Buy	1,770
Larsen & Toubro	3,730	Buy	4,550
Honeywell automation	33,735	Hold	40,500
Product based			
Finolex cables	781	Buy	1,250
V-Guard	325	Buy	460
KEI Industries	4,422	Buy	4,800
Polycab India	7,761	Buy	8,800
Amber Enterprises	6,516	Buy	9,300
Blue star Limited	1,821	Buy	2,000
Dixon Technologies	11,975	Buy	18,500
Power			
NTPC	344	Buy	400
Power Grid	259	Buy	350
Tata Power	374	Buy	485
CESC	167	Buy	195

Source: Company, Mirae Asset Sharekhan Research estimates;
UR - Under Review

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Capital Goods

Sector comfortably placed

Summary

- The capital goods sector is comfortably positioned, supported by - 1) A strong order book providing healthy revenue visibility, 2) Strong balance sheet that provides leeway for capex, and 3) Favourable government policies
- Our universe for the sector is likely to report a ~16% y-o-y revenue growth. Most project-based companies would post healthy double-digit revenue growth on a strong order book. Product-based companies would see stable growth of ~15.9%. OPM is likely to remain flat at 11.6% showcasing a marginal improvement of 38bps y-o-y. Net profit is expected to grow by ~28.4% y-o-y, driven by healthy revenues.
- Power companies in our coverage are expected to report revenue/EBITDA/PAT growth of 3%/1%/1.4% y-o-y. Company-wise PAT growth estimates are as follows: NTPC - 3.9% y-o-y, PowerGrid - 0.7% y-o-y, Tata Power - 12% y-o-y, CESC - 20% y-o-y.
- Preferred Picks:** Project-based companies - We prefer BEL, HAL, KOEL, Triveni Turbines, KEC International and Kalpataru Projects; Consumer electricals - prefer, Amber Enterprises, Polycab India and KEI Industries. In the power segment, we like CESC, NTPC and Powergrid.

Capital goods companies in our coverage are set for steady numbers in Q3FY26. We foresee a stable order inflows momentum backtracked by demand from sectors like defence, electronics manufacturing, railways, renewables, and transmission & distribution (T&D) etc. Additionally, the new energy theme remains promising and is likely to maintain its positive trajectory. Government capex remained healthy for 9MFY26, which is driving order inflows. Private capex remains muted and would pick up in coming quarters, but select pockets like Thermal, Buildings and Factories, Data Center are seeing a pickup. Commodity prices are exorbitantly high, which would lead to margins to be key monitorable in the current and coming quarters. Our coverage universe is likely to post strong results with robust revenue growth backed by execution of existing orderbook. Well supported by stronger order books, we project an execution growth of 15% in the project based companies. Defence sector has been in focus as the DAC has approved acquisition proposals of Rs 79000 crore leading to total of Rs 3.3L crore of proposals YTD providing stability to future prospects of defence companies. For product-based companies, we are expecting a lower growth of 16%, lower than historical trends of 25-30% owing to a slowdown in EMS companies where in Dixon is expected to post muted results due to lower mobile volumes pick up by one of its customers. Overall revenue growth is likely to be ~16%. Overall, Q3FY26 is shaping up to be steady, marked by strong order inflows, robust revenue growth, and selective margin gains. With valuations in check, the spotlight will be on execution. Cables & wires (C&W) companies are expected to report decent volume growth on a higher base. OPM is expected to remain flat with an increase of 38 bps y-o-y.

Steady order inflows: Capital goods sector has broadly relied on public sector capex, which is faring well on a YTD basis, but the concern is towards the private capex which remains muted except for select pockets such as Data center, Thermal power and B&F segment. Order inflows for major large companies in the sector has been stable with no major growth considering the larger base. Defence sector order inflows has grown in and around low double digits ignoring the large base effect of HAL bagging large order in Q3FY25. L&T has been focus winning a large order for an ultra-mega project in hydrocarbon segment. Also on the exports side L&T has been gaining huge traction in orders inflows from international geographies specifically from Middle East. Companies in our universe are exploring different export markets. Core EPC companies are eyeing large projects in the Middle East, LatAm and other geographies. Companies are gaining traction in sectors like transmission, Renewables, decarbonization etc.

Healthy execution expected: Our coverage universe (including product-based companies) is expected to post ~15.6% y-o-y growth. OPM is expected to improve slightly by ~38 bps y-o-y. Project-based companies are expected to see revenue growth of ~15%, led by healthy execution of all-time high order backlog of all the companies including defence stocks such as HAL and BEL. OPM would rise by ~40 bps to 12.5% as an benefit of operating leverage. PAT is expected to grow at by ~27% y-o-y as sectors like T&D, defence and genset companies to keep trend of strong executions. Order booking remained strong for defence, T&D and infrastructure companies.

Power sector: Power demand of 393 billion units (BU) in Q3FY26 was up 0.1% y-o-y. The quarter saw a "V-shaped" recovery in consumption. After a dip in October due to an extended monsoon and moderate temperatures, demand surged in December as winter heating and industrial activity ramped up. In power PSUs, NTPC will have moderate generation and sales growth, and net profit to grow 3.9% y-o-y. PowerGrid is not expected to see any major commissioning leading to a flat PAT growth y-o-y because of lower capitalisation. Tata Power is likely to report a weak quarter with the expiry of Section 11 benefit in the Mundra plant. CESC is expected to have a good quarter with rise in PAT by 20% y-o-y with the benefit of the higher rate of PPA flowing in. Our coverage universe is expected to report a Revenue/EBITDA/PAT growth of 3.0%/1.0%/1.4% on a y-o-y basis.

Valuation:

We expect our capital goods universe to continue to perform well, driven by strong execution of highest ever order books. Order intake was encouraging in all the key sectors like power, metro, railways, T&D, data centre and automaton. We continue to like companies with a well-diversified order book and revenue base, margin tailwinds and reasonable valuations. We remain optimistic on the public capex cycle backed by government policies and measurements.

Preferred Picks: L&T, BEL, HAL, KOEL, Va Tech Wabag, Amber Enterprises, KEC, KKC, KPIL and Polycab India. In power, we like CESC, NTPC and PowerGrid.

Q3FY2026 Result Preview

Particulars	Sales (Rs. crore)				OPM (%)				PAT (Rs. crore)			
	Q3 FY26E	Q3 FY25	YoY (%)	QoQ (%)	Q3 FY26E	Q3 FY25	YoY (bps)	QoQ (bps)	Q3 FY26E	Q3 FY25	YoY (%)	QoQ (%)
Larsen & Toubro	74368	64668	15.0	9.4	10.0	9.7	33	-1	4313	3359	28.4	9.9
Bharat Electronics	6983	5771	21.0	20.6	29.0	28.9	7	-39	1536	1311	17.1	18.5
KEC International	6312	5349	18.0	3.6	7.0	7.0	0	-7	189	130	46.2	17.8
Kalpataru Projects	5839	4826	21.0	7.8	8.0	8.3	-33	-25	204	157	29.9	2.2
Ratnamani Metals	1369	1316	4.0	14.9	17.0	15.5	151	-73	164	133	23.3	5.2
Thermax	2708	2508	8.0	9.5	8.2	7.5	66	125	163	113	43.5	29.2
Triveni Turbines	573	503	14.0	23.2	21.0	21.7	-65	-164	109	93	17.6	11.5
Cummins India	3611	3086	17.0	13.9	21.0	19.4	156	-92	722	514	40.5	28.0
Carborundum Universal	1343	1255	7.0	4.5	13.0	14.1	-110	39	87	141	-38.1	16.4
Hindustan Aeronautics Ltd.	8001	6957	15.0	20.7	25.0	24.3	68	148	1920	1434	33.9	15.0
Kirloskar Oil Engines	1420	1164	22.0	-11.5	13.5	10.1	344	14	128	65	96.5	-9.3
Dee Development	203	162	25.0	-25.0	16.0	3.5	1249	-32	14	-13	-206.5	-20.5
Va Tech Wabag	970	811	19.5	23.0	12.9	12.4	108	109	93	70	31.9	28.4
Honeywell Automation	1178	1091	8.0	30.2	11.0	13.0	190	-164	118	132	-10.8	15.3
Project based companies	40509	34799	16.4	11.2	17.1	16.6	47	68	5448	4281	27.3	15.7
Finolex cables	1277	1182	8.0	-7.2	11.0	10.9	9	45	128	146	-12.6	-21.5
V-Guard	1339	1185	13.0	5.3	6.5	7.0	-49	-21	67	48	39.3	1.5
KEI Industries	2961	2467	20.0	8.6	9.8	9.8	4	-8	222	165	34.7	9.1
Polycab India	6376	5226	22.0	-1.6	15.0	13.9	110	-76	669	471	42.2	-3.4
Amber Enterprises	2507	2133	17.5	52.2	7.0	7.4	-44	146	45	37	21.7	NA
Blue star Limited	3032	2807	8.0	25.2	7.5	7.5	4	-6	127	121	5.5	29.2
Dixon Technologies	12022	10454	15.0	-19.1	3.9	3.7	16	12	337	215	56.4	-54.9
Products based	29513	25455	15.9	-4.1	7.9	7.6	34	29	1595	1203	32.6	-17.7
Grand total	144390	124922	15.6	6.8	11.6	11.2	38	37	11356	8842	28.4	7.4

Source: Company; Mirae Asset Sharekhan Research

Q3FY26 Result estimates

Particulars	Sales (Rs. crore)				OPM (%)				PAT (Rs. crore)			
	Q3 FY26E	Q3 FY25	YoY (%)	QoQ (%)	Q3 FY26E	Q3 FY25	YoY (bps)	QoQ (bps)	Q3 FY26E	Q3 FY25	YoY (%)	QoQ (%)
NTPC	42403	41369	2.5	8.3	26.9	29.0	-207	130	4800	4618	3.9	6.2
Power Grid	10323	10121	2.0	3.2	85.2	84.2	103	515	3580	3555	0.7	0.7
Tata Power	16007	15391	4.0	3.0	21.6	20.0	163	-105	899	1031	-12.8	-2.2
CESC	3846	3561	8.0	-27.0	28.6	25.6	305	717	318	265	20.0	-25.2
Total	72579	70442	3.0	3.7	34.1	34.8	-65	170	9597	9469	1.4	1.9

Source: Company; Mirae Asset Sharekhan Research

Valuations

Company	CMP (Rs.)	Reco.	Price Target (Rs.)	EPS (Rs.)			P/E (x)		
				FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Capital goods									
Larsen and Toubro	3,730	Buy	4,550	106.2	135.8	162.8	37.9	29.7	24.7
Bharat Electronics	416	Buy	500	8.6	10.1	11.7	48.1	41.2	35.4
Finolex Cables	779	Buy	1,250	48.3	50.4	55.0	16.1	15.5	14.2
KEC International	685	Buy	1,000	35.0	44.7	53.2	19.6	15.3	12.9
Kalpataru Projects International	1,137	Buy	1,570	60.1	81.0	95.8	18.9	14.0	11.9
Ratnamani Metals	2,278	Hold	2,900	90.8	102.8	119.9	25.1	22.2	19.0
Thermax	3,061	Hold	3,600	68.6	80.6	88.0	44.6	38.0	34.8
Triveni Turbine	530	Buy	750	12.4	15.8	19.2	42.6	33.6	27.6
V-Guard Industries	323	Buy	460	8.4	9.9	12.5	38.3	32.5	25.9
KEI Industries	4,404	Buy	4,800	93.5	117.8	148.9	47.1	37.4	29.6
Polycab India	7,751	Buy	8,800	188.1	228.1	280.6	41.2	34.0	27.6
Dixon Technologies	11,987	Buy	18,500	229.5	318.9	350.0	52.2	37.6	34.2
Amber Enterprises	6,527	Buy	9,300	79.9	118.9	196.3	81.7	54.9	33.2
Cummins India	4,118	Buy	4,950	83.9	98.7	115.1	49.1	41.7	35.8
Blue Star Limited	1,819	Buy	2,000	31.8	37.9	45.2	57.3	48.0	40.2
Carborundum Universal	818	Buy	1,040	20.7	25.8	30.0	39.5	31.7	27.3
Honeywell Automation	33,730	Hold	40,500	595.8	695.4	863.3	56.6	48.5	39.1
Va Tech Wabag	1,244	Buy	1,770	52.5	66.8	79.6	23.7	18.6	15.6
Viewpoint									
Hindustan Aeronautics	4,480	Positive	6,000	131.0	149.3	174.7	34.2	30.0	25.6
Dee Development Engineers	225	Positive	380	17.3	22.2	28.4	13.0	10.1	7.9
Kirloskar Oil Engines	1,181	Positive	1,376	35.4	42.8	50.6	33.4	27.6	23.3
Power									
NTPC	344	Buy	400	26	28	32	13.2	12.3	10.8
Power Grid	259	Buy	350	18	19.7	22	14.4	13.2	11.8
Tata Power	374	Buy	485	18.9	21.8	25	19.8	17.2	15.0
CESC	167	Buy	195	7.4	8.1	10	22.6	20.6	16.7

Source: Company; Mirae Asset Sharekhan Research; UR – Under Review

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