

# Capital Goods

## 1QFY24 Result Preview

July 06, 2023

### Expect sustained growth momentum with margin expansion

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#### Key Points

- We expect most companies under our coverage to deliver strong growth on the back of execution of a robust order book. We expect topline growth of 19.6% YoY for companies under our coverage universe.
- We are expecting 80bps YoY margin improvement on the back of easing RM costs, lower freight costs and better supply chain dynamics.
- We continue to remain structurally positive on the sector from near term to medium term perspective on the back of recovery in the capex cycle and healthy order inflows with an adverse impact on working capital being the key monitorable.
- We expect Triveni Turbine to deliver strong growth (+40% YoY) on the back of improved execution post strong order inflows. Power Mech Projects (+59% YoY) will benefit from strong execution of a robust order book post the FGD order win from the Adani Group.

Company	TP (Rs)	Rating
Apar Industries	2,950	Acc
KEC International	605	Acc
Power Mech Projects	3,690	Buy
Solar Industries	4,000	Acc
Thermax	2,350	Acc
Triveni Turbine	485	Buy

**Expect strong YoY growth; realizations will be the key monitorable:** We expect topline growth of 19.6% YoY for companies under our coverage universe. From our coverage universe, we expect Triveni Turbine, Power Mech Projects, KEC International and Thermax to deliver healthy topline growth of 40% YoY, 59% YoY, 20.5% YoY and 15% YoY, respectively. While we expect Apar Industries to deliver a strong topline growth (+22.8% YoY), we believe that Conductors segment realizations will be the key monitorable going ahead. We expect Solar Industries to deliver a weak topline (-5% YoY) due to weak realizations amid softening Ammonium Nitrate prices.

**Expect YoY margin improvement:** We are expecting 80bps YoY margin improvement on the back of easing RM costs, lower freight costs and better supply chain dynamics. We expect Triveni Turbine to register 90bps YoY margin improvement on the back of easing RM cost headwinds and better operating leverage. For Power Mech Projects, we expect 40bps YoY margin improvement, driven by lower royalty payments in the Civil segment and a favourable change in the order book mix. We expect 50bps QoQ margin improvement for KEC International as legacy Brazil EPC projects are completed. For Thermax, we expect 120bps YoY margin improvement on the back of improved profitability of the Chemicals segment. While we expect Apar Industries' EBITDA margin to improve by 100bps YoY, margin is expected to ease sequentially by 160bps on account of declining sequential Conductor segment realizations. We expect Solar Industries' margin to improve by 220bps YoY on back RM costs softening benefits which will eventually be passed on to customers, albeit with a lag.

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Company	Sales			EBITDA			EBITDA margin (%)			PAT		
	1QFY24E	YoY(%)	QoQ(%)	1QFY24E	YoY(%)	QoQ(%)	1QFY24E	4QFY23	1QFY23	1QFY24E	YoY(%)	QoQ(%)
Apar Industries	37,989	22.8	(7.1)	3,345	40.9	(21.1)	8.8	10.4	7.7	1,610	31.5	(33.7)
KEC International	39,983	20.5	(27.6)	2,242	33.1	(20.9)	5.6	5.1	5.1	330	6.2	(54.4)
Power Mech Projects	11,871	59.0	1.1	1,377	64.9	5.3	11.6	11.1	11.2	770	94.9	2.3
Solar Industries India	15,349	(5.0)	(20.4)	3,024	6.9	(15.4)	19.7	18.5	17.5	1,668	(2.0)	(19.1)
Thermax	19,027	15.0	(17.7)	1,332	38.7	(33.4)	7.0	8.7	5.8	878	49.0	(43.7)
Triveni Turbine	3,626	40.0	(1.9)	714	46.9	7.7	19.7	17.9	18.8	596	56.0	7.4
<b>Our Coverage Universe</b>	<b>127,844</b>	<b>19.6</b>	<b>(17.0)</b>	<b>12,034</b>	<b>31.2</b>	<b>(17.7)</b>	<b>9.4</b>	<b>9.5</b>	<b>8.6</b>	<b>5,852</b>	<b>27.1</b>	<b>(27.6)</b>

Source: Company, Nirmal Bang Institutional Equities Research

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BUY > 15%

ACCUMULATE -5% to 15%

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