BUY (Upgrade from HOLD)

CMP: **INR 2,299** Target Price: **INR 2,800 (INR 2,986)** ▲ 22%

ICICI Securities

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14 November 2025

India | Equity Research | Results Update

Power Mech Projects

Infrastructure

A good first half; strong order outlook on thermal power tailwinds

Power Mech (POWM) delivered a good first half, with its adj. revenue/EBITDA up 10%/13% YoY. Historically, it has been delivering a much better H2 – in a full year, POWM has been doing ~2.5x its H1 revenue (in last three years). We expect the trend to continue this fiscal too; we bake in 15% revenue growth in FY26. Growth outlook for FY27–28E remains upbeat, with its mining production potentially ramping up; note that the mining business commands higher margins than its blended EBITDA margins. The company reported order inflow (OI) of >INR 48bn in YTD FY26 and it expects OI to touch INR 100bn in full-FY26. Its order book (OB) is healthy at INR 142bn, as of Sep'25 (ex-MDO orders of INR 396bn), with a book-to-bill ratio of 2.6x (OB at YTD FY26 at INR 167bn). The order outlook remains strong in the near–medium term given robust pipeline in thermal power. POWM is also keen on opportunities in the steel sector and iron ore (MDO). We upgrade to **BUY**, from *Hold*.

A good set of results

POWM delivered a good set of results in Q2FY26. It reported revenue of INR 12.4bn (+20% YoY), EBITDA of INR 1.5bn (+19% YoY) and profit of INR 0.8bn (+12% YoY). Revenue growth was driven by the erection segment, which grew 90% YoY. The company has reported adj. revenue of INR 22.4bn in H1 (reported revenue ~INR 25bn); historically, it delivers much better performance in H2 compared to H1. The company guides for revenue of INR 62–63bn in FY26.

Healthy OI; guided a strong finish to the fiscal

POWM reported OI of INR 10.4bn in Q2 (-22% YoY); however, in YTD FY26, it has received orders worth >INR 48bn driven by strong OI in Q3 so far. Its OB, as of Q2, stood at INR 538bn; and ex-MDO, OB stood at INR 142bn (book-to-bill of 2.6x). It expects orders worth INR 100bn in FY26 (vs. INR 48bn achieved in YTD FY26) on the back of a strong near-term pipeline in thermal and MDO (iron ore).

Thermal power tailwinds support strong outlook

The company is eyeing a robust pipeline in thermal EPC, as large thermal equipment and EPC players, including BHEL and L&T, continue to strengthen their thermal OBs, which adds to POWM's opportunity. The company recently won an order from BHEL worth >INR 25bn. Given the tailwinds in thermal capacity addition and limited competitive intensity, we expect strong thermal OI to continue for the next 2–3 years. POWM is also expected to benefit from its growing O&M capacity base. Further, the company's revenue and profitability growth outlook is also supported by a likely ramp-up in its mining production over the next two years.

Upgrade to BUY

We upgrade to **BUY**, from *Hold*, given the correction in stock price in last 3 months.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	42,067	52,341	60,091	77,435
EBITDA	4,960	6,040	7,044	9,501
EBITDA Margin (%)	11.8	11.5	11.7	12.3
Net Profit	2,744	3,487	4,023	5,762
EPS (INR)	173.5	110.3	127.2	182.2
EPS % Chg YoY	5.6	(36.5)	15.4	43.2
P/E (x)	13.2	20.8	18.1	12.6
EV/EBITDA (x)	7.1	12.2	10.4	7.6
RoCE (%)	16.2	16.4	15.3	17.4
RoE (%)	17.6	17.3	16.9	20.3

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Market Data

Market Cap (INR)	73bn
Market Cap (USD)	819mn
Bloomberg Code	POWM IN
Reuters Code	POMP.BO
52-week Range (INR)	3,415 /1,699
Free Float (%)	42.0
ADTV-3M (mn) (USD)	3.1

Price Performance (%)	3m	6m	12m
Absolute	(26.4)	(17.4)	(10.5)
Relative to Sensex	(31.3)	(21.5)	(19.3)

ESG Score	2023	2024	Change
ESG score	NA	60.5	NA
Environment	NA	41.8	NA
Social	NA	64.6	NA
Governance	NA	72.1	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(8.2)	(9.0)
EBITDA	(6.7)	(8.9)
EPS	(15.2)	(12.6)

Previous Reports

13-08-2025: Q1FY26 results review

01-06-2025: Q4FY25 results review

Q2FY26 conference call: Highlights

OB highlights

- During Q2FY26, the company received orders worth INR 10bn
- In YTD FY26, its OI was >INR 48bn; key orders include
- Received order from BHEL worth >INR 25bn – EPC package for balance of plans (BOP) at 1X800MW Singareni Super Thermal Power Project
- POWM expects strong OI in H2

Mining business

- KBP mine
  - The company aims to start extracting coal in Nov'25 and expects revenue to be booked from Dec'25. Further, it guides for FY26 revenue of ~INR 0.6-0.7bn
- Tasra mines
  - POWM guides to book revenue of ~INR 1.5bn from the Tasra mines in FY26.
- The company is looking for any MDO opportunity in iron ore and is keen on iron ore opportunities in NMDC
- The company expects significant ramp up in mining output in FY27-28; it expects to reach peak capacity of 4mtpa in FY27 in the SAIL mine and ramp-up in the CCL mine to 2.5-3mn tonnes in FY27
- It expects INR 5.5-6bn revenue from the two mines in FY27

Guidance

- POWM guides for INR 63-65bn revenue in FY26 and INR 75-80bn in FY27
- It expects EBITDA margins in FY26 to be similar to FY25 levels and expects 20-50bps improvement in FY27
- The company expects INR 100bn of OI in FY26 (OI >INR 48bn in YTD FY26)

Order pipeline

- Management sees a strong pipeline within BoP segment of thermal power from large thermal players in India including Adani Power and NTPC. It highlighted that awarding is yet to happen for many of the projects awarded in the last 6 months
- It highlighted thermal project pipeline of 46GW with ~83-85% of the total capex in EPC; of the total thermal EPC opportunity, POWM's opportunity is ~55-60%
- The company pointed to INR 3trn worth of thermal EPC opportunity; of which, the company expects INR 1trn order booking over the next three years

Others

- Management continues to see payment issues within the water segment (POWM has been executing work in Uttar Pradesh). The company is in discussion with the UP government for the same and expects receivables to come down

- The company is keen on opportunity in capex related to steel capacity addition and expects good traction given significant investment plans by many of the leading steel players

Exhibit 1: Consolidated financial highlights (INR mn)

Particulars (INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	QoQ (%)	YoY (%)
Net sales	10,355	13,380	18,533	10,054	12,379	*23%*	*20%*
EBITDA	1,237	1,510	2,157	1,200	1,471	*23%*	*19%*
OPM (%)	*12%*	*11%*	*12%*	*12%*	*12%*	*-6 bps*	*-6 bps*
Other inc.	101	89	167	114	109	*-4%*	*8%*
Interest	189	249	337	294	284	*-3%*	*50%*
Dep. & Amort.	133	140	161	164	174	*6%*	*31%*
PBT	1,016	1,209	1,827	855	1,122	*31%*	*10%*
PAT	702	862	1,316	509	789	*55%*	*12%*
Reported PAT	695	866	1,298	806	781	*-3%*	*12%*
EPS (INR)	22	27	41	25	25	*-3%*	*-44%*
Order Inflow	13,355	12,160	22,243	12,700	10,420	*-18%*	*-22%*
Order Backlog (Ex-MDO)	1,84,020	1,82,800	1,43,870	1,43,910	1,42,260	*-1%*	*-23%*
Order Backlog	5,80,670	5,79,150	5,39,940	5,39,720	5,37,760	*0%*	*-7%*

Source: I-Sec research, Company data

Valuation and outlook

POWM has established itself as a key player in the infrastructure and power services sector, demonstrating resilience across business cycles. Over FY19–24, its revenue and PAT have grown at CAGRs of 13% each, driven by a strong OB and execution capabilities. The company has been expanding its footprint beyond power services into segments like railways, water, and O&M, ensuring diversification and long-term growth visibility. It had an OB of INR 142bn (ex-MDO OB of INR 396bn), as of Q2FY26, translating to a book-to-bill ratio of 2.6x, providing strong revenue visibility.

We have revised our estimates downwards, based on H1's performance, factoring in a lower growth trajectory than estimated earlier. However, given the strong pipeline, especially in thermal power capex, we expect strong growth in the company's OB and value the stock at 15x FY27E earnings (14x FY27E earlier). Given the correction in the stock's price over the last three months, we upgrade POWM to **BUY**, from *Hold*, with a revised TP of INR 2,800 (INR 2,986 earlier).

Key risks: 1) Slowdown in MDO project execution; 2) delay in OI; 3) higher-than-expected thermal tendering; and 4) greater-than-expected MDO revenues.

Exhibit 2: Valuation

Particulars	Rationale	INR mn	Multiple (x)	Value (INR mn)	Value/share (INR)
EPC	15x FY27E earnings	5,762	15	88,532	2,800
Target price (INR)				**88,532**	**2,800**

Source: I-Sec research, Company data

Exhibit 3: Revision in earnings

INR mn	FY26E			FY27E		
	Earlier	Revised	YoY (%)	Earlier	Revised	YoY (%)
Revenue	65,427	60,091	-8.2	85,055	77,435	-9.0
EBIDTA	7,550	7,044	-6.7	10,428	9,501	-8.9
PAT	4,746	4,023	-15.2	6,589	5,762	-12.6

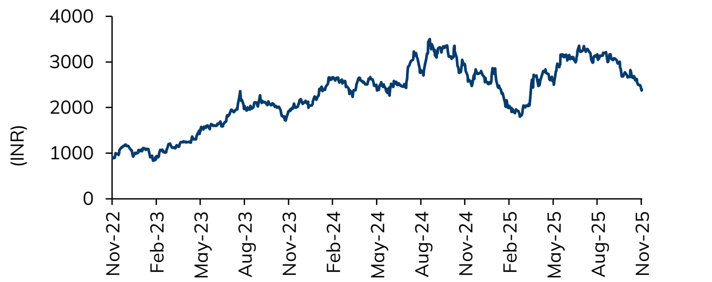
Source: I-Sec research

Exhibit 4: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	58.3	58.3	58.3
Institutional investors	28.1	28.4	28.0
MFs and other	20.8	20.8	19.5
Banks/ FIs	2.5	2.5	1.5
Insurance Cos.	0.0	0.0	0.0
FIIs	4.7	5.1	7.0
Others	13.6	13.3	13.7

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	**42,067**	**52,341**	**60,091**	**77,435**
Operating Expenses	6,364	7,500	10,153	15,497
EBITDA	**4,960**	**6,040**	**7,044**	**9,501**
EBITDA Margin (%)	11.8	11.5	11.7	12.3
Depreciation & Amortization	440	558	770	935
EBIT	4,520	5,482	6,274	8,567
Interest expenditure	718	1,008	1,265	1,483
Other Non-operating Income	278	450	540	702
Recurring PBT	**4,080**	**4,924**	**5,549**	**7,786**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,336	1,437	1,526	2,024
PAT	2,744	3,487	4,023	5,762
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**2,744**	**3,487**	**4,023**	**5,762**
Net Income (Adjusted)	**2,744**	**3,487**	**4,023**	**5,762**

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	28,938	37,255	41,788	49,477
of which cash & cash eqv.	4,798	5,928	8,497	12,099
Total Current Liabilities & Provisions	10,634	14,062	15,105	17,460
Net Current Assets	**18,304**	**23,194**	**26,683**	**32,017**
Investments	362	353	360	367
Net Fixed Assets	2,288	3,160	5,890	8,456
ROU Assets	-	-	-	-
Capital Work-in-Progress	113	279	285	290
Total Intangible Assets	-	-	-	-
Other assets	3,975	5,104	5,205	5,308
Deferred Tax Assets	-	-	-	-
Total Assets	**25,041**	**32,090**	**38,423**	**46,438**
Liabilities				
Borrowings	**3,918**	**7,232**	**9,732**	**12,232**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	-	-	-
other Liabilities	2,727	3,031	3,031	3,031
Equity Share Capital	158	316	316	316
Reserves & Surplus	18,222	21,283	25,116	30,632
Total Net Worth	**18,380**	**21,599**	**25,432**	**30,948**
Minority Interest	16	227	227	227
Total Liabilities	**25,041**	**32,090**	**38,423**	**46,438**

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**1,130**	**(273)**	**3,103**	**4,030**
Working Capital Changes	(1,614)	(3,760)	(920)	(1,732)
Capital Commitments	(510)	(1,039)	(2,736)	(2,571)
Free Cashflow	**1,640**	**765**	**5,839**	**6,601**
Other investing cashflow	**-**	**-**	**-**	**-**
Cashflow from Investing Activities	(510)	(1,039)	(2,736)	(2,571)
Issue of Share Capital	2,882	(268)	(190)	(247)
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(834)	3,315	2,500	2,500
Dividend paid	-	-	-	-
Others	415	(606)	(108)	(110)
Cash flow from Financing Activities	2,463	2,442	2,203	2,144
Chg. in Cash & Bank balance	**3,083**	**1,130**	**2,569**	**3,602**
Closing cash & balance	4,798	5,928	8,497	12,099

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	173.5	110.3	127.2	182.2
Adjusted EPS (Diluted)	173.5	110.3	127.2	182.2
Cash EPS	201.4	127.9	151.6	211.8
Dividend per share (DPS)	2.4	8.4	6.0	7.8
Book Value per share (BV)	1,162.6	683.1	804.3	978.7
Dividend Payout (%)	1.4	7.6	4.7	4.3
Growth (%)				
Net Sales	16.8	24.4	14.8	28.9
EBITDA	22.9	21.8	16.6	34.9
EPS (INR)	5.6	(36.5)	15.4	43.2
Valuation Ratios (x)				
P/E	13.2	20.8	18.1	12.6
P/CEPS	11.4	18.0	15.2	10.9
P/BV	2.0	3.4	2.9	2.3
EV / EBITDA	7.1	12.2	10.4	7.6
P / Sales	0.9	1.4	1.2	0.9
Dividend Yield (%)	0.1	0.4	0.3	0.3
Operating Ratios				
Gross Profit Margins (%)	26.9	25.9	28.6	32.3
EBITDA Margins (%)	11.8	11.5	11.7	12.3
Effective Tax Rate (%)	32.7	29.2	27.5	26.0
Net Profit Margins (%)	6.5	6.7	6.7	7.4
NWC / Total Assets (%)	0.1	0.1	-	-
Net Debt / Equity (x)	(0.1)	0.0	0.0	0.0
Net Debt / EBITDA (x)	(0.3)	0.2	0.1	0.0
Profitability Ratios				
RoCE (%)	16.2	16.4	15.3	17.4
RoE (%)	17.6	17.3	16.9	20.3
RoIC (%)	16.2	16.4	15.3	17.4
Fixed Asset Turnover (x)	20.3	19.2	13.3	10.8
Inventory Turnover Days	11	15	14	14
Receivables Days	97	113	105	104
Payables Days	67	72	67	67

Source Company data, I-Sec research

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