

Capital goods cos may see rise in profit, dip in orders

Order inflows expected to have declined in June quarter due to LS elections

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Fresh order wins for capital goods and industrial companies may have seen a major slump due to Lok Sabha polls in the first quarter of the current financial year (Q1FY25). At the same time, revenue and profit growth trajectory is expected to have stayed the course, according to brokerage firms.

Elara Capital, Motilal Oswal, and InCred Equities expect this sector universe to report a 12- 21 per cent growth in revenue, 21 -36 per cent growth in Ebitda and 24-38 per cent growth in profit on a year-on-year (Y-o-Y) basis. Ebitda is earnings before interest, depreciation, taxation and amortisation.

RESULTS PREVIEW

Most of this growth is expected on the back of a strong order backlog won in the last financial year. Elara Capital noted that the expected revenue growth in Q1FY25 is based on healthy industrial demand and execution backed by a robust backlog.

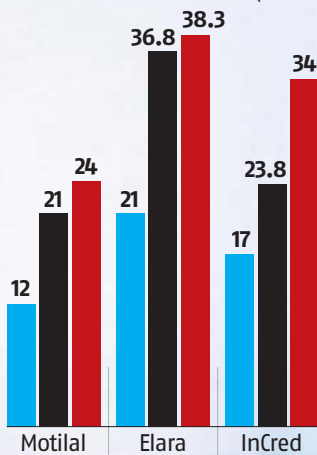
According to Elara Capital data, the disclosed order inflow for the March-24 ended quarter was at ₹72,881.1 crore, which slumped in the quarter under review.

The brokerage firm also noted that major capital goods companies, includ-

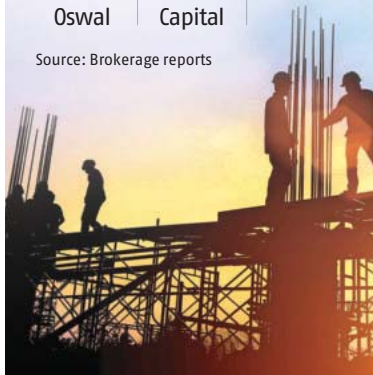
GROWTH PROJECTIONS

Industrials & capital goods

■ Revenue ■ Ebitda ■ PAT (%Y-o-Y)



Source: Brokerage reports



ing Larsen & Toubro (L&T), have announced cumulative orders worth ₹23,500 crore in Q1FY25, down 73 per

cent Y-o-Y.

Order inflows or new order wins in the first quarter of FY25 are expected to have declined due to the general elections.

“After strong order inflows in FY24, we expect some moderation in Q1FY25, particularly for companies focused on government capex, due to general elections during the quarter,” analysts at Motilal Oswal noted in their report.

Listing the reported order wins for some of the major companies in Q1FY25, Motilal Oswal noted that L&T had announced orders worth ₹18,300 crore, besides BHEL winning ₹4,300 crore, KEC International ₹4,900 crore, and Kalpataru Projects International ₹2,300 crore.

For India’s largest engineering firm – L&T, brokerage firms such as Nuvama expect an eight per cent growth in revenue, nine per cent in Ebitda and 17 per cent in core PAT to settle at ₹2905.1 crore. On the road ahead, the brokerage firm said, “With robust order inflow growth, execution completion of legacy projects, refinancing of Hyderabad metro, margins may see ramping up but at a slower pace, hence we maintain our neutral stance.”

Others such as Motilal Oswal expect conversion of orders from the private sector for its capital goods universe, while exports remain slow.

“As per companies, the domestic enquiry pipeline from private sectors such as sugar, metals and even the defense sector should see conversions to orders from the second quarter of FY25 onwards. We expect this (product export) weakness to continue for a few more quarters,” the brokerage noted.