

₹8.45 trn & rising: Orders flood major capital goods firms

Both India and overseas demand behind the rush

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India's leading capital goods and engineering firms are in the midst of one of their busiest seasons, with the combined orderbook surging past ₹8 trillion in value.

As on September 30, 2023, 13 of India's top 15 listed capital goods and engineering firms, for which data for the September 2023 quarter was available, had a total orderbook worth ₹8.45 trillion — a number unseen at least since 2018-19.

"This intuitively looks like an all-time high factoring in inflation," said Anupama Arora, a senior independent analyst who tracks the capital goods sector.

The surge in orders is largely driven by India's increasing demand for construction and infrastructure, besides substantial orders from international markets, particularly energy-related markets. But this boom presents its own set of challenges. Industry executives and analysts said that resource management, including labour and working capital, managing commodity cycles, and maintaining order growth rates will be key challenges to overcome

According to Himanshu Chaturvedi, chief strategy and growth officer for Tata Projects, the private sector capex, which had been subdued for several years, has begun to rebound. This resurgence is due to "specific government interventions like the production-linked incentive scheme, mid-cycle capacity utilisation, and other factors, such as deleveraged corporate balance sheets, healthy profitability, and a well-capitalised banking system."



PICKING UP PACE

Period (as of)	Orderbook in ₹ crore
Mar '19	5,99,406
Mar '20	5,93,966
Mar '21	6,53,351.5
Mar '22	6,91,831.9
Mar '23	7,65,499
Sep '23*	8,45,207

Note: Data for the five-year period from March 2019 to March 2023 excludes two of the top 15 listed capital goods/engineering firms: GR Infraprojects & Cummins India for which 5-year continuous data was not available. Data considered for ABB India is for the calendar years 2019, 2020, 2021, 2022, 2023. Data considered for Siemens is for financial reporting years ending in September. *Data doesn't include orderbook for Siemens and Cummins India. Siemens reported an order backlog of ₹17,183 crore in CY22
Source: Company disclosures

Capital goods firms

The unlisted company of the Tata group had an outstanding orderbook of ₹48,000 crore as of March 2023.

For industry leaders, such as Larsen & Toubro (L&T), a combination of increased infrastructure-related orders in India and large orders from international hydrocarbon markets has contributed to an all-time high orderbook of ₹4.5 trillion. Besides, at least two of the 15 companies — Ashoka Buildcon and Thermax Global — have reported their current orderbooks to be the highest ever.

While robust orderbooks are generally a positive sign, they come with their own set of challenges. R Shankar Raman, chief financial officer and whole-time director for L&T, in a recent interview with Business Standard said: “The challenge for us is going to be resource management without doubt.”

To address similar concerns, companies like Kalpataru Projects International are focusing on resource augmentation. “We are going to campuses and skilling labour to meet the rise in demand for labour in tandem with orders. Further, we have added newer assembly lines at some of our factories to accommodate the increase in order wins,” said Amit Uplenchwar, director, Kalpataru Projects International — one of the 15 top companies in this space having an outstanding order book of ₹47,040 crore as of September 2023. Uplenchwar further said multiple positive factors are contributing to this growth, including India’s infrastructure boom. “There has also been a rise in demand for contractors who can execute large-scale realty projects with the required credit support. The streamlining of regulations around realty, such as RERA, has led to this rise in demand in the

THE LEADERBOARD

Companies (as of Sep 2023)	Orderbook (₹ cr)
L&T	4,50,000
HAL	81,800
BHEL	1,14,425
K E C International	31,320
Kalpataru Projects International	47,040
Apar Industries*	5,977
Dilip Buildcon	23,988
Ircon International	32,152
ABB India	8,008
G R Infraprojects	20,004
CG Power & Industrial Solutions	5,229
Ashoka Buildcon	15,000
Thermax	10,264
Total	8,45,207

Note: Orderbook data for Cummins India & Siemens were not available; *refers to conductors' orderbook

Source: Company disclosures

buildings segment,” he said.

Analysts with Geojit Financial Services noted, “Government’s thrust on capex spending and a revival in private capex provide ample impetus to the sector. The pick-up in T&D order book and improvement in margins are positive for KEC.” KEC is of the 15 listed entities and reported an order book of ₹3,1320 crore as of September 2023. But not all firms share the same optimism. G R Infraprojects, for example, apprehends that the upcoming elections could disrupt the growth momentum. The company, one of the 15 listed companies, has an orderbook of ₹20,000 crore. Its management recently revised the new order win outlook downwards by half in a call with analysts.

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