

Capital Goods

Elecrama 2025: Key Takeaways

We visited the 16th annual exhibition organized by IEEMA (Indian Electrical and Electronics Manufacturers' Association) – Elecrama 2025. It is considered one of the largest global exhibitions dedicated to the power sector and promoting Make in India. The event gathers key stakeholders from various segments of the power and renewable energy industry, including transmission and distribution (T&D) players, equipment manufacturers, and EPC service providers, making it a platform for sharing key insights, current innovations, collaboration, and understanding the future trends shaping the sector. The 16th edition of 2025 witnessed the participation of over 1,000 exhibitors from 80 countries, focusing on New Energies & Storage, E-Mobility & Charging Infrastructure, Digital Energy, Power Transmission & Distribution, Automation/Motion & Drives, and Startups. Amongst our coverage universe, we saw ABB, Siemens, KEC, Kalpataru, Hitachi Energy, and Larsen & Toubro in attendance.

- Transformers, Switchgears and CPCB IV+ Gensets:** Growing segments in the Indian energy industry and a core pillar in energy distribution, transformers are considered one of the key segments in the T&D industry, as they form a critical component in the energy transmission infrastructure chain. With the growing power demand in India and an uptick in renewable energy integration supported by government policies and initiatives, the transformer segment is expected to witness strong upward momentum. At the expo, we witnessed companies showcasing their capacity expansion plans and product lines to meet the ever-increasing demand. Notably, players such as Raychem RPG and CG Power and Industrial Solutions Limited showcased both generation and transmission transformers with wide-ranging capacities from 4 MVA to 500 MVA, operating across multiple KV ranges. This reflects strong industry demand for a variety of applications. The gap between the supply and demand for transformers is currently expected to be more than twice as large, as India continues to focus on building resilient grids while integrating renewable energy into a grid historically dominated by thermal energy. This creates long-term order visibility for the segment and the industry at large, as well as growth opportunities for manufacturers.
- Larger capital goods companies showcased product and services portfolio:** Siemens, ABB, Siemens Energy, Hitachi Energy, GE Vernova, and CG Power participated on the capital goods side, while KEC, Kalpataru, and Transrail showcased their EPC services portfolios. The general commentary across the board was one of cautious optimism. Among the power generation portfolio, we saw Ashok Leyland and Kirloskar Oil Engines' OEM partner participation. CPCB 2 inventory continues to play a spoil sport in LHP power generation, impacting Kirloskar (resulting in a loss of market share) and other players. The second-hand power generation market is seeing inquiries from low-end customers. It is expected that CPCB 2 inventory will be exhausted by March 2025. CPCB 4+ pricing is stabilizing, and in the base case, a 3-5% price cut may occur. Koel may have cut prices, attributing market share loss to higher pricing of CPCB 4+, whereas the real reason could be the CPCB 2 inventory. Any price reversals by Koel may result in prices sustaining at current levels. Cummins power generation may still be priced 10% higher, given its strong brand and CPCB 4+ node launches ahead of its peers.

Capital Goods	CMP INR	TP INR	RECO
Larsen & Toubro	3,213	4,339	BUY
Siemens	4,932	7,087	BUY
ABB India	5,191	5,716	ADD
Cummins India	2,861	4,597	BUY
KEC International	699	963	ADD
Hitachi Energy India	12,195	15,001	ADD
Thermax	3,210	5,001	BUY
Kalpataru Power	843	1,309	BUY

Source: HSIE Research

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- Correction has resulted in multiple compression, offers attractive entry:** Our coverage universe has corrected by about 35-40% from its one-year high. This has made the valuation and multiple more palatable. Government capex is picking up pace, exports present a unique opportunity, and localization and capacity expansion bode well. **Top Picks: LT, Siemens, Cummins, and KPIL.**

CG Power – Products



In the Diesel Generating Sets segment, we observed that the industry's product profile is transitioning to more environmentally friendly gensets with the implementation of stricter CPCB IV+ emission norms by the Indian government. The change in regulatory stance and the implementation of stricter emission norms have affected industry players across the board, including Cummins, CSH Power Himoina (Ashok Leyland), Mahindra Powerol, and Kirloskar, to name a few. However, we found that players who had already developed products in line with CPCB IV+ emission standards, even prior to the mandatory implementation, were better positioned to handle demand disruptions.

Kirloskar CPCB 4 Power Generators



Siemens – EV Charging Solutions



The Switchgear segment too witnessed participation and showcasing of product lines by Siemens, ABB India and Schneider Electric, to name a few.

Siemens starters and controllers



Sentron – Intelligent power distribution



Schneider – LT panel

ABB Power train



ABB - Din rail protection portfolio

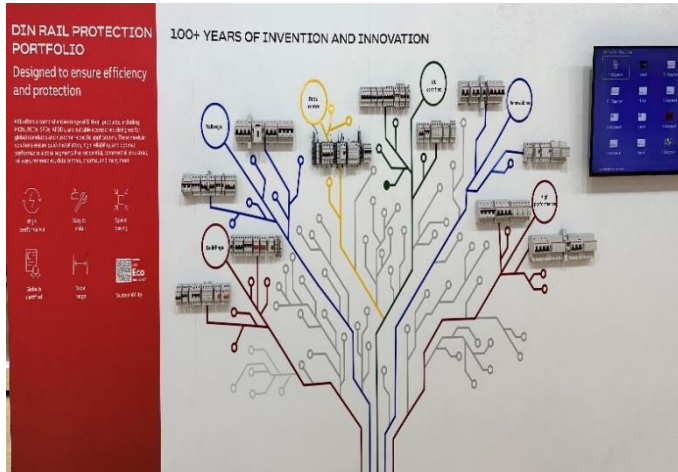


ABB – Low Voltage Motors



ABB IE 4 Flameproof Motors



Cables & Wires: The Enablers of Power Transmission: The cables and wires industry continues to play a crucial role in energy transmission, supported by product profiles such as low-voltage cables (LVC) and high-voltage cables (HVC). The industry is experiencing upward momentum driven by strong demand resulting from energy infrastructure development.

We interacted with players like Apar Industries and Raychem RPG, who provided us with insights on export opportunities and domestic demand, especially for high-voltage cables needed for underground cabling and long-distance power transfer. The EHV (Extra High Voltage) cable market, despite being a niche segment at the moment, is witnessing strong demand due to urbanization and space constraints in cities. We believe India's demand growth story applies to this segment as well, considering the overall growth in the T&D sector.

Industry tailwinds and the road ahead

- Government focus on capacity building towards energy infrastructure:** The government's emphasis on upgrading energy infrastructure and increasing the overall transmission and distribution capacity, particularly with initiatives like smart-grid development and renewable energy integration, will create resilient grid infrastructure and accommodate multiple energy generation sources/technologies while enhancing the agenda of a transnational grid. Initiatives like these are expected to create significant growth opportunities for the industry. The budgetary capex allocation provided historically, as well as the expected allocation in this decade, will drive double-digit growth in the transformer and cable segments until 2030.
- Focus on integrating renewable energy and HVDC technology:** Global grid development has witnessed a simultaneous transition towards clean and green energy sources, along with the implementation of High Voltage Direct Current (HVDC) technology as individual consumption accelerates. Grid solutions by Hitachi and GE Vernova T&D were showcased for the HVDC segment. The need for HVDC solutions has increased globally, led by China, with demand in India expected to rise as the need for long-distance power transmission grows. Companies investing in HVDC technologies are expected to gain a first-mover advantage in capturing a significant share of this growing segment.

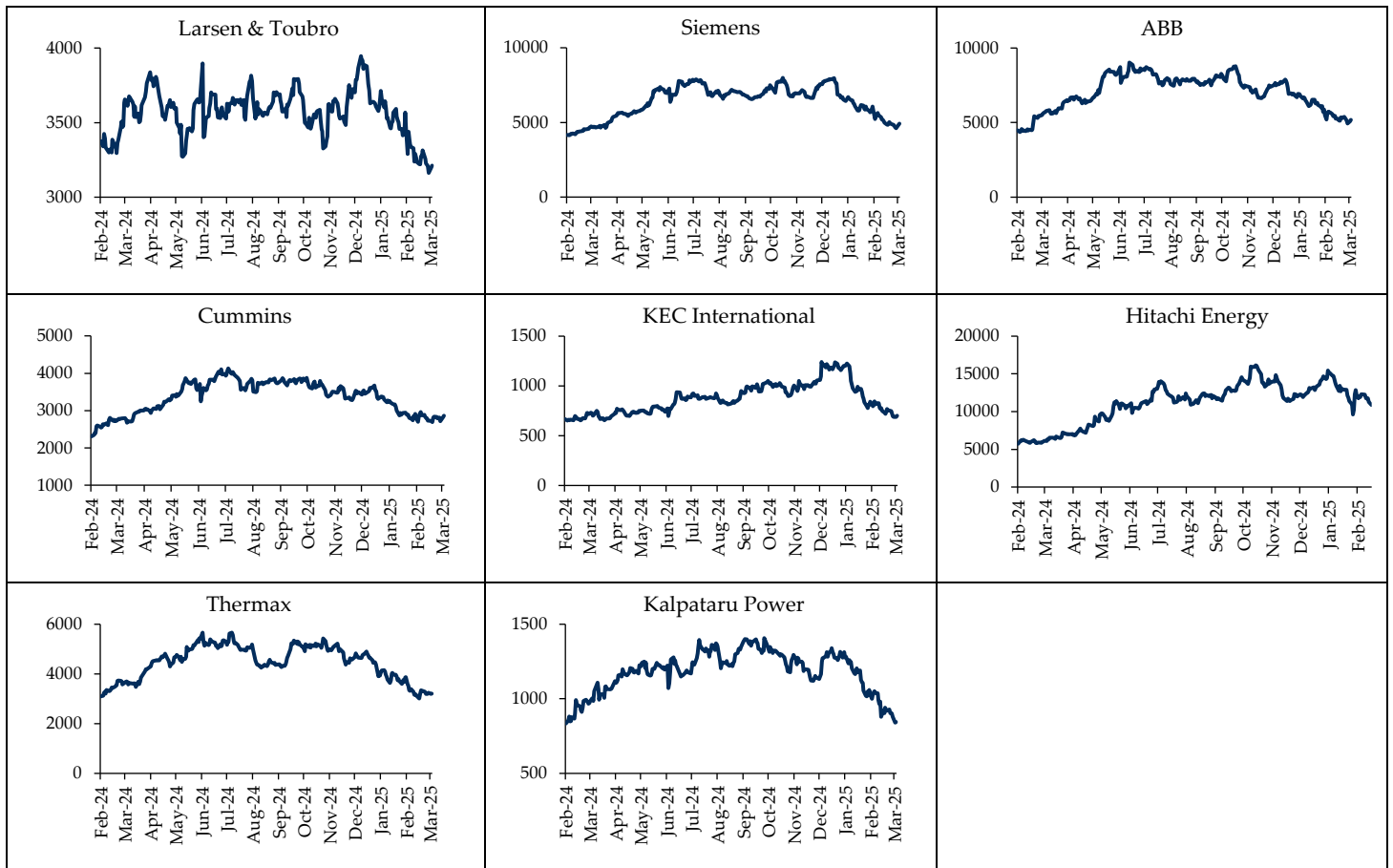
Conclusion

Elecrama 2025 showcased the fast-paced advancements and transformation occurring in the power T&D segment. Segments such as EV vehicles, HVDC systems, generation & distribution transformers, cables & wires, and smart meters are witnessing innovations aimed at providing more efficient, innovative solutions as the demand for electricity increases and global renewable energy integration progresses. Strong government capex continues to be a key supporting factor, along with technological advancements and industry collaborations by leading Indian players. As the industry evolves and the market expands, new offerings and exciting opportunities are expected to emerge for investors and stakeholders. Those who innovate and adapt to this changing landscape will become industry leaders in the Indian and global power industries.

Valuations

Capital Goods	MCAp INR Bn	CMP INR	TP INR	RECO	Adj. EPS (INR/sh)			P/E (x)			EV/EBIDTA (x)			ROE (%)		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Larsen & Toubro	4437	3228	4339	BUY	111.4	143.7	173.5	29.0	22.5	18.6	14.1	11.6	9.4	16.8	19.3	20.3
Siemens	1820	5110	7087	BUY	79.2	93.7	108.7	64.5	54.6	47.0	54.4	45.4	38.4	17.2	17.6	17.5
ABB India	1130	5335	8145	ADD	88.5	84.3	95.3	60.3	63.3	56.0	47.7	39.6	32.9	26.3	24.5	22.9
Cummins India	801	2888	4597	BUY	68.0	78.2	92.6	42.5	37.0	31.2	36.5	30.4	24.3	25.9	24.5	23.8
KEC International	188	706	963	ADD	21.3	41.1	50.5	33.1	17.2	14.0	14.7	10.3	9.1	14.9	22.4	21.7
Hitachi Energy India	554	13060	15001	ADD	79.9	156.8	279.5	163.5	83.3	46.7	103.1	54.6	31.9	22.1	32.7	40.5
Thermax	362	3214	5001	BUY	53.8	73.6	96.7	59.8	43.7	33.2	39.2	28.6	21.0	12.9	15.7	17.7
Kalpataru Power	144	886	1309	BUY	36.9	53.6	66.5	24.0	16.5	13.3	5.7	4.1	7.4	3.3	4.1	4.4
Wt. Average					91.8	116.0	144.0	49.8	39.0	31.7	33.8	26.1	20.8	18.7	20.5	21.3

Price History



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

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