PL Capital
PRABHUDAS LILLADHER

Capital Goods

Sector Update

August 19, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
ABB India	HOLD	7,546	6,944
Apar Industries	Accumulate	17,214	14,720
BEML	Accumulate	1,966	2,011
Bharat Electronics	Accumulate	412	452
BHEL	Reduce	425	368
Carborundum Universal	HOLD	1,130	1,072
Cummins India	HOLD	5,350	5,323
Elgi Equipments	Accumulate	614	638
Engineers India	BUY	245	294
GE Vernova T&D India	Accumulate	4,195	4,701
Grindwell Norton	Accumulate	2,102	2,113
Harsha Engineers International	Accumulate	436	462
Hindustan Aeronautics	BUY	5,099	5,795
Hitachi Energy India	HOLD	35,275	34,026
Ingersoll-Rand (India)	Accumulate	4,691	5,029
Kalpataru Projects International	Accumulate	1,404	1,472
KEC International	Accumulate	429	523
Kirloskar Pneumatic Company	Accumulate	763	1,715
Larsen & Toubro	BUY	4,064	4,425
Praj Industries	Buy	336	390
Siemens	HOLD	3,957	3,831
Siemens Energy India	Accumulate	3,593	3,434
Thermax	Reduce	4,080	3,952
Triveni Turbine	HOLD	582	615
Voltamp Transformers	Accumulate	10,094	11,003

DDP notifies 6th Positive Indigenisation List

Quick Pointers

- DDP, Ministry of Defence has notified the sixth Positive Indigenisation List (PIL) comprising 405 strategically important items
- ~5,400 items have been notified since the 1st PIL List was published by DDP in December 2021

Policy Update

The Department of Defence Production (DDP), Ministry of Defence, has notified the sixth Positive Indigenisation List (PIL) comprising 405 strategically important items across key defence platforms. We believe the broader scope of the latest PIL is aligned with the government's Atmanirbhar Bharat initiative and should strengthen the domestic defence manufacturing ecosystem by driving capacity creation, increasing MSME participation across the supply chain and reducing import dependence. The initiative builds on the Defence Acquisition Procedure (DAP) 2020 and Defence Procurement Manual (DPM) 2025, while complementing the Draft DAP 2026, which proposes indigenous content requirements of up to 60%.

Details of 6th Positive Indigenisation List

This include 16 items of the Indian Coast Guard (ICG) and 389 items of Defence Public Sector Undertakings (DPSUs). The indigenisation is expected to generate business worth~Rs31bn with previous PILs spurring domestic procurement from DPSUs with Rs100bn; creating an import substitution value of ~Rs90bn.

The items cover a broad range of defence platforms and systems, including:

- **Air platforms such as Advanced Light Helicopter, Light Utility Helicopter, Su-30MKI, Light Combat Aircraft and AL-31FP Engine**
- **Armoured platforms including T-72, T-90 and BMP-II**
- **Warships**
- **Missile systems such as Konkurs-M, Invar and MRSAM**
- **Defence electronics including radars, sonars, fire control systems and satellite communication systems**
- **High Explosive Anti-Tank ammunition and other critical defence equipment**

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The SRIJAN Defence Portal, launched in August 2020, serves as a platform connecting DPSUs and Service Headquarters with domestic industry to promote indigenous development and manufacturing of defence equipment. As of June 2026, over 33,000 items have been identified and offered for indigenisation through the portal, expanding opportunities for MSMEs, start-ups and other Indian defence manufacturers.

Our View

BEL and HAL have the highest share of items notified for indigenisation, with both companies already undertaking initiatives to deepen domestic sourcing. BEL has consistently invested in R&D, strengthened its vendor ecosystem through partnerships with MSMEs and established a dedicated Indigenisation Cell to support its Atmanirbhar Bharat objectives. HAL, meanwhile, has established a dedicated indigenisation fund by allocating 3% of annual PAT and is pursuing indigenous development through its Make-II framework, supporting greater localisation across its platforms and supply chain.

Positive Indigenisation Lists are structurally positive for Indian defence companies as they create a domestic demand pool by mandating local sourcing of identified defence equipment and components. This should accelerate import substitution, and technology development, while increasing opportunities for private players and MSMEs across platforms, subsystems and critical components.

We remain positive on long-term growth story of BEL given 1) strong order backlog of INR722.6bn (2.6x TTM Revenue) provide multi-year revenue visibility 2) healthy pipeline comprising QRSAM, NGC Systems, MFRX radars, P75I submarine programs and many others 2) diversification in non-defence verticals like data centres, cyber-security, drones and quantum communication to aid non-defence growth and 3) government focus on product indigenization and import substitution, supporting long-term growth visibility.

Exhibit 1: BEL and HAL form ~78% of the required indigenised item count spanning multiple platforms

PSU	No. of Items	Platforms	Timeline
AVNL	4	BMP-II/IIK	Dec-2026 to Dec-2027
BDL	13	MRSAM, KONKURS-M ATGM, INVAR ATGM	Dec-2027 to Dec-2029
BEL	227	Akash-NG Missile, Akash Missile, LYNX U2 (Fire Control System), EW System, R118 (Airborne EW System), REVATHI Surveillance Radar, SATCOM, Low Level Transportable Radar, Rohini-Upgrade, IFF UPG,HUMSA,CMS/15-A Ship-1, Communication Equipment, WLR, AFNET Communication System, Dhanush, Battle Field Surveillance Radar, Low Level Light Radar, FLYCATCHER,IACCS,D-29 EW Suite, QRSAM, Lords Mk1 Vehicle Mounted System, CDR TI FOR T-90,Tank T-72,COMPASS REV III,TI-IOE, IFDSS, Tank T-90	Dec-2027 to Dec-2032
BEML	7	High Mobility Truck for defence, Mining & Construction	Dec-2027 to Dec-2030
GRSE	7	Warships, Modular Steel Bridges	Dec-2026 to Dec-2029
GSL	20	Pollution Control Vessel, NGC, NGOPV, Dredger, Floating Dock, Frigates	Dec-2027 to Dec-2031
HAL	86	DORNIER-228, Cheetah, Chetak, JAGUAR, Su-30MKI, ALH, LCA, Hawk, AL-31 FP Engine, MIG-29	Dec-2026 to Dec-2030
HSL	15	Fleet Support Vesssel, Fleet Support Ship	Dec-2027 to Dec-2031
MIDHANI	7	Alloy Melting	Dec-2027
MIL	3	84mm HEAT 751, 84 mm RCL Gun	Dec-2026 to Dec-2028
ICG	16	Main Engine 4000 Series W4 & W5 Routine Kit of FPV Class Ships	Dec-2031

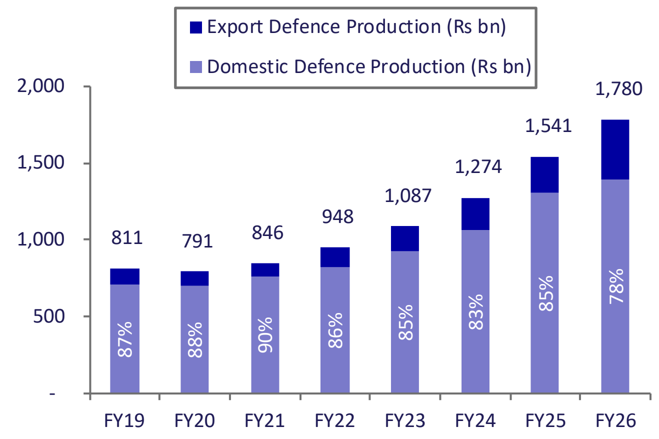
Source: PL, Press Information Bureau

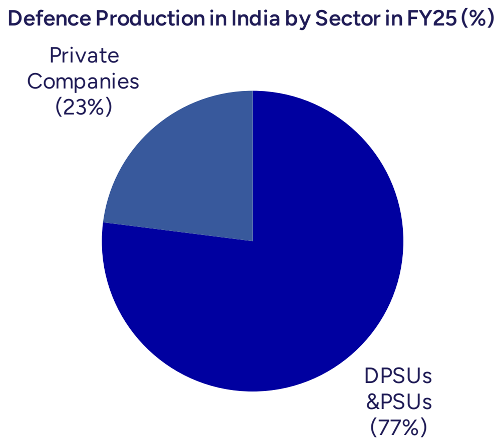
Exhibit 2: ~5400 items have been notified since the 1st PIL List was published by DDP in December 2021

PIL List	No of items
1st PIL	351
2nd PIL	107
3rd PIL	780
4th PIL	3428* (includes 2,500 items already indigenized)
5th PIL	346
6th PIL	405
Total Items Notified	5417

Source: PL, Press Information Bureau

Exhibit 3: Indigenisation plays a pivotal role in rapidly expanding defense production with an increasing share towards exports





Source: PL, Press Information Bureau

Exhibit 4: Rising indigenisation to drive local manufacturing with defence production target of Rs3trn by FY29

Financial Year	Localised Production (%)	Import Content (%)
FY20	30–35	65–70
FY21	~40	~60
FY22	~50	~50
FY23	~55–60	~40–45
FY24	~65	~35
FY25	65+ (as per mandate)	35 or lower
FY26	65+ (as per mandate)	35 or lower

Source: PL, Press Information Bureau, Minsitry of Defense

Exhibit 5: Valuation Matrix

Company	Revenue			Revenue CAGR FY26-FY28E	EBITDA			EBITDA Margin			PAT			PAT CAGR FY26-FY28E
	FY26	FY27E	FY28E		FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	
Hindustan Aeronautics	330,888	369,595	438,754	15.2%	97,698	108,291	128,116	29.5%	29.3%	29.2%	91,156	95,107	107,658	8.7%
BEML	43,505	54,149	64,932	22.2%	5,562	7,148	9,610	12.8%	13.2%	14.8%	3,236	4,476	6,203	38.5%
Bharat Electronics	274,796	320,861	369,211	15.9%	80,153	91,478	105,927	29.2%	28.5%	28.7%	60,485	70,524	82,545	16.8%

Source: Company, PL

Exhibit 6: Valuation Matrix

Company	EPS			P/E			EV/EBITDA			RoCE			RoE		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Hindustan Aeronautics	136.3	142.2	161.0	37.4x	35.9x	31.7x	30.2x	26.3x	21.4x	11.20%	11.00%	12.76%	23.98%	21.43%	20.91%
BEML	38.8	53.7	74.5	50.6x	36.6x	26.4x	29.9x	23.8x	18.2x	11.60%	13.79%	15.78%	11.12%	14.67%	18.12%
Bharat Electronics	8.3	9.6	11.3	49.8x	42.7x	36.5x	36.5x	31.9x	27.4x	34.43%	32.71%	32.04%	27.88%	26.92%	26.51%

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ABB India	HOLD	6944	7285
2	Apar Industries	Accumulate	14720	13889
3	BEML	Accumulate	2011	1911
4	Bharat Electronics	Accumulate	452	407
5	BHEL	Reduce	368	435
6	Carborundum Universal	HOLD	1072	1121
7	Cummins India	HOLD	5323	5402
8	Elgi Equipments	Accumulate	638	610
9	Engineers India	BUY	294	244
10	GE Vernova T&D India	Accumulate	4701	4299
11	Grindwell Norton	Accumulate	2113	2018
12	Harsha Engineers International	Accumulate	462	410
13	Hindustan Aeronautics	BUY	5795	4995
14	Hitachi Energy India	HOLD	34026	32600
15	Ingersoll-Rand (India)	Accumulate	5029	4606
16	Kalpataru Projects International	Accumulate	1472	1348
17	KEC International	Accumulate	523	451
18	Kirloskar Pneumatic Company	Accumulate	1715	1599
19	Larsen & Toubro	BUY	4425	3832
20	Praj Industries	Buy	390	335
21	Siemens	HOLD	3831	4011
22	Siemens Energy India	Accumulate	3434	3252
23	Thermax	Reduce	3952	4306
24	Triveni Turbine	HOLD	615	600
25	Voltamp Transformers	Accumulate	11003	9950

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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