

# Capital Goods

**Sector Update**

May 04, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
ABB India	Accumulate	7,230	6,319
Apar Industries	Accumulate	12,331	9,629
BEML	Accumulate	1,806	1,922
Bharat Electronics	REDUCE	431	411
BHEL	HOLD	352	245
Carborundum Universal	HOLD	952	825
Cummins India	Hold	5,266	4,182
Elgi Equipments	Accumulate	554	603
Engineers India	Buy	252	261
GE Vernova T&D India	Buy	4,466	4,050
Grindwell Norton	Hold	1,561	1,731
Harsha Engineers International	Hold	387	409
Hindustan Aeronautics	BUY	4,339	5,338
Hitachi Energy India	Hold	33,550	26,108
Ingersoll-Rand (India)	Buy	4,418	4,589
Kalpataru Projects International	Buy	1,250	1,466
KEC International	Accumulate	561	748
Kirloskar Pneumatic Company	BUY	1,503	1,715
Larsen & Toubro	BUY	4,014	4,806
Praj Industries	Accumulate	408	340
Siemens	ACCUMULATE	3,808	3,409
Siemens Energy India	Accumulate	3,279	3,145
Thermax	Accumulate	4,078	3,374
Triveni Turbine	Accumulate	573	585
Voltamp Transformers	BUY	11,742	10,312

## MoP eased the localization norms for HVDC (LCC)

### Quick Pointers

- MoP revises HVDC (LCC) localization norms from ~60% to 30% initially (till Mar'28), with a phased ramp-up to 60% by Mar'35
- Revision eases near-term execution and supports order inflow for HVDC EPC/turnkey players, while providing a transition runway for domestic manufactures to scale capabilities and drive long-term localization.

### Policy Update

The Ministry of Power (MoP), vide its notification dated 30th April 2026, has revised the Minimum Local Content (MLC) norms for **HVDC Substation (LCC type)** projects, introducing a phased localization roadmap in place of the earlier flat requirement (~60% of localisation). Under the revised framework, MLC has been reduced to **30% till Mar'28**, with a gradual increase to **60% by Mar'35**, replacing the earlier uniform ~60% requirement at the project level. The revision is aligned with the broader *Make in India* framework and seeks to balance near-term execution challenges with long-term localization objectives. The updated norms apply to EPC/turnkey HVDC projects and are expected to **ease execution** in high-technology segments where domestic manufacturing capabilities remain limited.

### Earlier Framework

Under the earlier MoP order dated November 2021, HVDC Substation (LCC type) projects were required to meet **~60% MLC at the project level**. While this supported domestic manufacturing, it posed practical challenges given the **limited availability of critical HVDC components** such as converter valves, control systems, transformers and high-end power equipment. The uniform **~60% threshold slowed execution** and constrained bidder participation, particularly for projects dependent on global OEM capabilities.

To address these bottlenecks, the revised policy introduces a **phased localization trajectory**, enabling flexibility in sourcing in the near term while preserving the long-term objective of indigenization.

Revised order replaces this with a **phased roadmap**:

- 30% up to Mar'28
- 40% (Mar'28–Mar'30)
- 50% (Mar'30–Mar'32)
- 60% (Mar'32–Mar'35)

Exhibit 1 : HVDC (LCC) projects awards &amp; pipeline – Shift from ~60% to phased localization norms

Project	Direct Voltage	Project Technology	Expected award date	Localization level	Awarded
Khavda – Nagpur	±800kV	LCC	Nov'24	~60%	Hitachi Energy and BHEL
Bhadla-Fatehpur	±800kV	LCC	April'25	~60%	Hitachi Energy and BHEL
Barmer-South Kalamb	±800kV	LCC	H2FY27	~30%	Yet to be awarded
Lakadia-Alephata	±800kV	LCC/VSC	FY27	~30% (if LCC)	Yet to be awarded

Source: PL

We believe there could be a possibility of relaxation in localization requirements (from ~60% to ~30%) for ongoing HVDC LCC projects such as Khavda–Nagpur and Bhadla–Fatehpur, which may support faster execution through improved sourcing flexibility for high-technology components; we await management clarification on the same.

### Execution and Supply chain implications

The revision directly addresses a key bottleneck wherein EPC contractors and HVDC technology providers have been facing challenges in procuring **high-technology equipment such as transformers, switchgear and control systems** domestically. The easing of localization requirements allows global OEMs and EPC players to **leverage parent/global supply chains** for critical components, thereby improving execution timelines and project delivery.

At the same time, the phased roadmap provides a **clear visibility runway for domestic vendors** to scale manufacturing capabilities, establish technology partnerships and integrate into the HVDC value chain over time.

We believe the revised norms are likely to benefit EPC and HVDC LCC technology players such as **Hitachi Energy India and GE Vernova T&D India**, given their strong presence in HVDC (LCC technology), driven by improved **execution flexibility, enhanced participation in upcoming HVDC bids and stronger order inflows**. At the same time, **domestic component manufacturers** are expected to benefit over the medium to long term as **localization requirements ramp up**, supporting capacity expansion, technology tie-ups and deeper integration into the HVDC supply chain. Additionally, global MNCs may likely to step up capex and deepen local partnerships to enhance localization capabilities over time.

Exhibit 2 : Peer Comparison

	Revenue (INR bn)			EBITDA (INR bn)			EBITDA Margin (%)		PAT (INR bn)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E
GE Vernova T&D India	63.3	82.3	102	17	19.7	23.9	27%	24%	24%	12.8	14.4
Siemens Energy India *	97.4	120.3	144.9	20	25.1	30.5	21%	21%	21%	14.5	18.1
Hitachi Energy India	78.9	111.3	154.6	12.2	17.9	25.4	16%	16%	17%	9.7	14.1

Peer Comparison (Rs Bn)	EPS (INR)			P/E (x)			RoE (%)			RoCE (%)	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E
GE Vernova T&D India	49.9	56.3	68.3	89.6	79.3	65.4	59%	46%	41%	74%	60%
Siemens Energy India*	40.8	50.9	63.4	80.4	64.4	51.7	29%	29%	29%	37%	37%
Hitachi Energy India	216.6	315.5	435.1	155	106.3	77.1	21%	24%	26%	23%	27%

Source: Company, PL

\* Y/e Sep

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ABB India	Accumulate	6319	6614
2	Apar Industries	Accumulate	9629	10767
3	BEML	Accumulate	1922	1603
4	Bharat Electronics	REDUCE	411	440
5	BHEL	HOLD	245	277
6	Carborundum Universal	HOLD	825	855
7	Cummins India	Hold	4182	4907
8	Elgi Equipments	Accumulate	603	500
9	Engineers India	Buy	261	209
10	GE Vernova T&D India	Buy	4050	3911
11	Grindwell Norton	Hold	1731	1488
12	Harsha Engineers International	Hold	409	349
13	Hindustan Aeronautics	BUY	5338	4033
14	Hitachi Energy India	Hold	26108	27315
15	Ingersoll-Rand (India)	Buy	4589	3798
16	Kalpataru Projects International	Buy	1466	1143
17	KEC International	Accumulate	748	578
18	Kirloskar Pneumatic Company	BUY	1715	1448
19	Larsen & Toubro	BUY	4806	3896
20	Praj Industries	Accumulate	340	337
21	Siemens	ACCUMULATE	3409	3223
22	Siemens Energy India	Accumulate	3145	2768
23	Thermax	Accumulate	3374	3535
24	Triveni Turbine	Accumulate	585	455
25	Voltamp Transformers	BUY	10312	9079

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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