Capital Goods – US India Trade Deal Beneficiaries

Trade Math Turns Decisively Positive for India

The sharp reduction of US tariffs on Indian goods from ~50% to 18% is a decisive structural positive for Indian capital-goods equities. It materially enhances export competitiveness versus peers, given that other key exporters still face significantly higher USA duties—China at about 34%, Vietnam ~46%, Bangladesh ~37%, South Korea ~25–26%, and Indonesia ~32% under the prevailing US reciprocal tariff regime prior to this change. This tariff realignment should help Indian capital-goods exporters narrow landed-cost disadvantages, reclaim market share, support margin expansion, and improve earnings visibility, warranting a constructive outlook for the sector. From our coverage, it's a strong positive for The Anup Engineering, TD Power Systems, Inox India, and Triveni Turbine.

- **The Anup Engineering (Exports constituted 62% of sales in FY25):** Despite nil current exposure to the USA in its order book, The Anup Engineering is well positioned to re-enter a strong growth trajectory as the US tariffs ease. With historical US revenue contribution of over 25% till FY25, export economics, margin visibility and bid competitiveness will materially improve. The company manufactures critical heat exchangers, pressure vessels and process equipment, supplying global EPCs and marquee clients across oil & gas, chemicals, fertilizers and power. Supported by a strong capex cycle and execution capabilities, the outlook for growth recovery appears compelling. At 21.3x FY28e EPS, we believe the company is a value buy with good downside protection.
- **TD Power Systems (63%):** Direct exposure to USA is 5-10% but can increase sharply aided by the tariff resolution. The company continues to benefit from a pronounced demand–supply imbalance in industrial generators, underpinning strong earnings visibility. A multi-year global upcycle in gas turbines and generators—driven by data centers, grid expansion and industrial demand—remains intact. TDPS's leadership in alternators, record OEM backlogs and their capacity constraints position it for sustained order inflows, high utilization, possible margin expansion and strong Q4 growth, aided by the Tumkur facility capacity expansion. Trading at 32.3x FY28e EPS, we believe the premium valuation is justified considering strong tailwinds from a clear structural demand and the latest USA-India trade deal is an icing on the cake.
- **Inox India (53%):** With ~15% exposure to the USA based on sales, the reduction in tariffs is a clear incremental positive for Inox India, enhancing export competitiveness with limited downside risk. This adds to an already robust thesis anchored in a diversified end-user base, resilient industrial gas demand, and growing LNG and cryo-scientific presence. Modest US exposure, reasonable valuations (26.1x FY28e EPS) and policy optionality reinforce Inox India's defensive yet upside-skewed profile.
- **Triveni Turbine (48%):** Exposure to the USA is currently very modest — its wholly-owned subsidiary in Texas (Triveni Turbines Americas Inc.) is in early stages and contributed less than 1% of revenue in FY25, with limited order conversion partly due to tariff uncertainty. While majority of its exports are to Europe, Middle East and other regions, the company has seen a sharp decline of ~30% YoY in its exports order intakes in H1-FY26. We believe the tariff resolution will increase the competitiveness of the company versus its peers in the global market leading to a recovery in order intakes going forward. Trading at 31.1x FY28e EPS, we remain sanguine of a strong recovery in operational performance in the near-term.

TDPS	BUY
Target Price (Rs)	875
CMP (Rs)	754
Upside	16%

Inox India	BUY
Target Price (Rs)	1,540
CMP (Rs)	1,106
Upside	39%

KSB	BUY
Target Price (Rs)	920
CMP (Rs)	699
Upside	34%

The Anup Engineering	HOLD
Target Price (Rs)	2,475
CMP (Rs)	1,860
Upside	33%

ESAB India	BUY
Target Price (Rs)	6,850
CMP (Rs)	5,648
Upside	21%

Triveni turbine	Accumulate
Target Price (Rs)	605
CMP (Rs)	506
Upside	20%

Source: MNCL Research Estimates

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Exhibit 1: Valuation

			EPS (Rs)			P/E (x)			EV/EBITDA (x)		
Company	**Mcap, Rs mn**	**CMP (Rs)**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
TD Power Systems	1,17,762	754	15.3	19.2	23.3	49.4	39.2	32.3	36.0	27.7	23.5
KSB Ltd (FY end Dec)	1,19,565	687	15.2	19.2	20.8	45.3	35.9	33.0	32.5	26.1	22.7
Inox India	1,02,926	1,106	29.6	35.4	42.4	37.3	31.2	26.1	28.2	23.5	19.5
ESAB India	86,940	5,648	136.3	143.8	170.1	41.4	39.3	33.2	32.9	27.8	23.5
Triveni Turbine	1,60,846	506	11.9	13.7	16.3	42.6	36.9	31.1	32.8	27.1	23.2
The Anup Engineering	35,147	1,755	61.1	70.8	81.9	28.7	24.7	21.3	18.5	15.9	13.2

Source: MNCL Research Estimates

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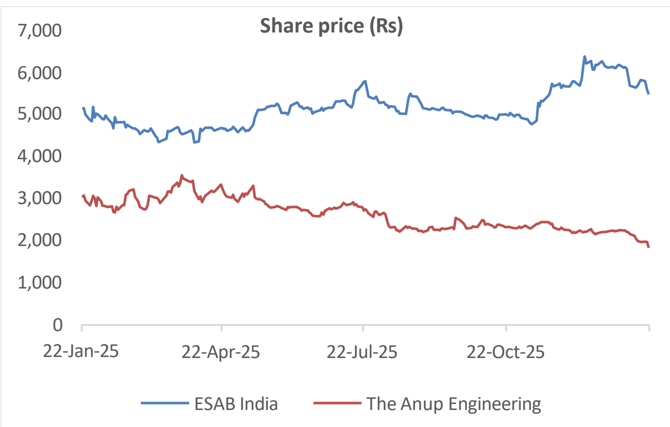

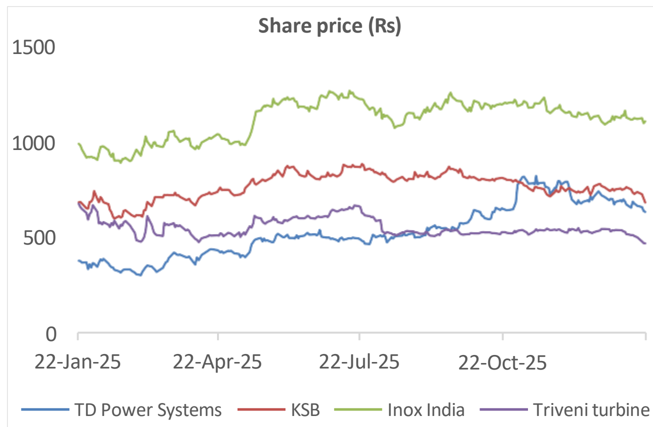

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