

PRECISION ENGINEERING

From Capacity to Qualification

October 2026

(Industrial Newsletter | Issue #1 | Abridged Edition)

Executive Summary

Hello Readers,

Welcome to the first edition of o3 Capital's Industrials Newsletter.

India has spent two decades building one of the world's deepest precision-manufacturing bases. What is changing is not its scale, but what the market values within it. Capacity has stopped being the differentiator; holding tolerance on difficult materials, carrying the certifications customers demand, and staying on a programme for a decade increasingly is.

Aerospace & Defence is rewarded for scarcity and programme visibility, Automotive for future-ready content, diversified platforms for structural adjacencies. Growth alone explains little of the gap; its quality explains most of it.

The most interesting moves are not capacity additions but migrations; driveline into electric systems, aerospace tooling into nuclear and semiconductor applications. Capital follows the same logic in different forms: growth and pre-IPO capital into Aerospace & Defence, control transactions in Automotive and Diversified Industrials.

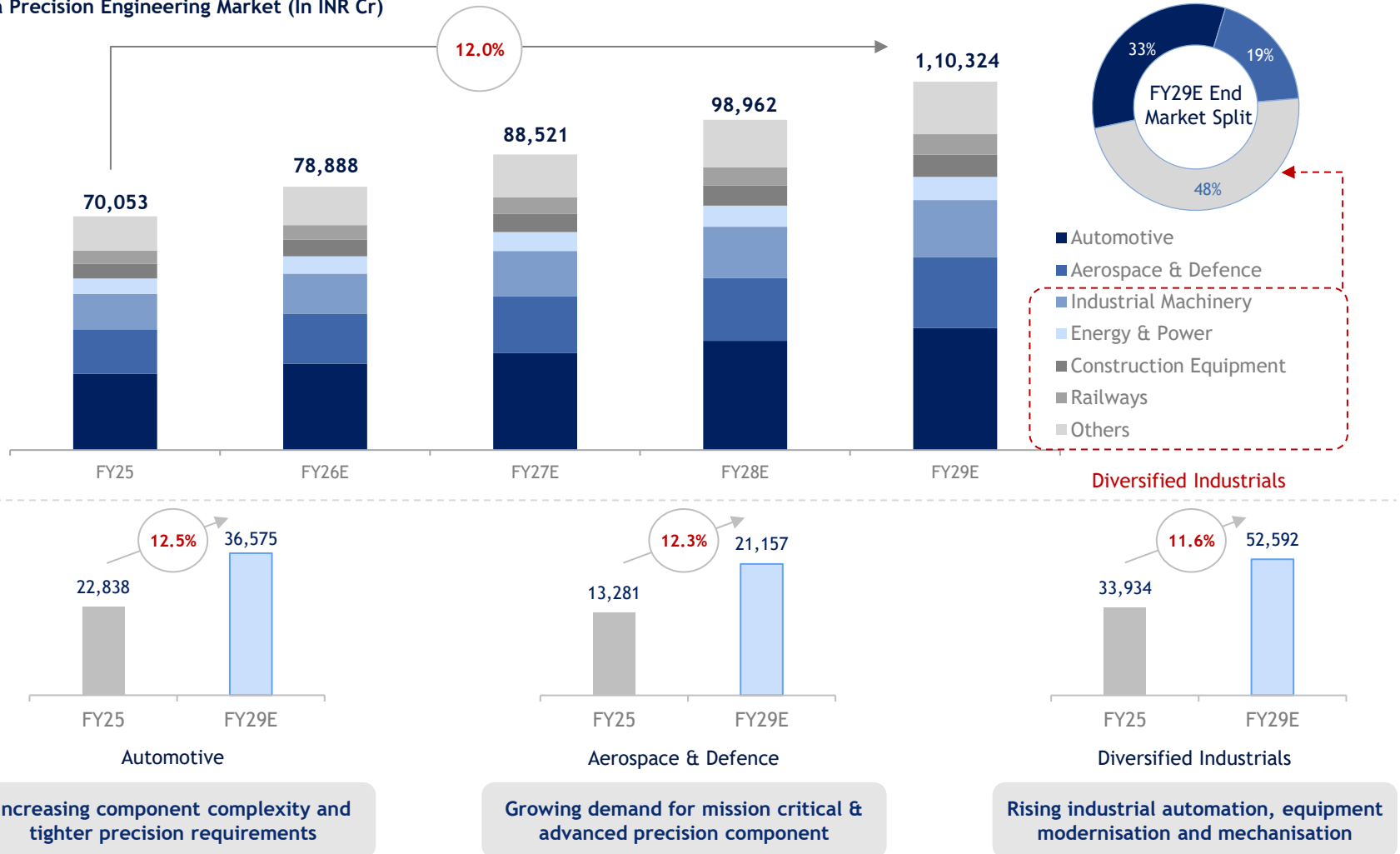
This edition highlights where the market is placing its premium and what it means for the next phase of capital. The detailed edition includes company case studies, financial benchmarking, and trading and transaction comparables. For a deeper discussion, please connect with o3 Capital's Industrials team.

Hope you enjoy reading the Newsletter.

Automotive and A&D anchor India's precision-engineering market

Automotive and A&D markets are forecast to grow double digit, while contributing more than 50% of India's precision engineering market

India Precision Engineering Market (In INR Cr)

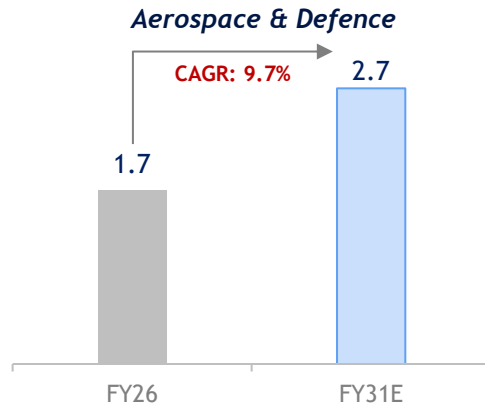


Source(s): IMARC, ICRA Analytics; Note: A&D stands for Aerospace and Defence, All figures in INR, USD to INR rate at 95.

A&D investments driving growth and demand is contracted rather than forecast

...and the adjacencies have moved from theme to funded programme

End-Markets in INR Lakh Cr



Defence procurement pipeline is scaling 

INR 6.8 lakh Cr
FY26 Acceptance of Necessity (AoN)

3.9x higher than FY25

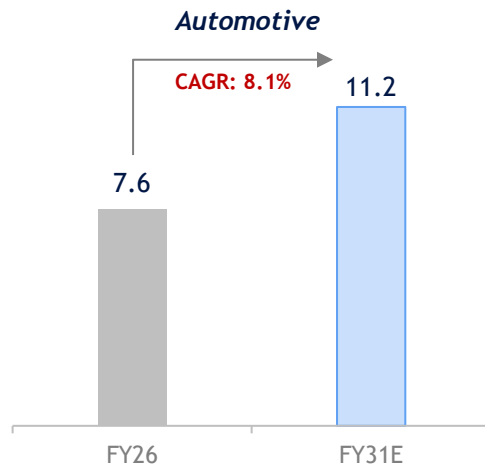
HAL order book 

~7.7x
Order book to revenue (FY26)

Multi-year visibility

Global OEMs are committing to sourcing from India (INR Cr)

AIRBUS	> 14,250
BOEING	> 11,900
SAFRAN	> 5x by CY30



Auto-component supplies to OEMs grew 16.3% in FY26

Auto-component exports reached INR 2.1 Lakh Cr in FY26 (+10.8% YoY), with India continuing to deepen its role in global sourcing

Emerging Adjacencies



Data Centre

8.6 Lakh Cr infrastructure opportunity by FY35E



Energy/Power

INR 5 Lakh Cr transmission capex through FY32, alongside growing nuclear equipment opportunity



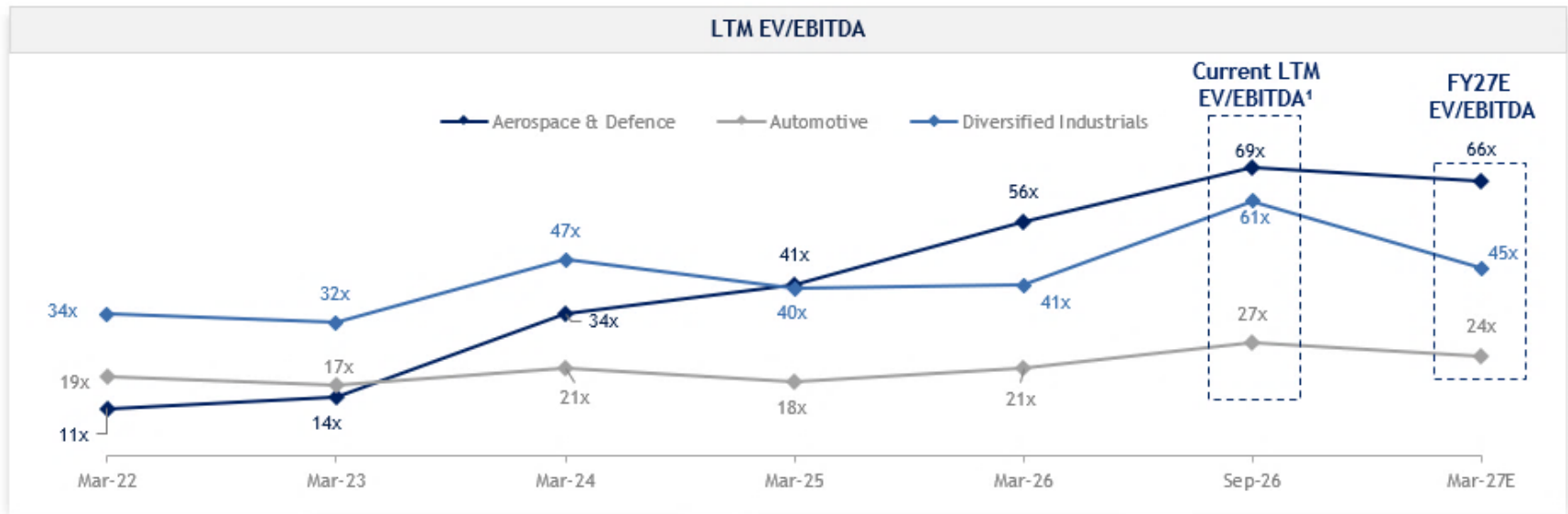
Industrial Automation

Installed ~10,500 industrial robots in CY25, 6th globally

Source(s): ACMA, A&D market outlook - EY, Azad Engineering, Defence AoN - MoD / PIB, Public Disclosures; Note: A&D stands for Aerospace and Defence, All figures in INR, USD to INR rate at 95.

Three cohorts demonstrate distinct valuation and capital outcomes

Growth, quality of orderbook and visibility explain valuation dispersion versus size and scale alone



FY26 Revenue >>

L3FY CAGR (FY23-26) >>

FY26 EBITDA Margin >>

Key Metrics >>



A&D - Commanding a scarcity premium

~900 Cr

~25%

~18%

30-48 months

Typical qualification cycle



Automotive - Remaining range-bound

~7,300 Cr

~14%

~18%

~2-3x increase

In electrical content per vehicle over the next decade



Diversified Industrials - Rerating selectively

~1,300 Cr

~25%

~26%

50%+

Export share of cohort

Source(s): S&P Capital IQ; Note: 1. Valuation multiples based on month end trading day average for listed peer set, Aerospace & Defence (A&D) cohort excludes PTC Industries due to high multiple, Diversified Industrials excludes Omnitech Engineering (Listed March 26) given limited trading history, FY26 Revenue, L3FY CAGR, FY26 EBITDA Margin are listed peer set averages, All figures in INR.

Three cohorts demonstrate distinct valuation and capital outcomes (Cont'd)

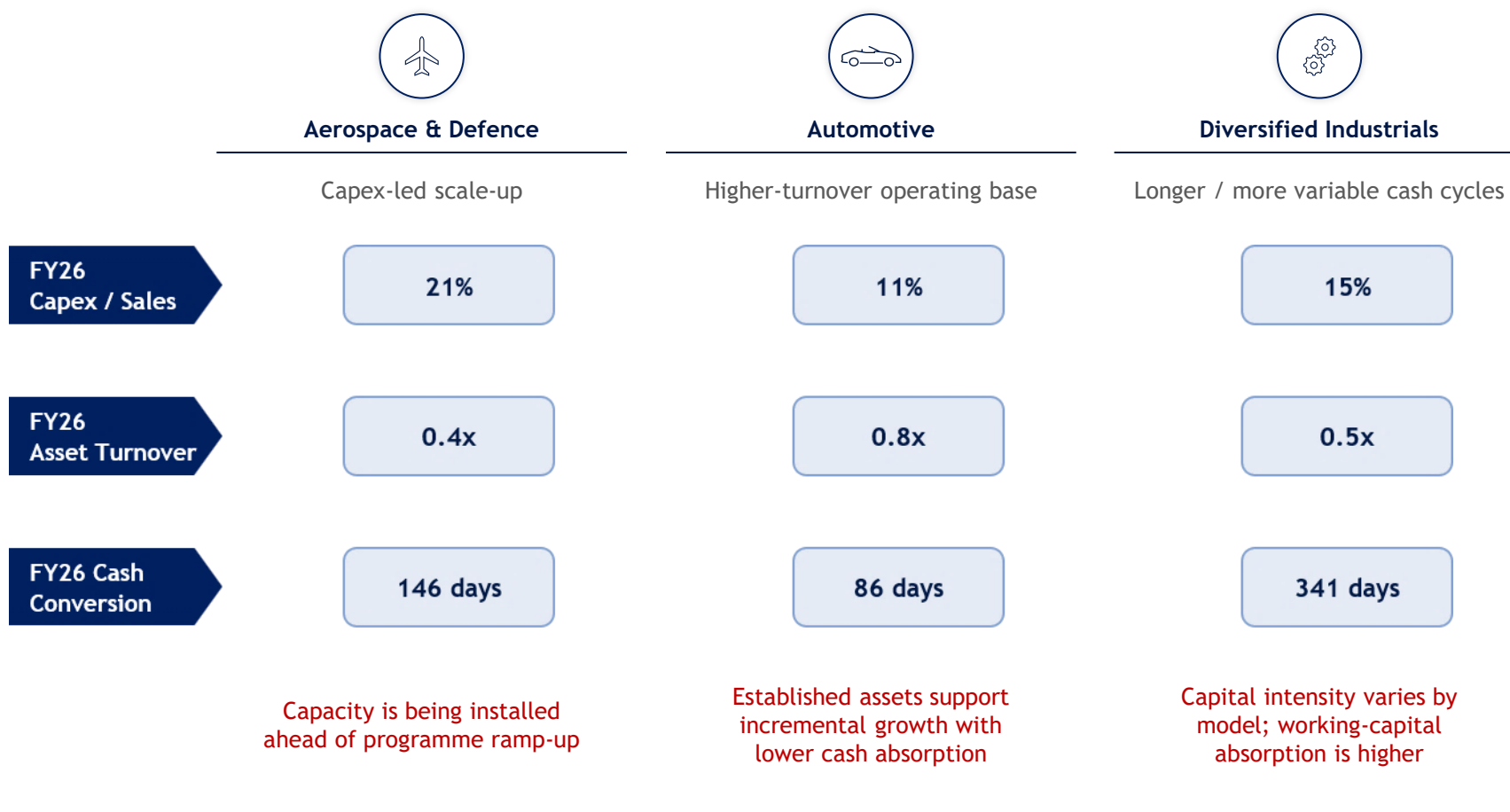
Growth equity for A&D --- Consolidation for Automotive --- Adjacency M&A for Diversified Industrials

	 Aerospace & Defence	 Automotive	 Diversified Industrials
FY27E EV/EBITDA	66x	24x	45x
# of Transactions	14 Fundraising	4 Sponsor led Platform creation	5 Capability led M&A
Market Theme	Public & Private fundraising	Platform build & Consolidation	Selective capability-led M&A
What is being rewarded	Scarcity Programme Visibility + Qualification Barriers	Future-ready content Mechatronics + Powertrain-Neutral Exposure	Structural Adjacency + Exports Energy / Nuclear / Data Centres + Global Markets
Private-Market read-through	Growth / Pre-IPO capital dominates	Sponsor + Strategic capital driving consolidation	M&A into higher-growth adjacencies
Valuation	Sector remains richly valued	Transition leaders earn a premium	Re-rating is selective and capability based

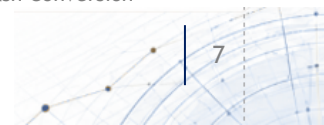
Source(s): S&P Capital IQ; Note: Multiples are peer-set average of last trading day of September 2026; Transaction count reflects identified activity over Last 5 Years.

The economics of growth differ materially across cohorts

A&D requires patient capital for capacity-led growth and Diversified Industrials faces longer cash cycles, while Automotive is converting capital faster



Source(s): FactSet, Public disclosures; Note: A&D stands for Aerospace and Defence, All figures are peer set median, Capex/Sales, Asset Turnover Ratio, Cash Conversion metrics calculated for FY26.



M&A anchors transaction activity, led by large-ticket deals

A&D raises growth capital; Automotive and Diversified Industrials skewed towards control



~19,199 Cr
Transaction Value

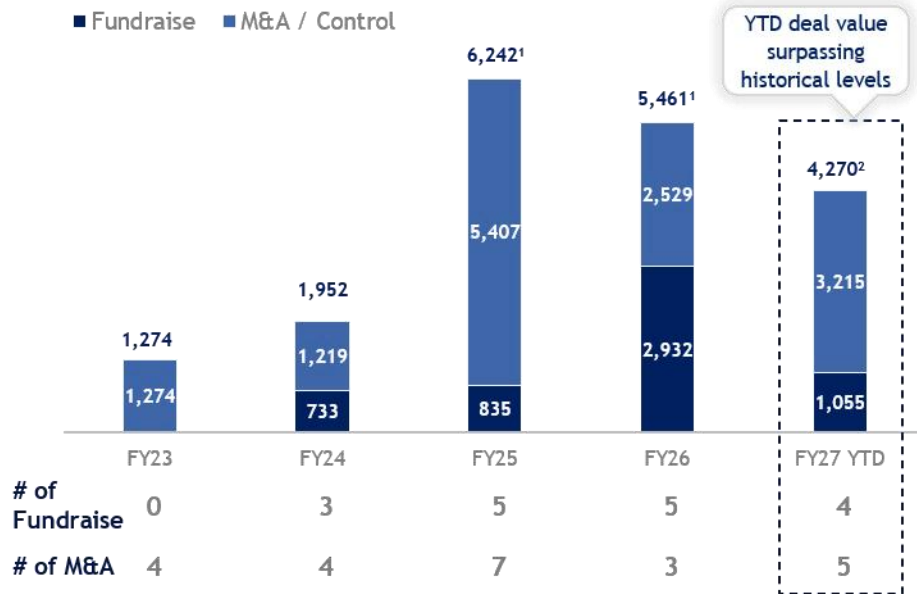


17 Fundraises

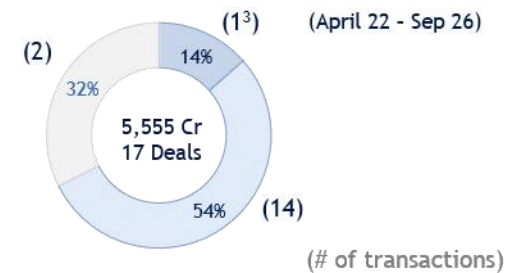


14 A&D Fundraises

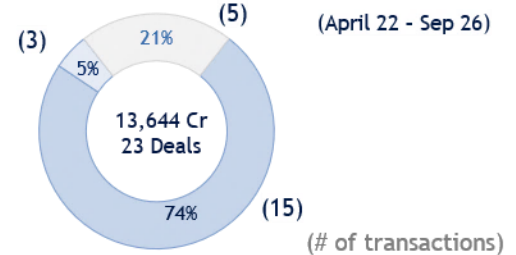
Transaction Activity (INR Cr)



Fundraise by Sector (By value)



M&A by Sector (By value)



■ Automotive ■ Aerospace & Defence ■ Diversified Industrials



A&D dominates growth capital



Automotive leads control activity by count;
Diversified Industrials transact larger



FY26 vs FY27 YTD capital mix has shifted

Note: Does not include 1. RSB Transmissions-Bain Capital & 2. Chamundi Die Cast-Highway Roop transaction due to undisclosed deal value, 3. Minority investment by Norwest in Padmini VNA also classified as sponsor-backed platform creation, A&D stands for Aerospace and Defence, All figures in INR, FY27 YTD (April-September 2026).

Transactions are accelerating capability build, product adjacencies & platform creation



Growth Capital - Scale Capability

NORWEST
Skegen → raghuvamsi

2026 | ~400 Cr | Minority

Aerospace capacity
+
Programme wins

NORWEST → JJG AERO

2026 | ~285 Cr | Minority

Deepen integration
+
Scale qualified programmes



Strategic M&A - Acquire Capability

BHARAT FORGE → AAM
KALYANI

2025 | ~746 Cr | 100%

CV axle systems
+
Engineering

Craftsman → SUNBEAM
AUTOMATION LIGHTWEIGHTING SOLUTIONS

2024 | ~376 Cr | 100%

Aluminium /
Lightweighting capability



Sponsor-led - Build Platforms

CARLYLE → HIGHWAYROOP

2025 | ~3,800 Cr | Majority

Diversified global platform
+
Consolidation

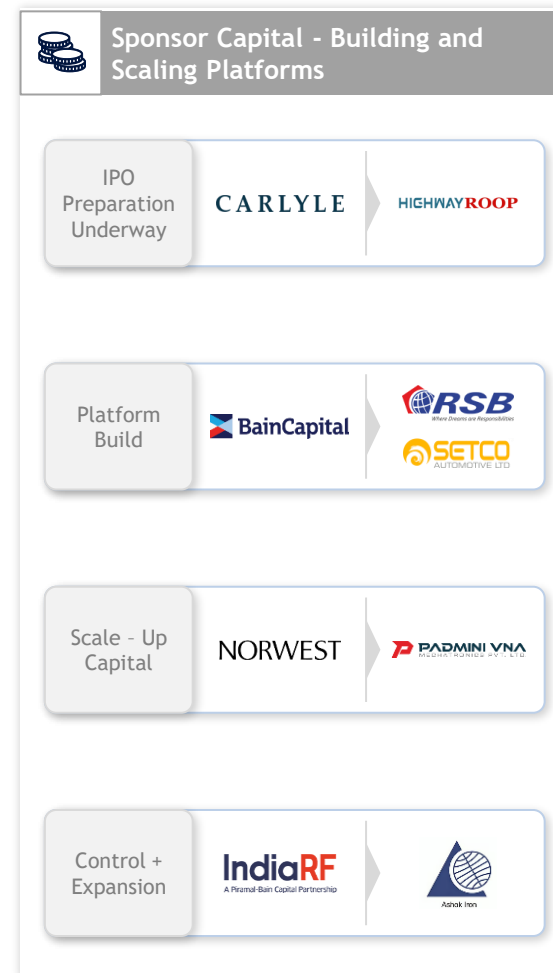
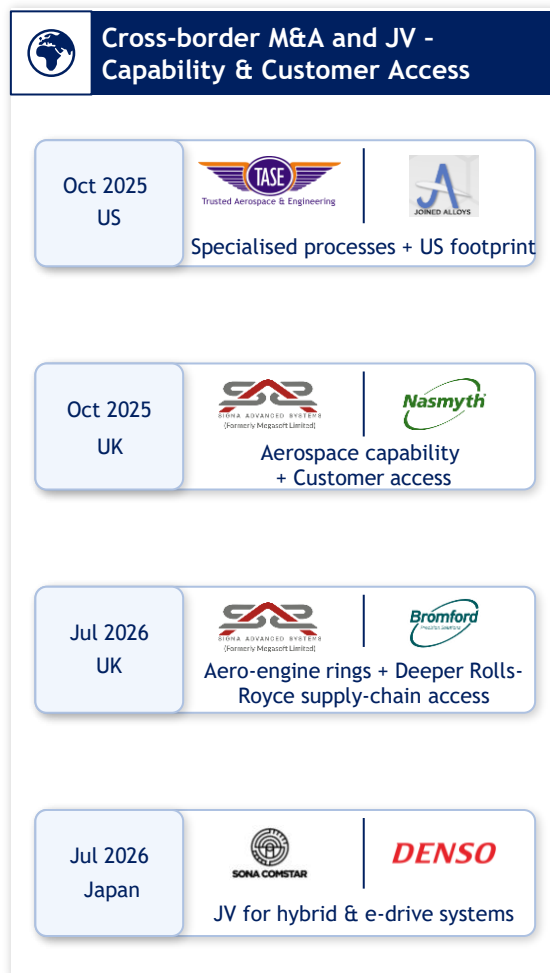
BainCapital → RSB
Where Dreams are Responsibilities

2024/2026 | Undisclosed |
Minority → Majority

Product adjacency
+
Diversified platform

Source(s): Private Circle, Public disclosures; Note: All figures in INR, USD to INR rate at 95.

Public markets, cross-border M&A and sponsors are widening strategic options



Source(s): Private Circle, Public disclosures; Note: A&D stands for Aerospace and Defence, All figures in INR.

The exit set has widened, but the public window is pricing selectively



Source(s): S&P Capital IQ, Public disclosures; Note: 1. Aerospace & Defence (A&D) valuation excludes PTC Industries.

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