

TOP PICKS

January 2026



2026: A Better Setup for Earnings Revival Compared to The Last Year

2025 in retrospect: The past year was a challenging year for the Indian equity market, with the Indian market underperforming global and emerging markets for the first time since the Covid-19 era. Even with underperformance vs other global markets, our benchmark index Nifty 50 crossing 26,000 milestone after 15 months of consolidations (earlier high was 26,217 on 26th Sep'24). In 2025, the broader market lagged, as the Nifty 50 rose by 10.5% while the Nifty Smallcap 250 fell by 5.6%. The past year tested investor resilience through sharp market rotations, currency volatility, global trade uncertainty, and intermittent foreign capital outflows. Despite all these challenges in the global economy, global equities have delivered strong returns in 2025, supported by AI-led growth themes and policy easing. Safe haven assets like Gold have given staller performance, led by trade uncertainty and major central banks' buying.

On the domestic front, Indian investors demonstrated a proactive and unwavering belief in India's long-term growth narrative. This faith has been bolstered even more in the last one year, with Domestic investors (DIIs) injecting \$88.8 Bn into the Indian equity market while Foreign Institutional Investors (FIIs) taking out \$18.7 Bn over the same period. Additionally, the monthly Systematic Investment Plan (SIP) inflow in mutual funds has surged to over Rs 29,000 Cr in Sep'25. This reflects a structural shift in the Indian equity market — from a reliance on FII inflows to a foundation increasingly supported by strong domestic participation. The growing dominance of domestic inflows underscores the deepening maturity of India's investor base and highlights their unwavering confidence in the country's long-term growth trajectory.

Indian Economy on the verge of cyclical recovery; however, Global Challenges Likely to Persist: Despite external risks, India's domestic growth trajectory remains intact, with key macroeconomic factors supporting a stronger FY26 compared to FY25. Both the RBI and the government are providing support by front-loading all pro-growth fiscal and monetary measures to the Indian economy. These developments collectively indicate that our economy is at an inflexion point and will gain benefits in the second half and onwards. All these factors indicate an even better FY27 vs FY26. As we enter CY26, Indian equity markets are transitioning from consolidation to one increasingly driven by earnings visibility, valuation comfort, fiscal discipline, and growth sustainability. However, a key overhang for markets over the past year has been India-US trade and tariff-related uncertainty, which temporarily weighed on export-oriented sectors and foreign investor sentiment. Nonetheless, recent developments indicate progress toward resolution and normalization, reducing tail risks and improving visibility for India's external trade outlook. A gradual easing of global financial conditions, coupled with

stabilizing bond yields, is also expected to improve capital flow dynamics into emerging markets, including India.

Relative Underperformance Provides an Opportunity to Add Equity for the Long Term: In 2025, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 55% to the EM index (PE), vs. an average premium of 44%. During Sep'24, the Indian market traded at a 97% PE premium to EM. And now, after the correction, it is trading at a 55% premium, which looks attractive compared to the past. That said, it is to be noted that relative valuation stabilisation does not necessarily translate into an immediate rally in the current scenario. Markets, in addition to various other developments, are expected to track the following four key parameters: 1) Progress on US trade negotiations, 2) Revival of the earnings growth cycle, which is likely to start from Q3FY26 onwards, 3) Revival in a credit growth cycle, and 4) Transmission of fiscal and monetary benefits into consumption growth.

Style & Sector Rotation - A Key to Generating Alpha Moving Forward: Risk-Reward is slowly building towards Mid and Smallcaps. Nonetheless, recovery will be slow and gradual as we progress in 2026, led by strong earnings expectations, improving domestic liquidity, and stable Indian macros. We believe the market needs to sail through another couple of months smoothly before entering into a concrete direction of growth. As a result, we expect near-term consolidation in the market, with breadth likely remaining narrow in the immediate term. Against this backdrop, our focus remains on Growth at a Reasonable Price, 'Quality' stocks, Monopolies, Market Leaders in their respective domains, and domestically-focused sectors and stocks. These, we believe, may outperform the market in the near term. Based on the current developments, we 1) Continue to like and overweight BFSI, Telecom, Consumption, Hospitals, and Interest-rate proxies, 2) Continue to maintain positive view on Discretionary and Retail consumption plays, 3) Prefer certain capex-oriented cyclical plays that look attractive at this point due to the recent price correction as well as reasonable growth visibility in the domestic market in FY26, and 4) Maintain cautious stance on export-oriented sector due to tariff overhang and macroeconomic uncertainties.

We maintain our Top Picks recommendations unchanged for the month as we continue to focus on the thematic approach of superior-quality companies.

Our Key Themes

Key Monitorables in 2026: Most significant events are now behind us, with the majority of negative concerns regarding earnings already factored into the price. Hereon, the market will closely monitor the following global events: 1) Developments in the US government's policies and negotiations, 2) Further developments in the global AI investment, 3) Further rate cuts by the US FED in 2026 based on the growth and inflation dynamics, and 4) The direction of currency and oil prices.

On the domestic front, a series of domestic events suggests better days ahead in 2026 vs 2025. These are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) 125 bps of rate cuts by the RBI, 4) Improved liquidity measures by the RBI, and 5) GST 2.0 reforms. These developments suggest a revival of economic momentum in 2026 compared to 2025, which would remain the primary driver of earnings growth for Indian corporates moving ahead. Domestically, the key risk lies not in the intent of policy but in the pace of its transmission. While rate cuts, fiscal relief, and capital spending are already in motion, delayed reflection in corporate earnings could keep investor sentiment cautious. On the positive side, rural demand is showing early signs of recovery. The upcoming Union Budget 2026-27 will be a critical anchor, expected to reinforce the government's commitment to capital expenditure, fiscal consolidation, and growth-oriented reforms. Continued emphasis on infrastructure, manufacturing, energy transition, and technology-led productivity gains should further strengthen medium-term growth prospects.

We maintained the Dec'26 Nifty target at 28100

We believe the Indian economy remains well-positioned for growth, serving as a stable haven amidst global economic volatility. We remain confident in India's long-term growth story, supported by its favourable economic structure, rising capex, and the consumption boost from the recent Union Budget and GST 2.0 reforms, driving credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this backdrop, we foresee Nifty earnings to post excellent growth of 13% CAGR over FY23-28. Financials will remain the biggest contributors for FY26/27 earnings. However, trade policy uncertainty, rupee depreciation, and delay in earning revival remain key risks to near-term market multiples. In our base case, we maintain the Dec'26 Nifty target at 28100 by valuing it at 20x on Dec'27

Based on the above themes, we recommend the following stocks: *HDFC Bank, Bajaj Finance, Bharti Airtel, Avenue Supermarts, State Bank of India, Max Healthcare, Kirloskar Brothers, Kalpataru Projects, APL Apollo Tubes, Mahanagar Gas, Inox Wind, Prestige Estates, Ujjivan Small Finance Bank, Chalet Hotels, and Sansera Engineering*

earnings. Based on the expectations of the earnings upgrade starting from Q3FY26 onwards, we see upside risk to our target.

The current level of India's VIX is below its long-term average, indicating that the market is currently in a neutral zone (neither panic nor exuberance). While the medium to long-term outlook for the overall market remains positive, we may see volatility in the short run. Hence, we recommend investors maintain good liquidity (10-15%) to use any dips in a phased manner and build a position in high-quality companies (where the earnings visibility is quite high) with an investment horizon of 12-18 months.

Bull Case: In the bull case, we value NIFTY at 21x, translating into a Dec'26 target of 29,500. Our bull case assumption is based on the Goldilocks scenario, which assumes an overall reduction in volatility and a successful soft landing in the US market. The market is keenly watching the global growth scenario in 2026 under Trump's presidency, in which uncertainty related to tariffs is likely to be reduced compared to 2025. Furthermore, private Capex, which has been sluggish for the last several years, is expected to receive a much-needed boost in the upcoming years, with the expectation of policy continuity. Backed by expectations of political stability, policy continuity, fiscal prudence, an improving private Capex cycle, rural revival, and a soft landing in the US market, Nifty earnings are likely to grow at 13%+ CAGR for FY23-28. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market.

Bear Case: In the bear case, we value NIFTY at 17x, translating into a Dec'26 target of 24,000. We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. The global market has not seen such elevated interest rates in the recent past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in 2026. Moreover, the question mark on the global growth has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term. However, based on the recent developments, the chances of this scenario playing out have reduced significantly.

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Axis Securities Top Picks

Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M %	TR 3M%	TR 6M%	TR YTD%
Large Cap	Bajaj Finance Ltd.	Financials	987	1,200	22%	30.5	5.4	0.4	-4.9	-1.2	5.4	45.5
Large Cap	State Bank of India Ltd	Financials	982	1,135	16%	11.3	1.7	1.6	0.3	12.6	19.7	26.0
Large Cap	HDFC Bank Ltd.	Financials	991	1,170	18%	22.8	2.8	1.1	-1.6	4.2	-0.7	13.3
Large Cap	Bharti Airtel Ltd	Communication Services	2,106	2,530	20%	43.6	9.4	0.8	0.2	12.1	5.7	33.7
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	3,782	4,960	31%	79.7	10.0	NA	-5.4	-15.5	-13.5	6.2
Large Cap	Max Healthcare Institute Ltd.	Health Care	1,045	1,400	34%	58.2	8.6	0.1	-10.1	-6.2	-18.0	-7.3
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,595	2,000	25%	46.8	4.0	0.1	-4.9	5.6	-3.7	-5.7
Mid Cap	APL Apollo Tubes Ltd.	Materials	1,914	2,100	10%	46.3	10.3	0.3	11.4	13.5	10.4	22.5
Small Cap	Mahanagar Gas Ltd.	Utilities	1,136	1,540	36%	11.3	1.7	2.6	-5.3	-12.3	-22.4	-9.5
Small Cap	Ujjivan Small Finance Bank Ltd.	Financials	53	65	23%	15.5	1.6	NA	-2.6	14.3	8.1	56.7
Small Cap	Chalet Hotels Ltd.	Consumer Discretionary	871	1,120	29%	34.9	5.2	0.1	-1.8	-8.4	-5.4	-10.5
Small Cap	Inox Wind Ltd.	Utilities	124	190	54%	26.0	3.5	NA	-8.2	-11.9	-28.5	-30.8
Small Cap	Kirloskar Brothers Ltd	Industrials	1,610	2,330	45%	NA	5.3	0.4	-4.7	-16.6	-31.5	-21.7
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,674	1,950	16%	35.9	3.4	0.2	-4.3	22.0	21.6	12.6
Small Cap	Kalpataru Projects International Ltd.	Industrials	1,194	1,475	24%	20.9	2.8	0.8	-0.5	-4.8	-2.7	-7.3

Source: Company, Axis Securities, CMP as of 31th December 2025; All Target Prices have an investment horizon of over one year.

Multi-Asset Scorecard

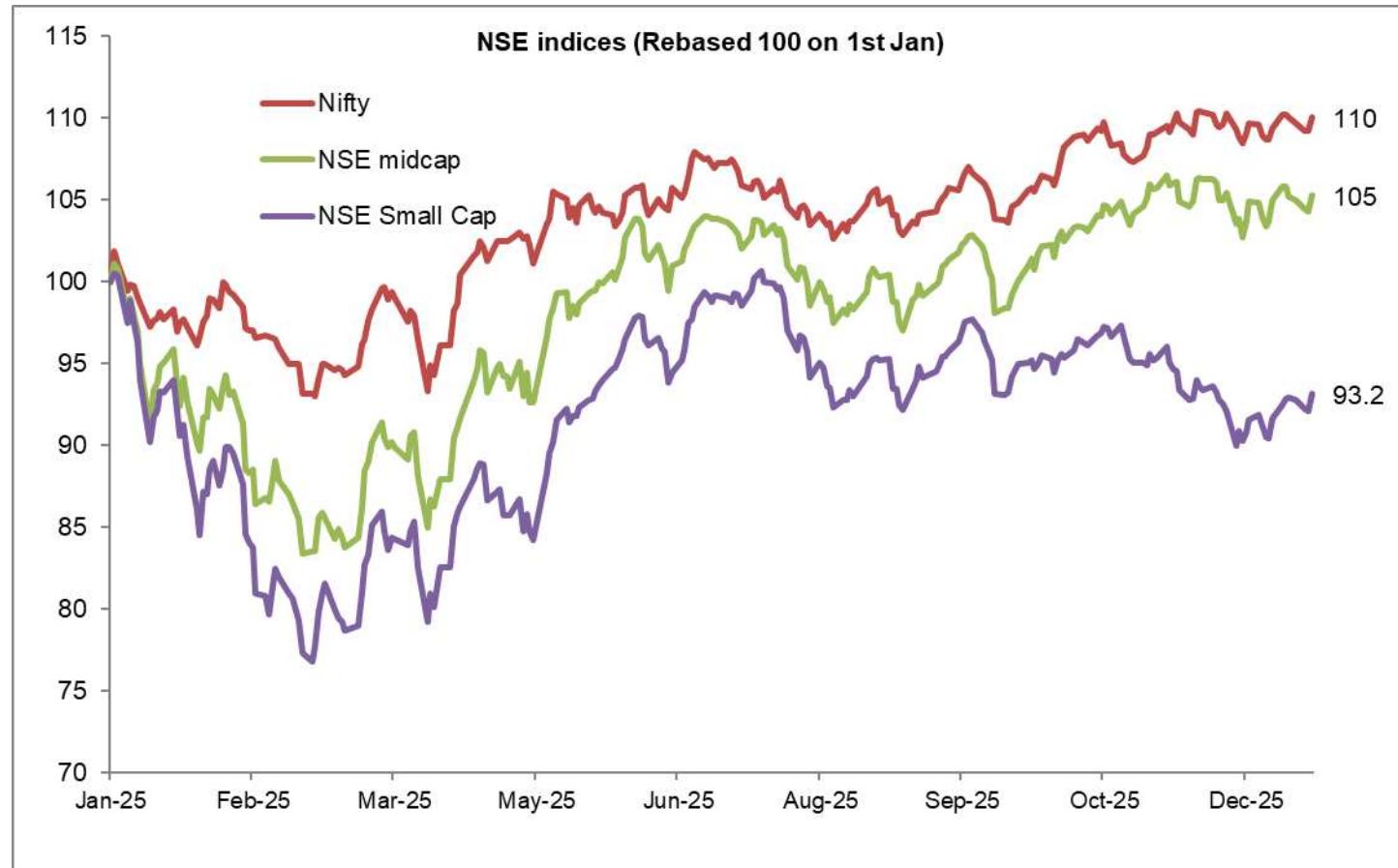
- In 2025, Gold emerged as the top-performing asset class.
- Gold led asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. In 2025, Gold remains the best-performing asset.
- The broader market was the best-performing asset class domestically in 2023 and 2024. However, a sharp correction since Oct'24 impacted overall returns. Nonetheless, recovery is clearly visible since the last 3-4 months.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.
- **In 2025, Emerging and Developed Markets have outperformed the Indian market by a notable margin.**

Yearly performance of Asset Classes (%)																
Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil Comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 76.5%	
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	EM Index: 22.9%	
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	S&P 500: 16.4%	
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	Nifty 50: 10.5%	
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	NSE G Sec composite: 6.5%	
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: 5.7%	
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -5.6%	

Source: Bloomberg, Axis Securities.

2025: A Year of Divergence in the Returns

After almost 14 months of underperformance, Nifty touched the all-time high level of 26,203 (similar levels earlier seen in Sep'24). In 2025, Nifty and Smallcaps saw huge divergence in the returns. This gap could reverse in 2026.



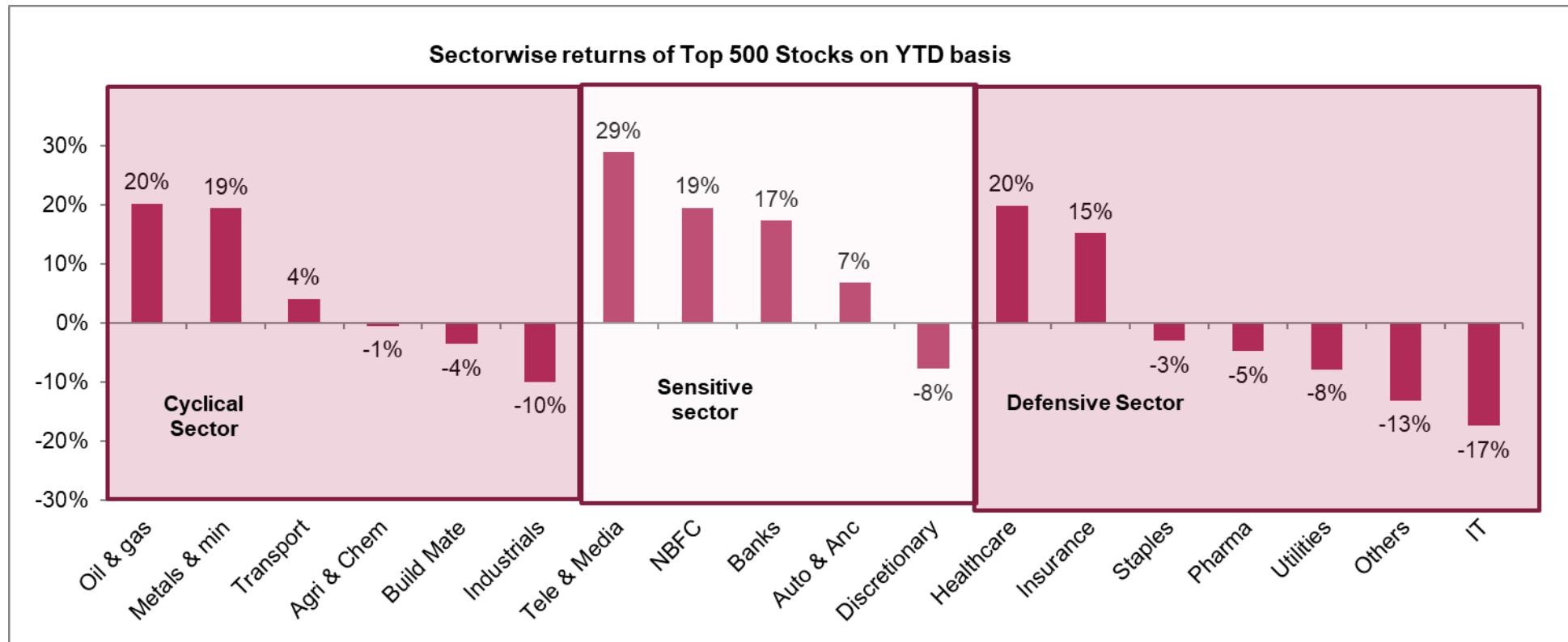
Source: Bloomberg, Axis Securities

Correction from peak
(26th September 2025) till
28th February 2025

- Nifty 50: 16%
- NSE Mid Cap 100: 21%
- NSE Small Cap 250: 25%

Performance on a YTD basis

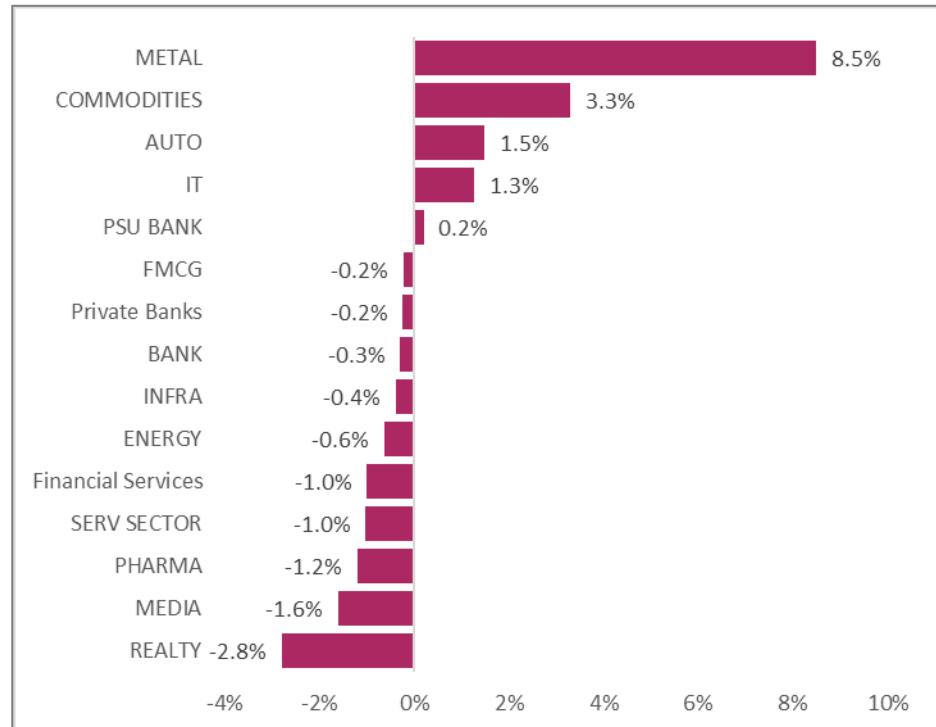
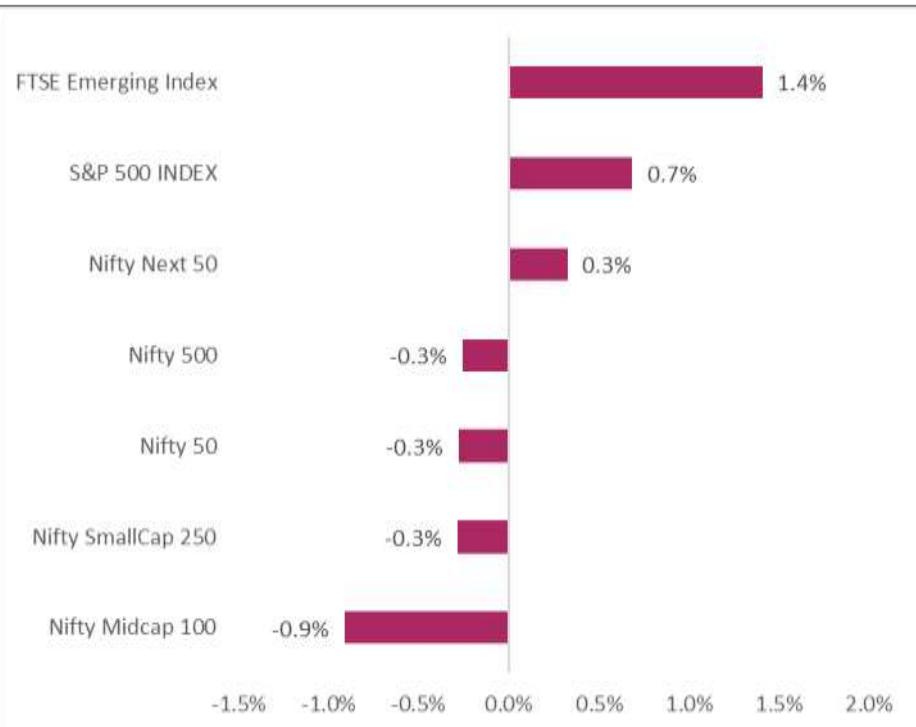
- Cyclical and rate-sensitive sectors have outperformed the Defensive sector by a notable margin.
- Market positioning is slightly shifting towards rate-sensitive and domestic-oriented sectors.
- Export-oriented sectors continue to face challenges in the volatile global environment of the Trump tariff.



Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- Strong recovery was seen in developed and emerging markets
- Nifty Next 50 index saw the strongest recovery
- Metals, Commodities, Auto, IT saw a good rally, while Media and Realty showcased subdued performance
- After underperforming for a couple of years, the BFSI sector has been witnessing a strong comeback



Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

- 47% of the sectors have outperformed the Nifty 50 in the current quarter, indicating that a majority of the negatives are already priced in.
- Dec'24 and Mar'25 quarters' performance was similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In the current quarter, the PSU Banks, Metals, IT, Private Banks, and Auto are the few sectors that have outperformed the Nifty 50 index

	Quarterly returns (%)															
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar'25	Jun'25	Sep'25	Dec'25
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50.0%	37.5%	50.0%	40.0%	46.7%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%	8.5%	-3.6%	6.2%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%	9.4%	-1.7%	2.2%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%	10.7%	-3.7%	5.0%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%	15.6%	-5.4%	7.0%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%	17.8%	-6.2%	0.0%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%	12.1%	11.2%	6.2%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%	11.1%	-4.7%	9.1%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%	5.5%	0.5%	5.9%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%	8.4%	-4.2%	6.1%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%	8.9%	-4.3%	0.9%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%	2.4%	-0.3%	1.4%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%	5.6%	-13.6%	12.6%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%	11.3%	-4.3%	6.8%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%	18.9%	-12.1%	-6.4%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%	4.9%	5.3%	11.3%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%	4.3%	-2.7%	5.9%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%	15.0%	4.5%	13.4%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%	9.8%	-6.3%	8.5%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%	15.9%	-12.1%	1.2%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%	8.3%	-5.6%	5.7%

Source: Bloomberg, Axis Securities, Note: Outperforming sectors (vs. Nifty during the quarter) highlighted in green for the quarter

The Indian Market saw a Strong Comeback in the Last 3M

After almost 14 months of underperformance, Nifty touched the all-time high level of 26,203 (similar levels earlier seen in Sep'24). Nonetheless, the Smallcap index is still down by 10% since 26th Sep'25 levels.

In the last three months, the market saw a solid comeback; PSU Banks, IT, Metals, Private Banks, and Infra are the highest performers, while Media, Energy, and Realty witnessed some weakness

- Positive Near-term Outlook:** Domestic-oriented stocks; Telecom; Rural theme; Domestic Cyclical
- Improving Outlook:** Discretionary; Consumption; BFSI; Industrials; PSUs
- Mixed Bag:** Pharma; IT
- Near-term Challenging but Well-placed for Longer-time Horizons:** Metals; Commodity-linked stocks; and Selective Cycicals (Cement)

Index Performance (%)	National Index					
	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Nifty 50	-0.3%	6.2%	2.4%	18.1%	-0.3%	10.5%
Nifty Next 50	0.3%	2.2%	0.5%	21.6%	-10.0%	2.0%
Nifty 500	-0.3%	5.0%	1.1%	20.1%	-2.6%	6.7%
Nifty Midcap 100	-0.9%	7.0%	1.2%	26.2%	0.0%	5.7%
Nifty SmallCap 250	-0.3%	0.0%	-6.3%	20.5%	-9.5%	-6.0%
Sector Index (%)						
NIFTY AUTO	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
	1.5%	6.2%	18.1%	37.5%	2.5%	23.5%
NIFTY BANK	-0.3%	9.1%	4.0%	23.2%	9.6%	17.1%
NIFTY COMMODITIES	3.3%	5.9%	6.5%	25.3%	-2.2%	17.2%
Nifty Financial Services	-1.0%	6.1%	1.6%	19.9%	9.8%	17.4%
NIFTY ENERGY	-0.6%	0.9%	-3.4%	17.7%	-20.0%	0.4%
NIFTY FMCG	-0.2%	1.4%	1.1%	9.4%	-16.1%	-2.3%
NIFTY IT	1.3%	12.6%	-2.7%	1.5%	-10.1%	-12.6%
NIFTY INFRA	-0.4%	6.8%	2.2%	25.4%	-0.5%	13.6%
NIFTY MEDIA	-1.6%	-6.4%	-17.7%	4.2%	-32.7%	-20.5%
NIFTY METAL	8.5%	11.3%	17.1%	35.9%	11.8%	29.1%
NIFTY PHARMA	-1.2%	5.9%	3.1%	14.7%	-2.3%	-2.9%
NIFTY PSU BANK	0.2%	13.4%	18.5%	51.0%	25.4%	30.5%
Nifty Private Banks	-0.2%	8.5%	1.7%	18.6%	5.4%	15.9%
NIFTY REALTY	-2.8%	1.2%	-11.0%	10.0%	-22.4%	-16.6%
NIFTY SERV SECTOR	-1.0%	5.7%	-0.2%	14.5%	-0.2%	7.1%

Index Performance (%)	International Index					
	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Shanghai Comp	2.1%	2.2%	15.2%	19.5%	32.3%	18.4%
Bovespa	1.3%	10.2%	16.0%	31.2%	21.1%	34.0%
south africa	4.6%	7.0%	21.7%	37.5%	36.3%	43.2%
Korea	7.3%	23.1%	37.2%	66.4%	57.7%	75.6%
Mexico	1.3%	3.3%	13.0%	23.8%	20.4%	30.4%
Indonesia	1.6%	7.3%	24.8%	37.9%	11.7%	22.1%
Argentina	0.8%	72.1%	53.0%	38.3%	77.9%	20.4%
Japan	0.2%	12.0%	24.3%	35.5%	29.3%	26.2%
Hongkong	-0.9%	-4.6%	6.5%	11.7%	28.6%	27.8%
Philippines	0.5%	1.7%	-4.9%	0.9%	-18.8%	-7.3%
Taiwan	4.8%	12.2%	30.1%	25.6%	26.7%	25.7%
Singapore	2.7%	8.0%	17.2%	19.3%	29.7%	22.7%
Thailand	0.2%	-1.1%	15.6%	4.6%	-13.4%	-10.0%
Vietnam	5.5%	7.4%	29.7%	36.7%	38.2%	40.9%
Dow	1.4%	4.2%	9.7%	10.3%	14.7%	13.7%
Nasdaq	0.2%	3.3%	15.0%	24.3%	28.7%	21.3%
FTSE 100 INDEX	2.0%	6.1%	13.2%	12.6%	19.7%	21.3%
DAX INDEX	2.7%	2.6%	2.4%	8.6%	27.3%	23.0%
CAC 40 INDEX	0.0%	2.8%	5.9%	0.1%	4.9%	10.0%
S&P 500 Index	0.7%	3.1%	11.1%	15.8%	20.0%	17.3%

Source: Bloomberg, Axis Securities, and Performance as of 31st December 2025

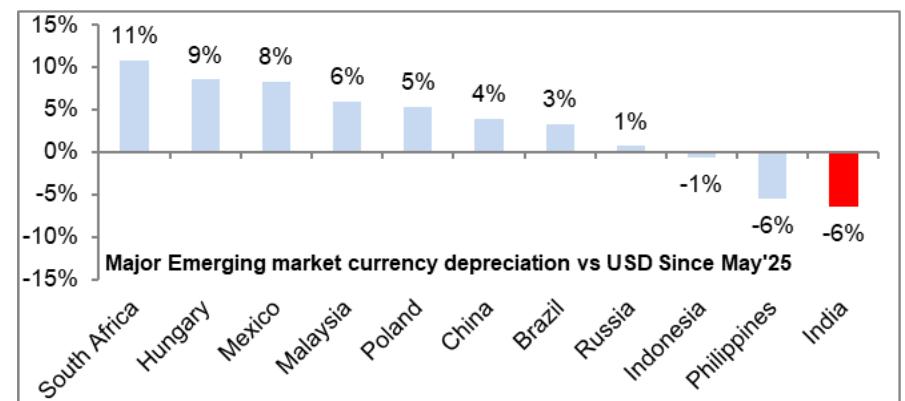
Commodities Saw a Mixed Trend in the Last Month

- Precious Metals:** Gold prices increased by 31% in the last 6 months due to volatility in the equity market.
- Commodities:** Commodity prices bounced back in the last 3 months. Aluminium went up by 10% while Copper increased by 23%.
- Crude:** Brent crude is now trading below \$65/bbl and has been highly volatile due to the rising geopolitical risk, ongoing supply-side concerns, and recessionary fears.

Market Indicator	31-12-2025	1m ago	3m ago	Since 28 Feb'25	Since 26 Sep'24	1Year
Brent Crude (\$/bbl)	61.5	63.2	67.0	73.2	71.6	74.6
Bond Yield (GOi 10Yr)	6.6	6.5	6.6	6.7	6.7	6.8
USD/INR	89.9	89.5	88.8	87.5	83.6	85.6
India Vix	9.5	11.6	11.1	13.9	12.0	14.4



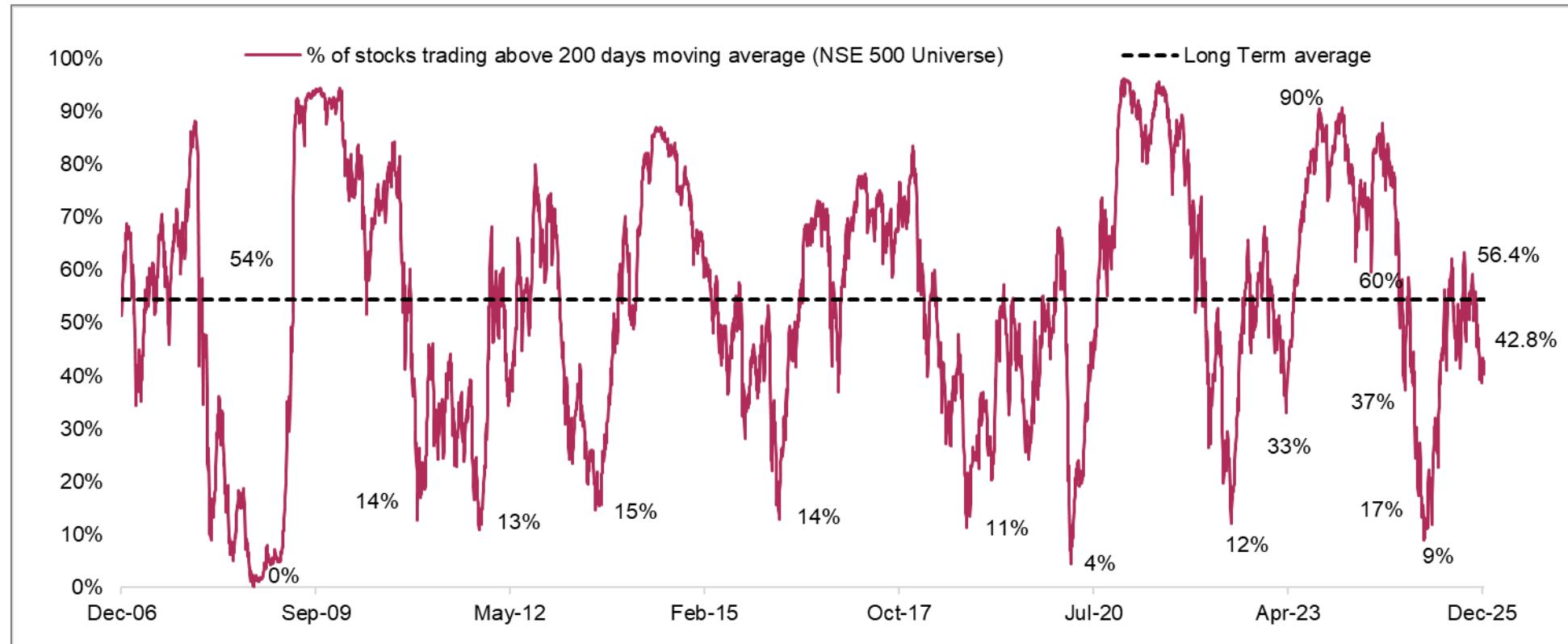
Commodity Index	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Gold (\$/OZ)	1.7%	11.8%	30.6%	50.9%	61.4%	64.3%
Steel (\$/ton)	-1.1%	-7.3%	-1.1%	-6.3%	-4.3%	-9.2%
Aluminium (\$/ton)	4.2%	10.4%	13.6%	11.7%	15.0%	17.0%
Copper (\$/ton)	12.1%	23.2%	25.3%	34.9%	26.7%	45.6%
Zinc (\$/ton)	-4.8%	3.0%	12.1%	12.0%	2.0%	4.2%



Source: Bloomberg, Axis Securities. Performance as of 31st December 2025

NSE 500 Universe (200-day Moving Average) Maintained slightly below the Average Levels

After a recent weakness, the market is now trading around the neutral zone, with only 43% of the NSE 500 stocks currently trading above the long-term average. Nonetheless, it will continue to be driven by macroeconomic data in the near term. Its performance is likely to be range-bound for at least one quarter until signs of relief in tariff negotiations and earnings revival become visible. Sector and Style Rotation will likely be visible in the market moving forward.



Source: Bloomberg, Axis Securities

52W-High Analysis

- Nifty crossed 26,000, and 85 stocks are now trading near their 52-week highs, compared to 31 stocks a couple of months back
- 228 (~46%) stocks are trading below 20% of their 52-week highs; On 1st April, it was 76%.
- ~21% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Large-cap market looks attractive at current levels.
- Out of 55 PSUs, 14 stocks are near their 52-week high, compared to 35 stocks in Feb'24.

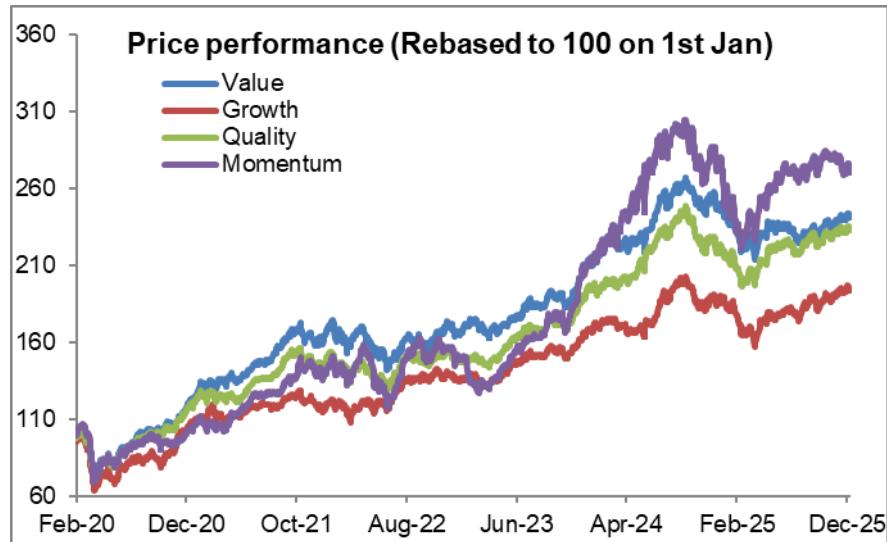
Current level of number of stocks as compared to 52W high					
Sector	No of Stocks	Near to 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri & Chem	36	3	14	12	7
Auto & Anc	42	13	15	10	4
Banks	28	17	6	2	3
Build Mate	40	3	14	9	14
Discretionary	30	2	9	9	10
Healthcare	49	4	26	12	7
Industrials	46	4	14	10	17
IT	42	2	13	14	13
Metals & min	25	12	10	2	1
NBFC	61	13	26	15	6
Oil & gas	16	4	6	6	0
Others	8	1	5	1	1
Staples	34	3	9	10	12
Tele & Media	15	2	4	2	7
Transport	10	1	7	1	1
Utilities	18	1	7	6	4
Total	500	85	185	121	107
Large cap	100	30	35	14	3
Mid cap	150	37	61	30	18
Small cap	250	17	88	77	85
PSUs	55	14	20	10	9

Source: Bloomberg, Axis Securities

Style Indicators

Quality is the Best-Performing Theme in 2025

- In the last three months, 'Value' and 'Growth' styles have outperformed other styles by notable margins.
- In the last year, the Growth and Quality delivered the highest returns.
- The theme 'Growth at a Reasonable Price' looks attractive, driven by the robust growth expectation, the cool-off in commodity prices, lowering inflation, rural recovery, and the expectation of margin recovery in the upcoming quarters.
- The selected value stocks from the PSU, Metals, Commodities, Utility, and Cement sectors are well-placed to deliver superior performance. Furthermore, structural growth plays, offering long-term earnings visibility, will continue to do well.

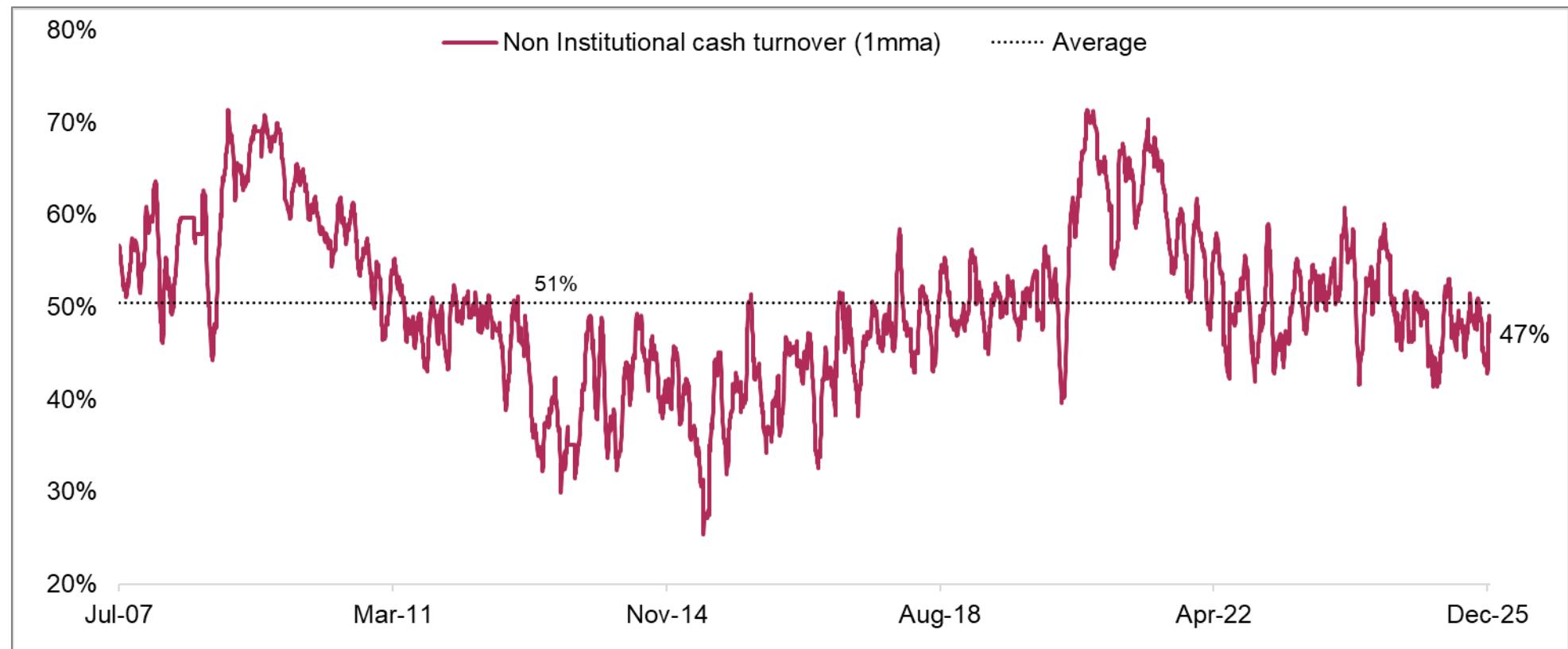


Perf	Performance (%)			
	Value	Growth	Quality	Momentum
2022	-0.9%	12.4%	-0.9%	7.1%
2023	27.8%	24.8%	32.0%	39.0%
2024	15.6%	9.8%	11.3%	30.0%
2025	-1.2%	5.4%	7.3%	-0.7%
1m	1.1%	0.4%	0.5%	-3.3%
3m	6.4%	7.9%	5.4%	1.1%
6m	2.4%	8.3%	4.2%	-1.6%
1YR	-1.2%	5.4%	7.3%	-0.7%
2YR	14.3%	15.7%	19.5%	29.2%

Source: Bloomberg, Axis Securities, Performance as of 31st December'25

Non-institutional Turnover Remains around Average Levels

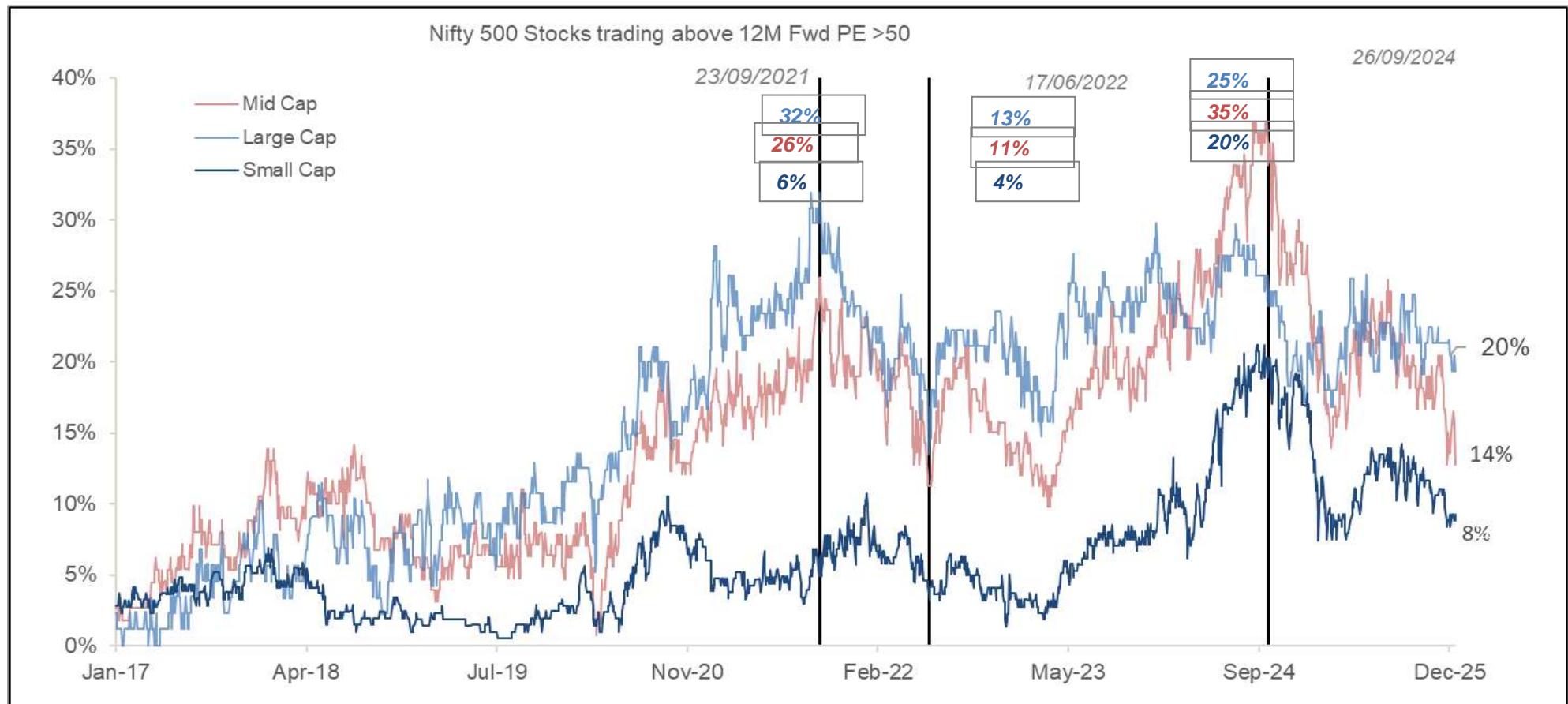
- Non-institutional (Retail) turnover is currently slightly below its long-term average of 51%. Turnover saw some dip in last two months due to lower-than-expected returns in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.



Source: Bloomberg, Axis Securities

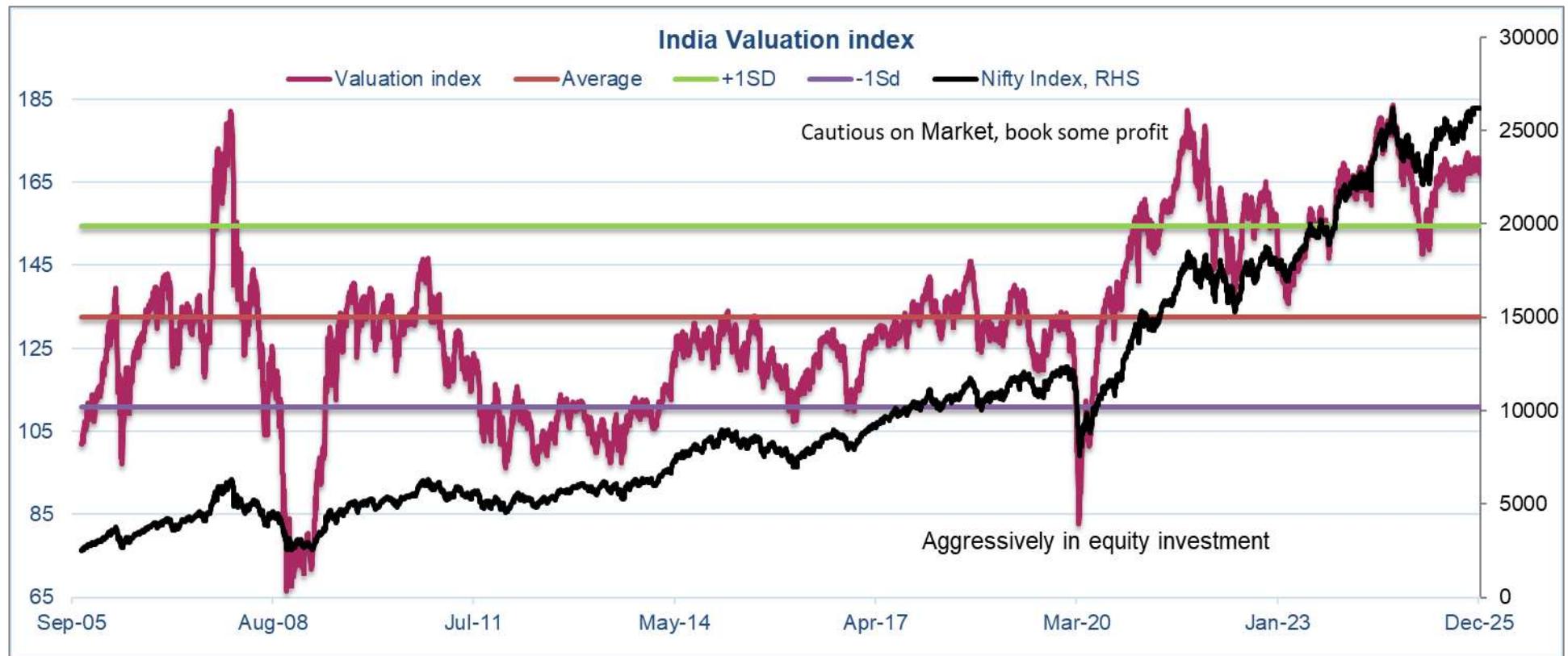
Number of NSE 500 Stocks Trading above 12M Fwd PE>50

PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded \$34.5 Bn. In the current cycle, cumulative FII selling has reached ~\$30.3 Bn so far.



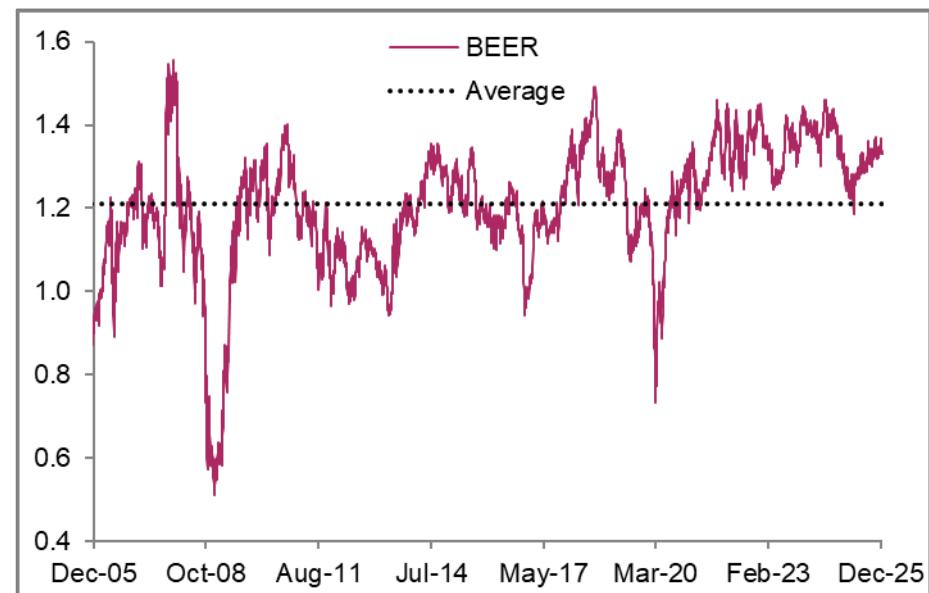
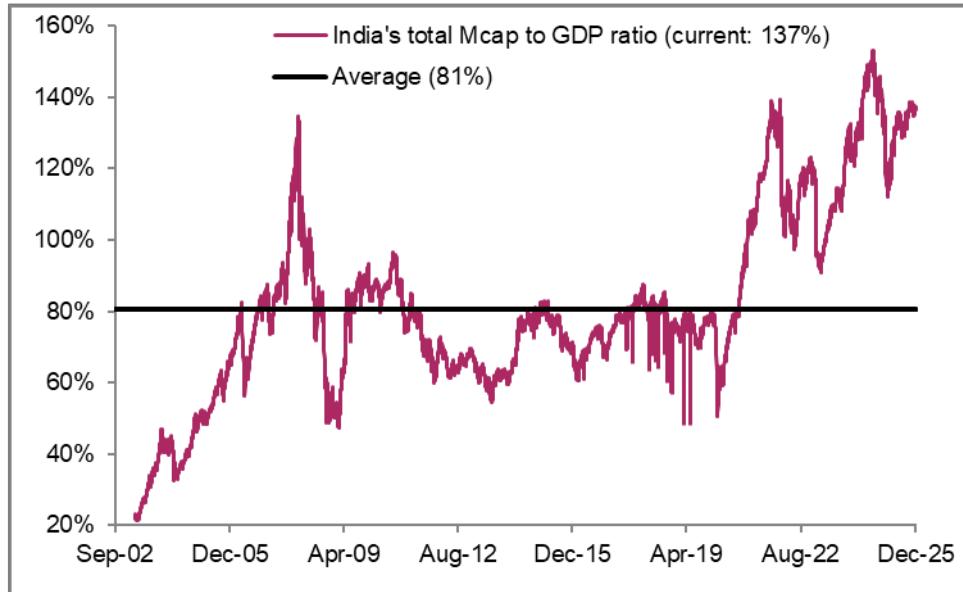
India Valuation Index: Trading Slightly Above 1std; Earnings Upgrades/Downgrades Remain Critical

- Even after the recent rally, our market valuation index continues to trade slightly above the 1std. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation of the India Valuation Index is based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earnings Yield Ratio, and MCAP to GDP Ratio).



In terms of Mcap to GDP, India Stands Less Expensive than the US Market

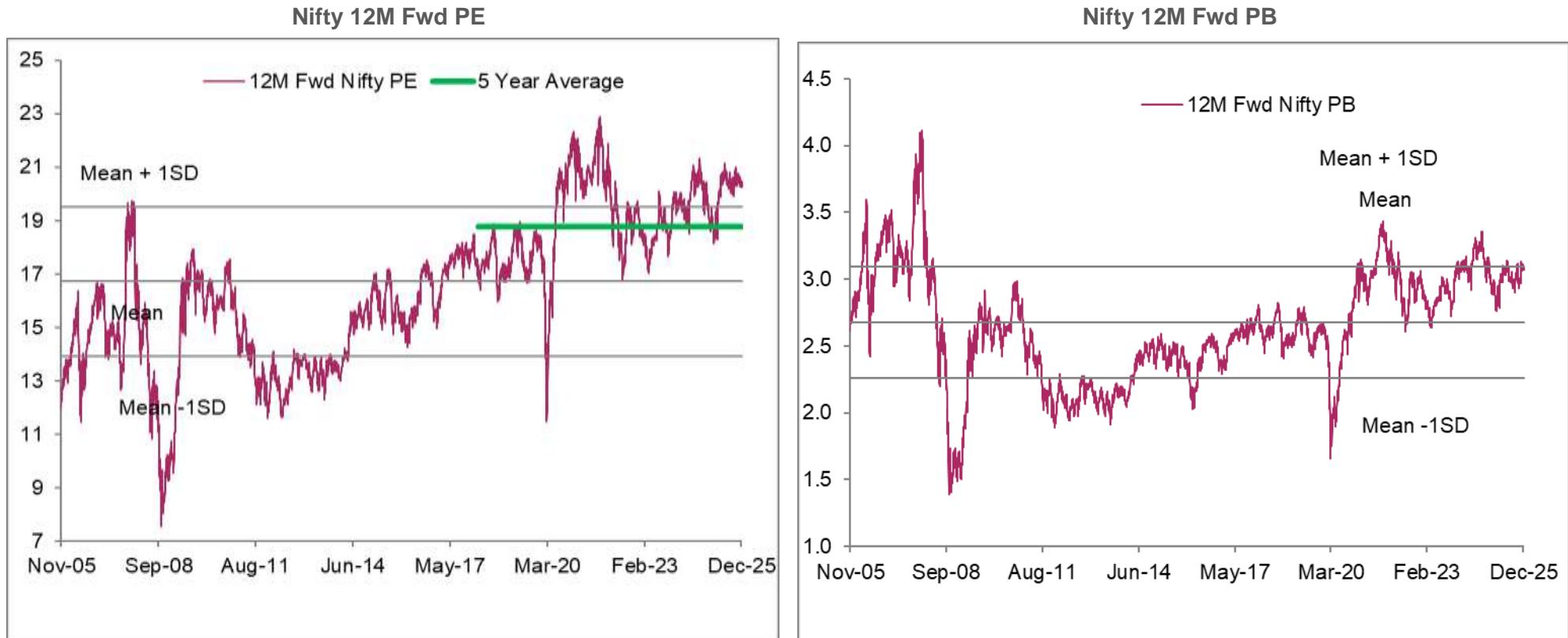
- **BEER:** Indian bond yields have corrected by 26 bps since Nov'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union Budget, and rate cuts by the RBI indicate some cooling off in bond yields. After correction in the equity market, the Bond to Equity Earning Yields ratio is now trading slightly above the long-term average.
- **India's Total Market Cap to GDP** is trading at 137%, above its long-term average (rebased after the FY25 GDP of Rs 324 Tn released by the government on 1st Feb'25). However, at projected levels of nominal GDP for FY26, the Mcap/GDP ratio translates into 125% (fairly valued). As per the Union Budget 2025-26, the FY26 GDP assumption is pegged at Rs 356.97 Tn.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.



Source: Bloomberg, Axis Securities

Market Valuations: 12M Fwd PE Now Trading at 20.2x

- NIFTY is currently trading at 20.2x on a 12M Fwd PE, which stands at 1.3 std to its long-term average (16.5x). However, it trades slightly below the 1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.



Source: Bloomberg, Axis Securities

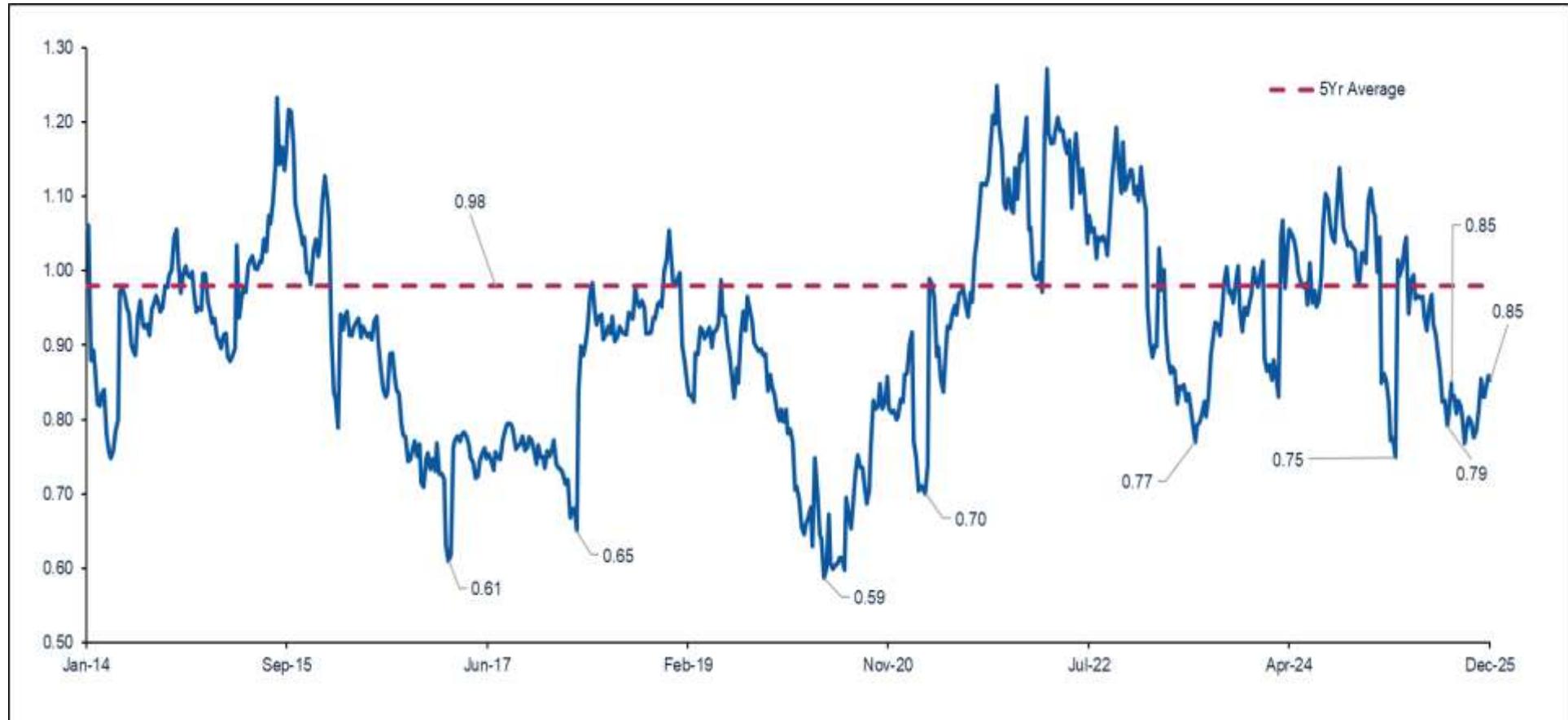
Valuation Correction in the Broader Index

- Most of the sectors are still in the Oversold zone as compared to the Sep'24 levels

	12m fwd PE	Long term Avg	Valuation as on Sep'24	% down from Sep'24
PSU Banks	9.6	9.8	7.9	21.8%
Banks	15.1	15.8	14.2	6.3%
Nifty	20.2	18.1	21.3	-3.9%
Infra	21.4	18.7	22.6	-5.6%
Service sec	19.5	18.2	20.6	-5.7%
Pharma	28.5	24.0	30.8	-7.5%
Energy	14.1	11.7	15.3	-7.6%
Metal	14.8	11.3	16.2	-8.5%
Auto	22.2	19.3	24.8	-10.4%
IT	24.1	21.1	29.2	-17.3%
FMCG	34.1	33.4	42.9	-20.6%
Media	17.0	22.6	25.3	-32.7%
Realty	29.1	27.0	44.7	-34.8%

Source: Bloomberg, Axis Securities, Data as of 31st December'25

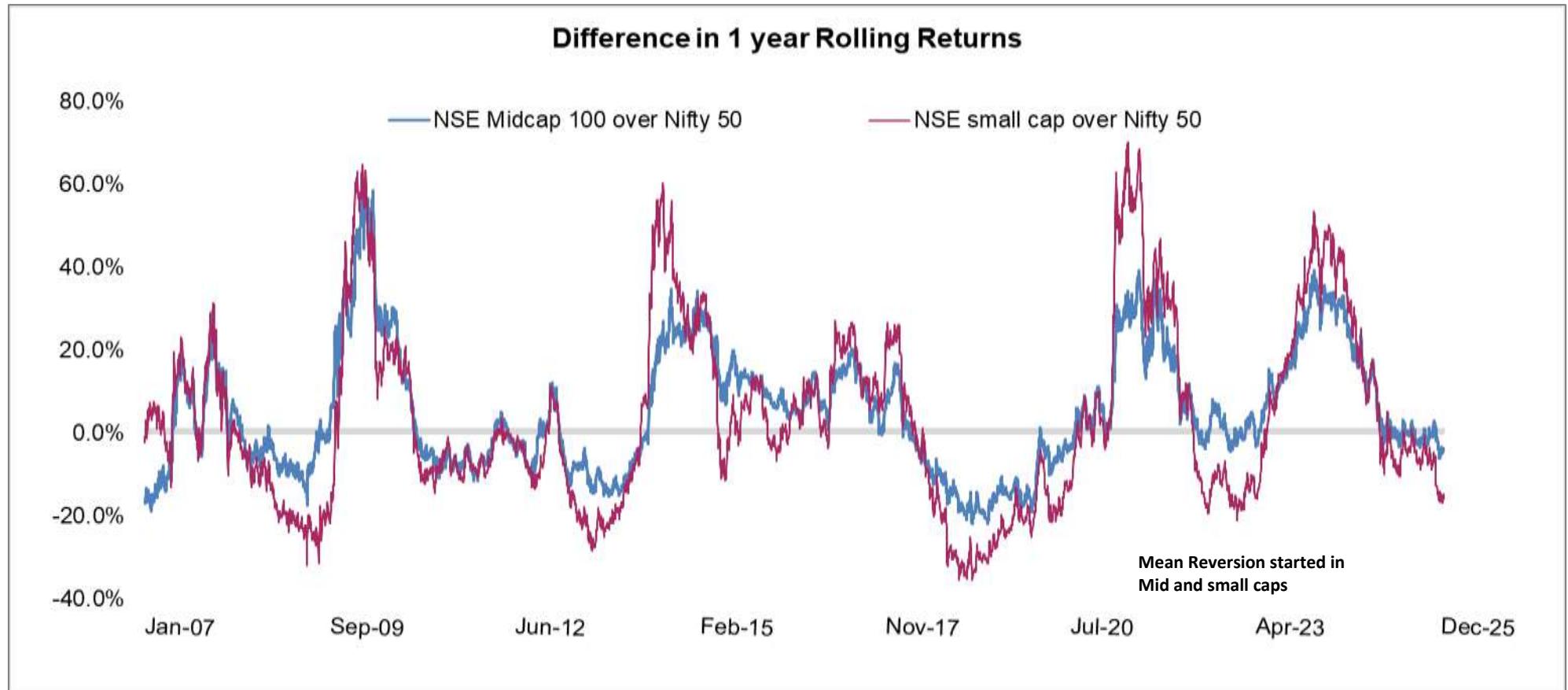
Nifty IT vs NASDAQ 100 - Relative 12M Fwd PE



Source: Bloomberg, Axis Securities

Market is on the verge of Mean reversion in 1-year rolling returns

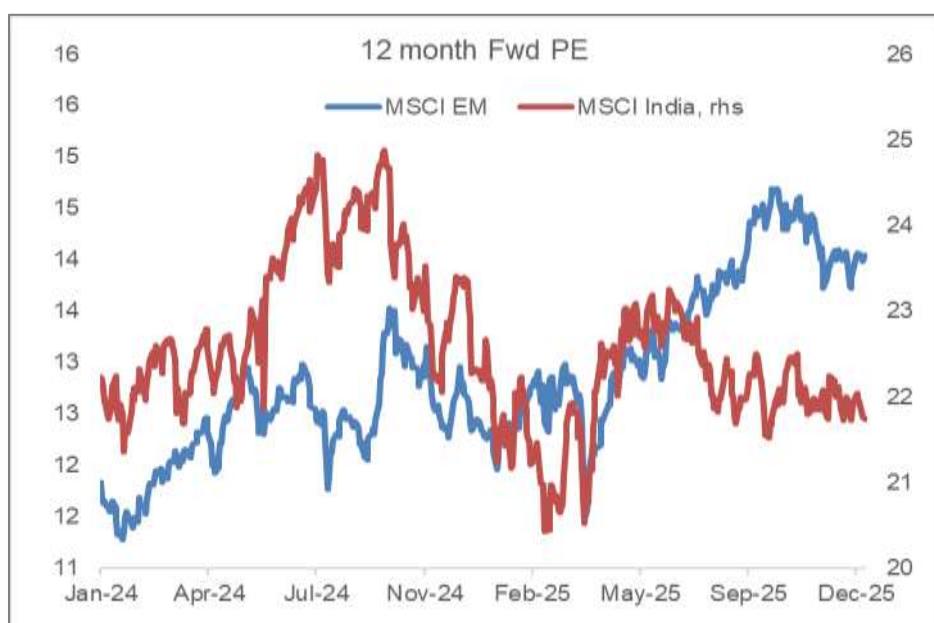
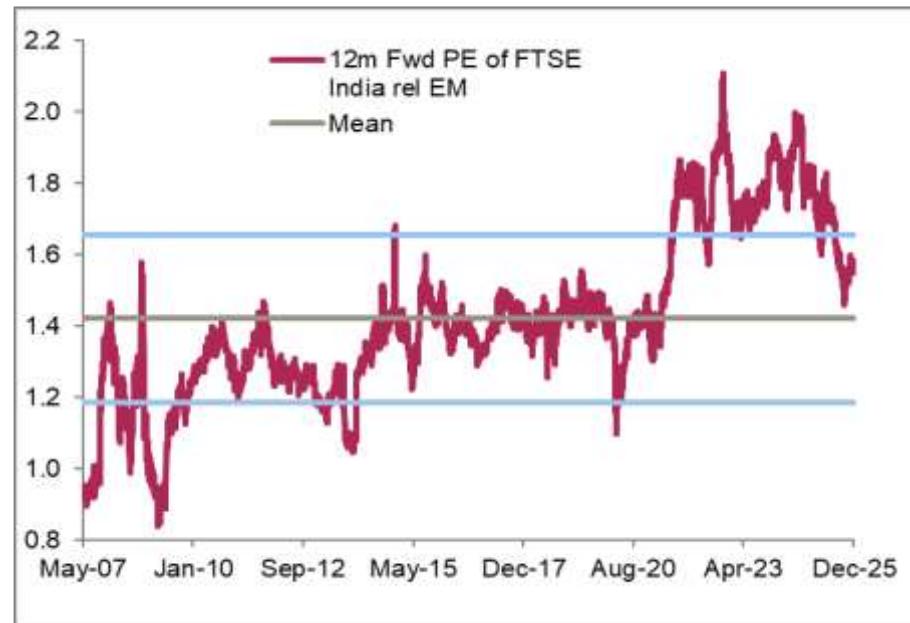
The broader market is on the verge of mean reversion



Source: Bloomberg, Axis Securities

Market Valuations: On a Relative Basis, India Looks Attractive vs the EM Index

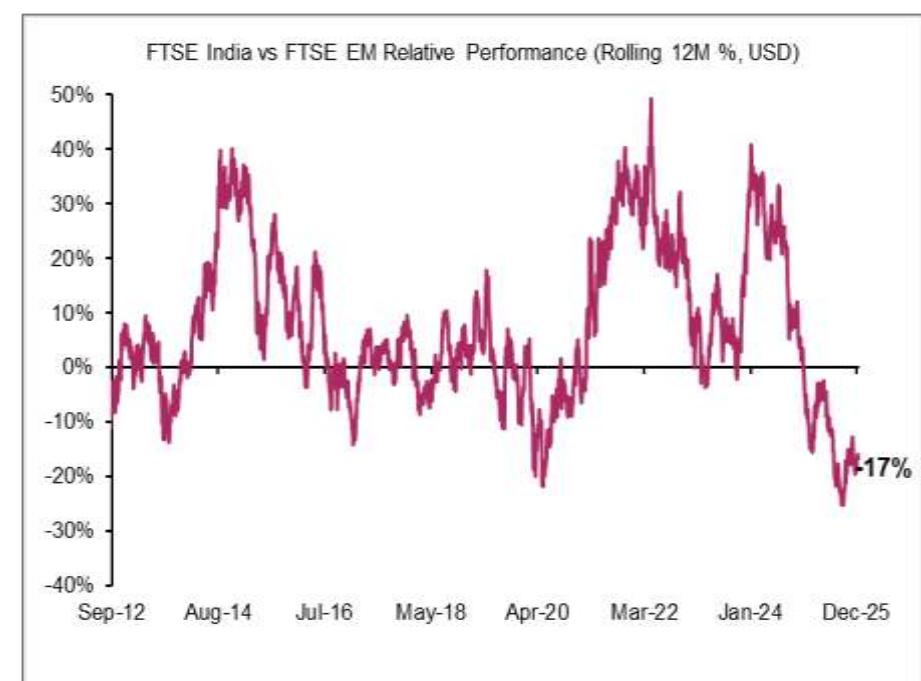
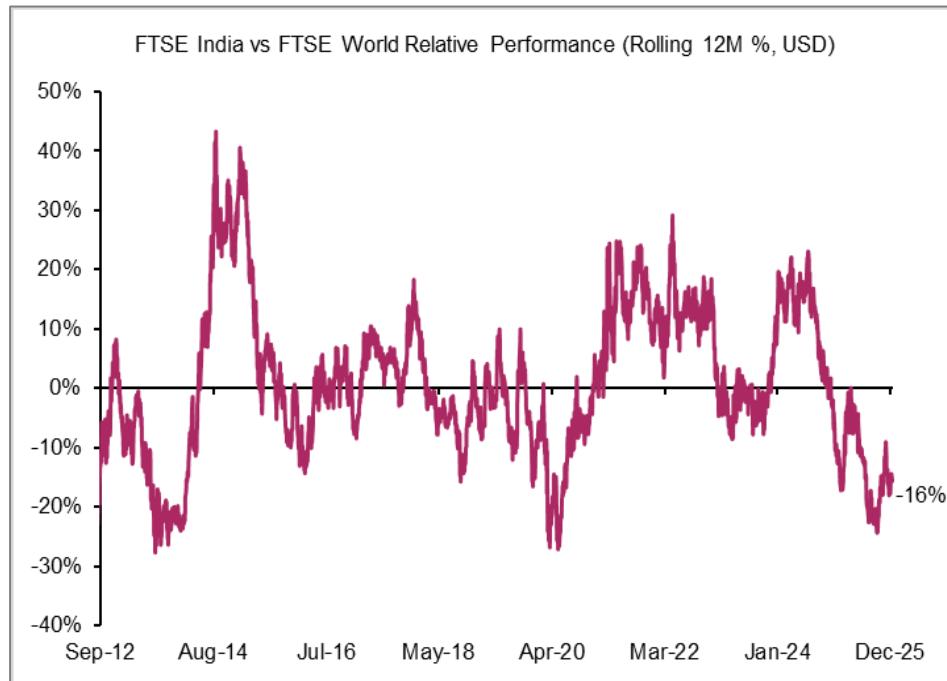
- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 55% to the EM index (PE), vs. an average premium of 42%. During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 55% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY26-27, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, and f) Consumption boosting measures announced in the Union Budget 2025-26, and g) GST 2.0 reforms.



Source: Bloomberg, Axis Securities

Where India Stands vs the Emerging Market and World Index

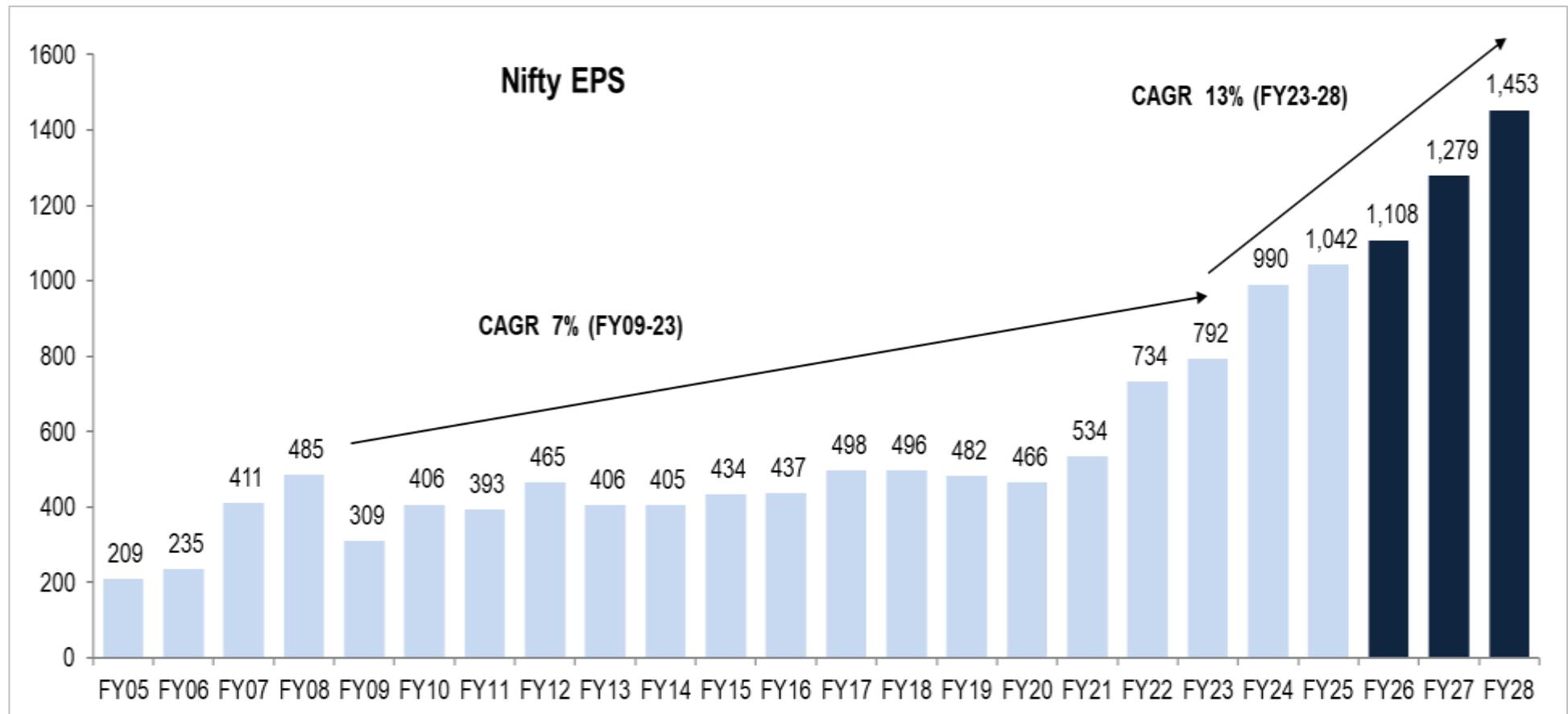
- Relative underperformance of the Indian market has led once again to near all-time low levels vs the world and the emerging markets.
- Stable currency, earnings recovery, and stable macro policy could lead to mean reversion going forward.



Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust

- Nifty EPS is expected to grow at 13% CAGR over FY23-FY27 vs. 7% CAGR over FY09-FY23.



Source: Bloomberg, Axis Securities

A Few Downgrades in Nifty EPS

- After Q2FY26, we foresee FY26/27 NIFTY Earnings at 1,108/1,279. After many quarters, we don't see major downgrades in the EPS expectations, and FY26/FY27 EPS are largely flat. BFSI, IT, and Oil & Gas saw the upgrades, while the downgrades were seen in Metals, Cement, and Power.
- All hopes are on the earnings recovery in H2FY26. This is expected to be led by the Fiscal and Monetary reforms by the Government and the RBI. The probable impact of the GST cut is also likely to be visible in the second half.
- Overall, FY26 will likely be better than FY25. More promising numbers are to be visible from Q3FY26, which will be led by the base effect, the likelihood of improvement in the high-frequency indicators, the expectation of higher government spending, and a pick-up in consumption.
- In our base case, we roll over our Nifty target to Dec'26 at 28100 by valuing it at 20x on Dec'27 earnings. In a bull case, we value Nifty at 21x, translating into a Dec'26 target of 29,500. In the Bear case, we value Nifty at 17x, translating into a Dec'26 target of 24,000.**

Nifty EPS	Post Q1FY26			Post Q2FY26			Chg post Q2FY26	
	Sector	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Financial		473	554	480	556	643	1.4%	0.4%
IT		107	118	116	127	135	8.0%	8.0%
Oil & Gas		115	128	116	129	140	1.2%	1.1%
FMCG/Discretionary		63	75	71	85	96	13.0%	14.0%
Power		44	42	42	41	48	-2.4%	-1.5%
Industrial		60	74	59	73	84	-2.0%	-0.5%
Pharma		31	33	33	36	41	6.1%	8.6%
Metals		79	90	75	88	94	-4.3%	-1.6%
Automobile		90	97	73	86	96	-18.0%	-11.0%
Cement		9	12	8	10	12	-15.0%	-13.3%
Telecom		29	41	29	41	51	-1.0%	-0.4%
Total		1107	1273	1108	1279	1453	0.1%	0.5%
Growth				6.3%	15.6%	14.1%		

Source: Bloomberg, Axis Securities

The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the Earnings of the Last 4 Quarters)

A few interesting findings from our study: Sector-wise

- The last 4 quarters' cumulative net profit reached an all-time high in Q2FY26, crossing the mark of 16 Lc Cr.
- Industrial, Building Materials, Oil & Gas, Auto, and IT saw sequential outperformance, while Discretionary and Transport saw sequential underperformance**

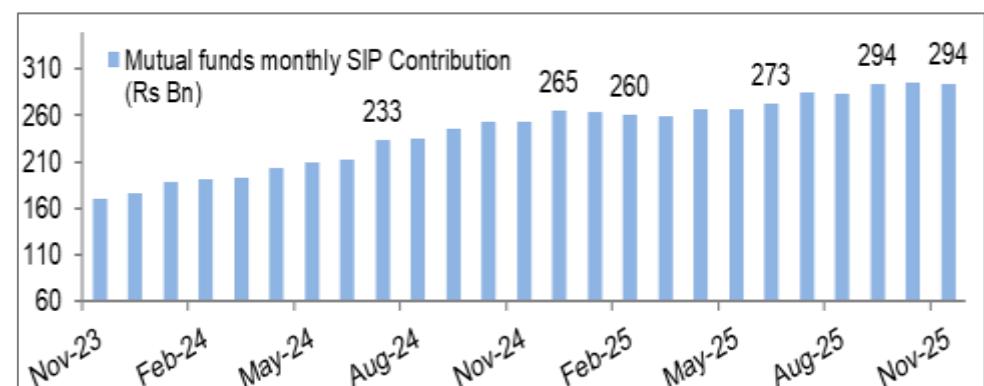
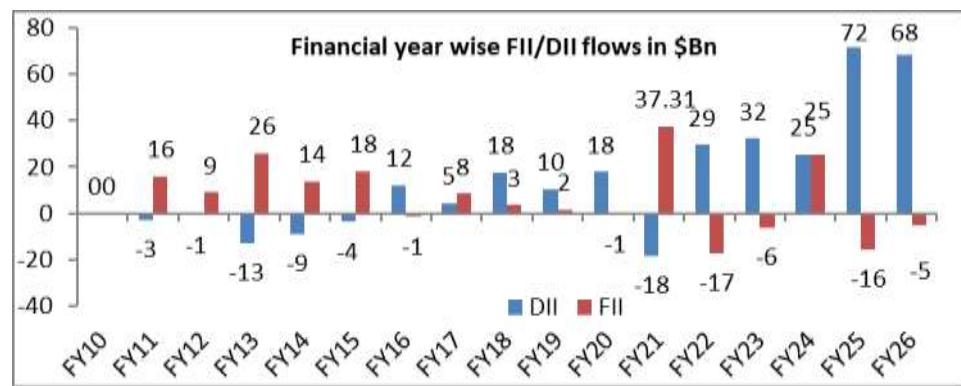
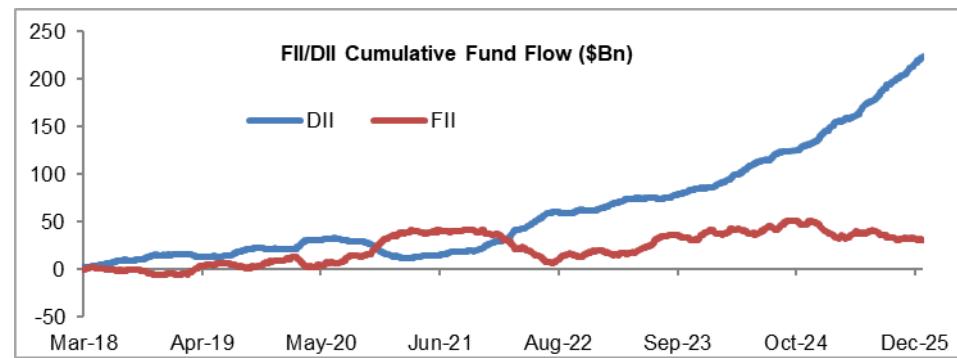
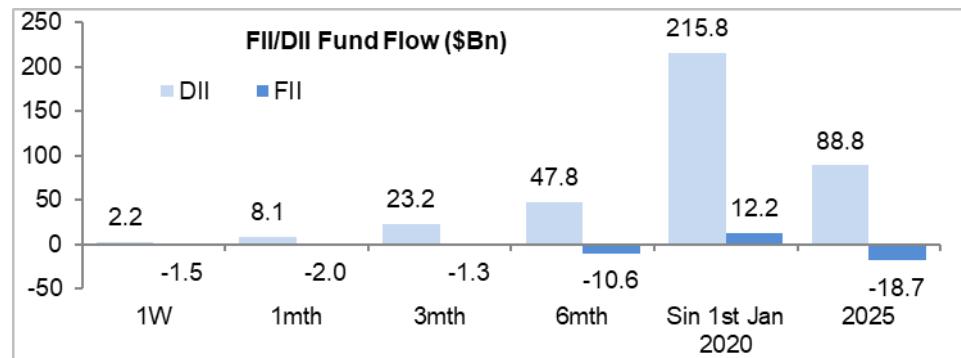
Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)										
	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Growth %
Auto & Anc	36,212	43,028	68,426	70,977	72,945	73,813	75,509	77,647	84,321	8.6%
Staples	34,044	49,516	48,309	50,298	49,873	50,775	69,875	70,478	70,070	-0.6%
Discretionary	18,283	30,085	30,085	33,752	35,517	37,134	38,828	36,400	29,207	-19.8%
Financials	85,507	3,87,050	4,91,062	5,12,352	5,32,335	5,55,935	5,67,553	5,79,079	5,97,883	3.2%
IT	81,462	1,14,293	1,22,274	1,24,997	1,29,644	1,33,100	1,32,401	1,35,566	1,43,461	5.8%
Oil & gas	1,00,204	1,28,660	2,29,182	1,99,877	1,73,186	1,69,965	1,67,660	1,87,145	2,05,215	9.7%
Metals & min	58,266	88,438	87,823	91,399	1,01,569	1,00,859	1,11,935	1,16,729	1,19,285	2.2%
Industrials	31,188	37,174	48,191	50,923	59,526	60,645	70,638	72,172	82,227	13.9%
Build Mate	22,387	23,965	36,531	37,477	37,743	45,690	37,098	38,758	46,008	18.7%
Healthcare	28,133	39,045	50,109	59,490	62,670	64,931	69,323	64,035	67,356	5.2%
Utilities	27,165	59,631	74,954	71,391	67,802	68,312	72,397	74,382	76,201	2.4%
Transport	2,462	4,152	13,326	13,307	12,377	11,988	13,445	12,705	11,014	-13.3%
Agri & Chem	12,424	31,842	17,428	16,874	17,128	19,783	23,502	24,661	24,003	-2.7%
Tele & Media	-19,015	12,474	15,212	18,160	22,784	38,279	50,953	52,344	52,597	0.5%
Others	12,486	16,661	16,277	23,158	29,535	26,194	13,991	12,780	12,984	1.6%
Total	5,31,208	10,66,015	13,52,675	13,74,433	14,04,634	14,57,405	15,15,109	15,54,882	16,21,832	
Ex Oil and Gas	4,31,004	9,37,354	11,23,493	11,74,556	12,31,448	12,87,440	13,47,448	13,67,737	14,16,617	
Total Growth		2%	3%	2%	2%	4%	4%	3%	4%	
Growth ex Oil and Gas		8%	4%	5%	5%	5%	5%	2%	4%	

Source: Bloomberg, Axis Securities, Note: Tata Motors, IRB and Vodafone are not included in the study.

FII Selling Seen in the Last 1M/3M

The Indian market has emerged from the overdependence on the FII flows since FY22. From FY22 till now, our DIIs have invested \$227 Bn while FIIs have taken out \$18.5 Bn from the Indian market. Even with FII selling, our market remains resilient, and buying has been seen at every level, indicating the improvement in the risk appetite of the domestic investors and confidence in the India story.

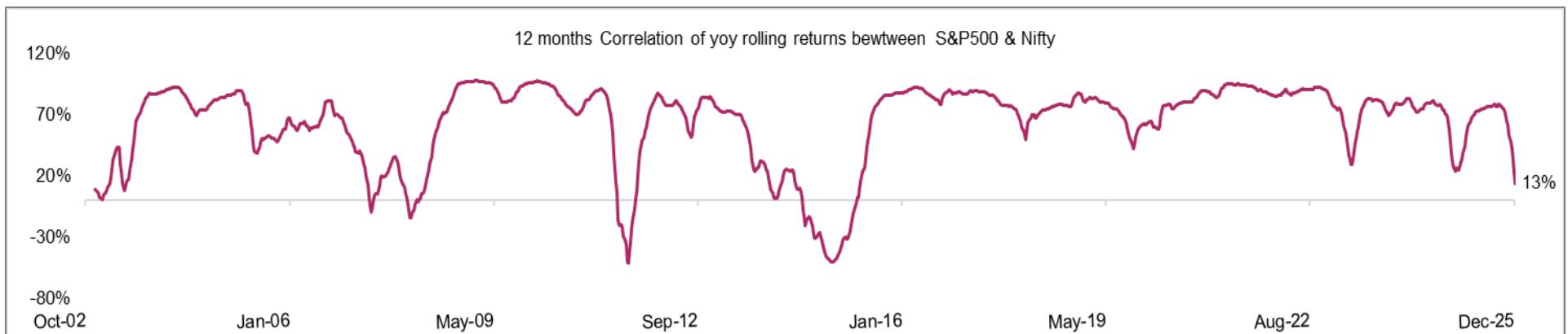
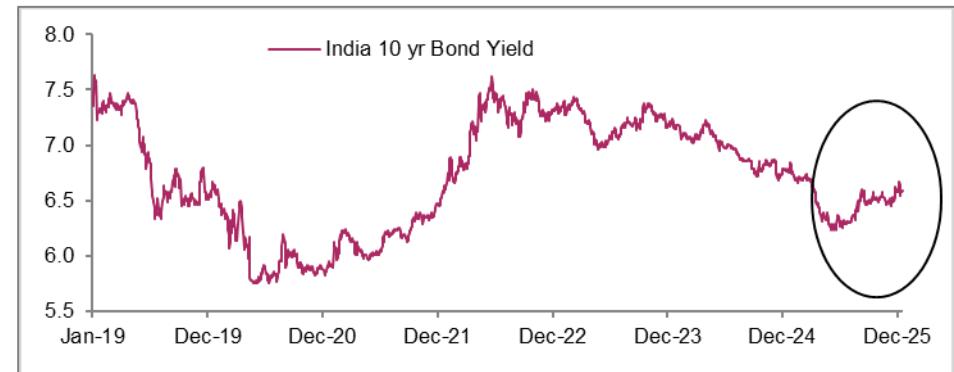
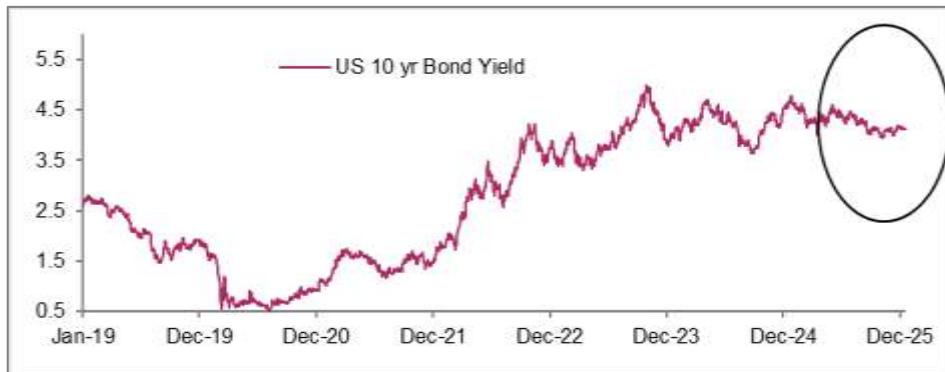
In FY26 so far, FIIs have pulled out only \$5 Bn, while DIIs have invested \$68 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed Rs 29,000 Cr for the first time in Sep'25.



Source: Bloomberg, Axis Securities

Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last month and are hovering around 3.9%-4.1% levels. Further direction remains critical for the market.
- Indian bond yields corrected on a YTD basis and adjusted for the 125-bps rate cut by the RBI.
- The correlation between the Indian and US markets has now returned to 13% levels vs. the 44% seen as of 28th Feb'24.



Source: Bloomberg, Axis Securities

BAJAJ FINANCE – PRIORITISING ASSET QUALITY OVER GROWTH; NIMS TO BENEFIT IN RATE CUT CYCLE!

Bajaj Finance (BAF) is one of India's largest NBFCs for consumer finance with a wide product portfolio comprising loans for two-wheelers, consumer durables, housing, and small businesses, among others. The company operates its business through 1,550+ urban and 2,600+ rural lending branches, with over 2.3+ Lc distribution points, and caters to a customer base of 100+ Mn.

Industry view



Key Rationale

- Festive Cheer Spurs Growth:** BAF reported a robust festive season (Navratri – Diwali) business growth driven by a strong consumption-led growth. This was supported by the structural reforms in income tax and GST, lifting consumer sentiment and spurring consumption. The company disbursed a record 6.3 Mn consumer loans, recording a growth of 27% YoY in volume and 29% YoY in value terms. Overall disbursement volume during this period was 7.4 Mn loans, recording a growth of 26% YoY, compared to the previous festive period. During the same period, the company added 2.3 Mn new customers, with ~52% being NTC. BAF not only witnessed a surge in disbursements but also a premiumization trend with consumers shifting to higher-quality products (mainly TVs and ACs) for better lifestyles.
- Growth Guidance Cut Due to Captive 2/3Wheeler and MSME:** BAF has been seeing stress in the SME and Captive 2/3-Wheeler businesses, with the latter already running down. As a corrective step, the company has cut unsecured MSME volumes by 25%, and SME growth is now expected to moderate to 10-12% in FY26. Management expects the worst to be behind by Q4FY26/Q1FY27, after which growth will be recalibrated. With slower growth expected in Mortgages (BHFL) and SME-together forming 42% of the portfolio, FY26 growth guidance has been lowered to 22-23%. However, strong traction in Gold, New Car Financing, LAP, and Tractor loans should cushion the impact. As SME stabilizes, we expect growth to revert to ~24-25% CAGR over the medium term.

- Asset Quality and Credit Costs to Improve Over H2:** During Q2, credit costs remained elevated, driven by stress in the 2W/3W and MSME portfolios. Management indicated that the rise in GNPA had a seasonal component, though MSME (+6 bps) and the captive business (+12 bps) contributed more significantly. BAF has taken corrective actions in MSME and expects credit costs to taper through H2. The captive 2W/3W book is being run down, with its ~9% contribution to credit costs likely to fall meaningfully in H2 and further in FY27. Other portfolios continue to show strong asset quality. The company restructured Rs. 288 Cr of standard advances (vs Rs. 219 Cr QoQ) but expects limited restructuring ahead. Management has maintained FY26 credit cost guidance at 185-195 bps, and we estimate 1.8-2.0% over FY26-28E.
- Outlook & Valuation:** We expect BAF to continue its growth trajectory, reporting a consistent ~24-25% CAGR AUM growth over the medium term, with growth resuming from FY27 onwards, with contribution from the core existing products and a further push from the scale-up of the new products. We expect BAF to deliver a strong AUM/NII/Earnings growth of 25/25/24% CAGR over FY27-28E, driven by (i) steady NIMs, (ii) Operating leverage driving cost ratio improvement, and (iii) downward trending credit costs backed by asset quality improvement. We expect BAF to deliver a RoA/RoE of 4.4-4.5%/19-22% over FY26-28E, broadly in line with the management's long-term guidance.
- Key Risks:** a) Slowdown in credit growth momentum, b) Asset Quality challenges in newer segments

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	36,393	30,028	16,779	27.0	153.0	6.5	4.5	0.4
FY26E	44,439	36,492	20,594	33.1	180.3	5.5	4.4	0.5
FY27E	55,252	44,946	25,799	41.5	214.5	4.6	4.5	0.5
FY28E	68,949	55,650	31,882	51.3	256.8	3.8	4.4	0.5

Source: Company, Axis Securities

Over Weight

CMP
987

Target Price
1,200

Upside
22%

Income Statement		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E March		FY25	FY26E	FY27E	FY28E	Y/E March		FY25	FY26E	FY27E	FY28E
Net Interest Income		36,393	44,439	55,252	68,949	SOURCES OF FUNDS					
Other Income		8,561	9,962	11,460	13,176	Share capital		124	622	622	622
Total Income		44,954	54,402	66,712	82,126	Reserves and Surplus		96,569	1,14,074	1,36,003	1,63,103
Total Operating Expense		14,926	17,909	21,766	26,476	Shareholders' funds		96,693	1,14,695	1,36,625	1,63,724
PPOP		30,028	36,492	44,946	55,650	Borrowings		3,61,249	4,50,228	5,66,065	7,10,769
Provisions & Contingencies		7,984	9,001	10,519	13,116	Other Liabilities and provisions		8,185	10,098	12,560	15,631
PBT		22,044	27,491	34,427	42,534	Total liabilities		4,66,127	5,75,021	7,15,250	8,90,124
Provision for Tax		5,300	6,938	8,692	10,741	APPLICATION OF FUNDS					
PAT		16,779	20,594	25,799	31,882	Cash & Bank Balance		13,544	14,407	17,921	22,302
Source: Company, Axis Research						Investments		34,441	38,174	46,768	58,203
						Advances		4,07,844	5,03,791	6,28,257	7,82,849
						Fixed Assets & Other Assets		10,298	18,649	22,304	26,769
						Total assets		4,66,127	5,75,021	7,15,250	8,90,124
Source: Company, Axis Research											

Valuation Ratios (%)					Balance Sheet Structure Ratios (%)				
Y/E March	FY25	FY26E	FY27E	FY28E	Y/E March	FY25	FY26E	FY27E	FY28E
EPS	27.0	33.1	41.5	51.3	Loan Growth (%)	26.0	23.5	24.7	24.6
Earnings growth (%)	-88.4	22.6	25.3	23.6	Borrowings Growth (%)	23.1	24.6	25.7	25.6
BVPS	155.7	184.5	219.8	263.4	Equity/Assets (%)	23.7	22.8	21.7	20.9
Adj. BVPS	153.0	180.3	214.5	256.8	Equity/Advances (%)	20.7	19.9	19.1	18.4
ROAA (%)	4.5	4.4	4.5	4.5	Total Capital Adequacy Ratio	21.9	21.5	20.6	19.6
ROAE (%)	19.0	19.5	20.5	21.2	ASSET QUALITY				
P/E (x)	36.6	29.8	23.8	19.2	Gross NPLs	3,678	5,472	6,850	8,568
P/ABV (x)	6.5	5.5	4.6	3.8	Net NPLs	1,720	2,625	3,285	4,115
Dividend Yield (%)	27.0	33.1	41.5	51.3	Gross NPLs (%)	0.9	1.1	1.1	1.1
PROFITABILITY & OPERATING EFFICIENCY					Net NPLs (%)	0.4	0.5	0.5	0.5
NIM (%)	8.8	8.8	8.8	8.9	Coverage Ratio (%)	53.7	52.5	52.5	52.5
Cost/Avg. Asset Ratio (%)	3.5	3.4	3.4	3.3	Provision/Avg. Loans (%)	2.2	2.0	1.9	1.9
Cost-Income Ratio (%)	33.2	32.9	32.6	32.2	ROAA TREE				

Source: Company, Axis Research

Source: Company, Axis Research

STATE BANK OF INDIA – STEADY SHIP AMIDST TURBULENT MACROS; 1% ROA DELIVERY TO CONTINUE!

State Bank of India (SBIN) is the largest public sector bank in terms of assets, deposits, branches, number of customers, and employees, and has a pan-India presence. The RBI has designated SBI as a Domestic Systemically Important Bank (D-SIB), underscoring its continued functioning as critical for the Indian economy.

Key Rationale

- Growth Buoyancy to Continue:** SBI's strong credit growth momentum is expected to sustain, driven by robust performance in (a) home loans (projected at 15-16% growth), (b) revival in Xpress Credit, and (c) improving growth traction in the corporate segment. The bank has visibility of meaningful acceleration in corporate growth, supported by a strong sanction pipeline of Rs 7 Tn, of which ~50% has already been sanctioned and is awaiting disbursement. The Xpress Credit segment has been a laggard, delivering muted growth. Some cannibalisation has been observed from the Xpress Credit book towards the gold loan portfolio, driven by lower rates and favourable gold prices. In the international book, the bank will continue to remain selective in pursuing growth without compromising on margins. With strong growth visibility across segments, the management is confident of growing faster than the industry and has guided for credit growth of 12-14% for FY26 and endeavours to 2x the balance sheet every 6 years. We pencil-in healthy credit growth sustaining at ~13% CAGR over FY26-28E.
- Confident in Maintaining Domestic NIMs at 3%:** In Q2, SBI's Domestic/Global NIMs expanded by 7bps QoQ, each driven by effective liability management. The bank is taking conscious steps towards optimizing the CoF by reducing reliance on bulk deposits and focusing efforts on CASA mobilisation. The management expects tailwinds on NIMs in the form of CRR cut (benefit to flow through by Nov-end) and continued repricing of TDs to adequately offset the impact of MCLR repricing. Thus, margins have bottomed out and should move with a positive bias over H2. Presently, ~31% of the bank's portfolios are EBLR-linked, 29% MCLR-linked, 22% Fixed, and 15% is linked to T-Bills. SBI's management remains confident of NIMs sustaining at 3%+ over the medium term.

- Asset Quality No Cause for Concern; ECL Impact Manageable:** The bank continues to see healthy progress on asset quality, driven by controlled slippages and healthy recoveries. Presently, asset quality trends continue to remain encouraging, and we do not foresee any adverse impact on asset quality. Thus, credit costs are expected to remain steady at ~50bps (+/-5bps) over FY26-28E. The management has not guided on the impact of ECL provisioning, but it hinted at a possible impact for the SMA pool in light of the floor rates, with provision buffers being lower.
- Non-banking Subsidiaries to Boost Overall Performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance of the bank.
- Outlook & Valuation:** SBI's performance has been the best amongst the larger banks, and the bank remains well-poised to sustain its performance, supported by the management's focus on deepening its liability franchise, allocating capital to higher RoRWA assets, maintaining a disciplined pricing approach, and leveraging tech to drive operating efficiency. The outperformance on NIMs in Q2, with the trend reversing earlier than expected, provides cushion to the bank's 1% RoA delivery. Continued repricing on TDs and CRR cut should adequately offset the MCLR repricing impact and drive NIMs higher in H2. Barring the on-time impact of the stake sale in Yes Bank, SBI's RoA has remained at 1%. The bank is making concentrated efforts to contain Opex growth by focusing on improving productivity and maintaining the C-I Ratio.
- Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,670	1,106	709	79.4	472.3	2.1	1.1	0.5
FY26E	1,784	1,203	782	84.8	552.5	1.8	1.1	0.4
FY27E	2,048	1,384	841	94.1	624.5	1.6	1.1	0.4
FY28E	2,302	1,542	926	100.3	702.2	1.4	1.0	0.4

Source: Company, Axis Securities.

Industry view



Over Weight

CMP
982

Target Price
1,135

Upside
16%

Profit & Loss					Balance Sheet				
Y/E MAR	(Rs Bn)				Y/E MAR	(Rs Bn)			
	FY25	FY26E	FY27E	FY28E		FY25	FY26E	FY27E	FY28E
Net Interest Income	1,670	1,784	2,048	2,302	Share capital	9	9	9	9
Other Income	617	694	725	753	Reserves and surplus	4,403	5,278	5,951	6,691
Total Income	2,286	2,478	2,773	3,055	Shareholders' funds	4,412	5,287	5,960	6,700
Total Operating Exp.	1,181	1,275	1,389	1,513	Total Deposits	53,822	59,592	66,384	73,883
PPOP	1,106	1,203	1,384	1,542	Total Borrowings	59,458	66,617	74,686	84,026
Provisions & Contingencies	153	206	263	308	Other Liabilities, provisions	2,891	3,137	3,519	3,959
Exceptional Items	0	46	0	0	Total	66,761	75,042	84,164	94,685
PBT	953	1,043	1,121	1,234	APPLICATION OF FUNDS				
Provision for Tax	244	261	280	309	Cash & Bank Balance	3,402	4,065	4,329	4,818
PAT	709	782	841	926	Investments	16,906	18,480	20,586	22,912
					Advances	41,633	47,080	53,173	60,120
					Fixed Assets & Other Assets	4,819	5,417	6,076	6,835
					Total assets	66,761	75,042	84,164	94,685

Source: Company, Axis Research

Source: Company, Axis Research

KEY RATIOS (%)				Balance Sheet Structure Ratios (%)					
Y/E MAR	FY25	FY26E	FY27E	FY28E	Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS									
EPS	79.4	84.8	91.1	100.3	Loan Growth (%)	12.4	13.1	12.9	13.1
Earnings Growth (%)	16.1	6.7	7.5	10.1	Deposit Growth (%)	9.5	10.7	11.4	11.3
BVPS	494.3	572.8	645.7	725.9	C-D Ratio (%)	77.4	79.0	80.1	81.4
Adj. BVPS	472.3	552.5	624.5	702.2	Equity to Assets (%)	6.6	7.0	7.1	7.1
ROAA (%)	1.1	1.1	1.1	1.0	Equity to Loans (%)	10.6	11.2	11.2	11.1
ROAE (%)	17.3	16.1	15.0	14.6	CRAR (%)	14.3	14.4	14.1	13.6
P/E (x)	12.4	11.6	10.4	9.8	Tier I (%)	12.1	12.5	12.3	11.9
P/ABV (x)	2.1	1.8	1.6	1.4					
Dividend Yield (%)	15.9	17.0	18.2	20.1	ASSET QUALITY				
PROFITABILITY					Gross NPLs (%)	1.8	1.6	1.5	1.4
NIM (%) – Domestic	3.3	3.1	3.2	3.2	Net NPLs (%)	0.5	0.4	0.4	0.4
NIM (%) - Global	3.2	3.1	3.2	3.2	PCR	74.4	75.0	75.0	75.0
Cost-Income Ratio	51.6	51.5	50.1	49.5	Credit cost	0.4	0.5	0.5	0.5

Source: Company, Axis Research

Source: Company, Axis Research

HDFC BANK LTD – EMBRACING THE UPTURN!

HDFC Bank (HDFCB) is the second-largest bank in the country with a balance sheet size of over ~Rs 36+ Tn (post-merger). The bank has over 9,000 branches and 20,000 ATMs spread across 4,000+ Indian cities. Key subsidiaries of the bank post the merger with HDFC Ltd. are HDFC Life, HDFC ERGO General Insurance, HDFC AMC, HDB Financial, and HDFC Securities.

Industry view



Equal weight

CMP
991

Target Price
1,170

Upside
18%

Key Rationale

- On Track to Accelerate Growth:** HDFCB's credit growth lagged systemic growth, driven by its conscious decision to reduce LDR. With the LDR now <100%, the bank will look to resume its growth journey, with FY26 pegged at par with systemic growth and a further acceleration going into FY27E, outperforming systemic growth. HDFCB's growth will come from segments where the bank is comfortable lending without diluting its credit standards. The mortgage segment remains a key growth driver for the bank. HDFCB had undertaken corrections in processes, yields, and target market, and since then, the bank has been able to improve volumes and gain market share. Unlike its peers, HDFCB did not tinker with mortgage rates, as it did not fit into its risk-reward framework. The bank has also seen signs of growth revival in the SME segment. The management expects a healthy growth pick-up in the segment by leveraging its footprint and clientele, without compromising on asset quality. With economic activity picking up and HDFCB looking to accelerate its credit growth momentum, we expect the bank to deliver a healthy ~15% CAGR credit growth over FY26-28E.
- NIM to Improve Hereon:** In Q2, the bank's NIMs contracted by 8bps QoQ, aided by a 20bps reduction in CoF, while the yield contraction was sharper at ~30bps QoQ. The management has indicated that a bulk of the asset repricing is behind, and NIMs should benefit from the downward repricing of TDs. The rate cut actions taken by the bank have been reflected in SA rates. However, given the longer duration of TDs, the repricing benefit has yet to be fully reflected. **However, the management is confident exiting FY26 with better NIMs vs Q2. We expect NIMs to improve to 3.8% over FY27-28E vs 3.6% in FY26E.**
- Focus on Granular Deposit Growth:** HDFCB's focus remains on building a granular retail-dominated deposit base, while exercising a pricing discipline. The bank will look to source granular deposits by leveraging its branch network and is comfortable growing at ~15% YoY on an average deposit basis in FY26. The bank will now particularly focus on mobilising CASA deposits by up-selling to its mortgage customers, as a savings account is attached to every home loan.
- Outlook & Valuation:** HDFCB has been consistently performing on its guidance in its endeavour to revert to its pre-merger levels across metrics, and its execution capabilities remain strong. With LDR at a <100% level, the bank will look to accelerate growth momentum in FY26 to match systemic growth. Further acceleration of growth in FY27E, while maintaining a strong deposit growth momentum, should enable HDFCB to bring down its LDR to sub-90%. The margin compression seen in H1 is expected to reverse going into H2, supported by deposit repricing and CRR cut driving exit margins higher. The NIM pressures would be adequately offset by controlled Opex and benign credit costs, enabling HDFCB to deliver RoA/RoE of 1.8-1.9%/15-16% over FY26-28E.
- Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilisation, b) Slower substitution of higher-cost debt with lower-cost deposits

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,227	1,001	673	44.0	320.2	3.1	1.8	0.4
FY26E	1,323	1,232	741	48.2	355.3	2.8	1.8	0.4
FY27E	1,564	1,338	891	58.0	398.4	2.5	1.9	0.4
FY28E	1,802	1,538	1,024	66.7	447.9	2.2	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss		(Rs Bn)				Balance Sheet		(Rs Bn)			
Y/E MAR		FY25	FY26E	FY27E	FY28E	Y/E MAR		FY25	FY26E	FY27E	FY28E
Net Interest Income		1,227	1,323	1,564	1,802	SOURCES OF FUNDS					
Other Income		456	650	609	683	Share capital		8	15	15	15
Total Income		1,683	1,973	2,173	2,485	ESOPs		38	46	56	66
Total Operating Exp.		682	741	835	947	Reserves and Surplus		4,969	5,524	6,192	6,961
PPOP		1,001	1,232	1,338	1,538	Deposits		5,014	5,585	6,264	7,042
Provisions & Contingencies		116	249	156	179	Shareholders' funds		27,147	31,119	36,735	43,369
PBT		885	982	1,182	1,358	Borrowings		5,479	5,372	4,757	4,796
Provision for Tax		211	241	291	334	Other Liabilities, provisions		1,461	1,682	1,909	2,207
PAT		673	741	891	1,024	Total liabilities		39,102	43,759	49,664	57,414
Source: Company, Axis Research						APPLICATION OF FUNDS					
						Cash & Bank Balance		2,396	2,808	3,315	3,697
						Investments		8,364	9,341	10,292	12,150
						Advances		26,196	29,142	33,257	38,329
						Fixed Assets & Other Assets		2,147	2,467	2,800	3,237
						Total assets		39,102	43,759	49,664	57,414

Source: Company, Axis Research

Source: Company, Axis Research

KEY RATIOS (%)				Balance Sheet Structure Ratios (%)					
Y/E MAR	FY25	FY26E	FY27E	FY28E	Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS									
EPS	44.0	48.2	58.0	66.7	Loan Growth (%)	5.4	11.2	14.1	15.3
BVPS	327.6	363.5	407.7	458.4	Deposit Growth (%)	14.1	14.6	18.0	18.1
Adj. BVPS	320.2	355.3	398.4	447.9	C-D Ratio (%)	96.5	93.6	90.5	88.4
ROAA (%)	1.8	1.8	1.9	1.9	CRAR	19.6	18.8	17.6	17.0
ROAE (%)	14.3	14.0	15.0	15.4	Tier I	17.7	17.1	16.1	15.7
P/E (x)	22.6	20.6	17.1	14.9					
P/ABV (x)	3.1	2.8	2.5	2.2	ASSET QUALITY				
PROFITABILITY									
NIM (%)	3.5	3.4	3.5	3.6	Gross NPLs (%)	1.3	1.4	1.3	1.3
Cost-Assets Ratio	1.8	1.8	1.8	1.8	Net NPLs (%)	0.4	0.4	0.4	0.4
Cost-Income Ratio	40.5	37.6	38.4	38.1	PCR	67.9	68.0	68.0	68.0

Source: Company, Axis Research

Source: Company, Axis Research

BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

Bharti Airtel (Airtel), headquartered in New Delhi, is an Indian multinational telecommunications company operating in 18 countries across South Asia, Africa, and the Channel Islands. It is India's second-largest telecom operator, boasting a strong domestic presence and a comprehensive digital services portfolio that includes fibre optic networks, mobile and desktop telephony, and other digital solutions.

Key Rationale

- Best ARPU in the Industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 256 level, compared to Reliance's Rs 211. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 28.3 GB/month, further bolstering revenue growth.
- Huge Revenue and Profit Growth Potential:** Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel's digital portfolio is gaining traction alongside market share expansion. It has maintained a substantial share of 4G/5G net additions, with the smartphone customer base growing by 5.1 Mn QoQ, now accounting for 78% of the total customer base. Moreover, Airtel's Africa business is expected to continue its strong performance on a sequential basis.
- Improvement in the Digital/Home Segment:** Bharti Airtel's management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a "Hunting" strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles), while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- Moderated Capex and Capital Allocation Initiatives:** Bharti Airtel does not anticipate any immediate significant capex despite the ongoing 5G rollout. Management expects capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centres. However, capex related to 4G radio is expected to decline with the completion of rural rollout. Airtel aims to implement a few initiatives, such as deleveraging the balance sheet, dividend payments, and selective investment verticals.
- Valuation & Recommendation:** We maintain our **BUY** rating on the stock, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY24	1,49,982	78,292	8,558	13.2	159.6	10.7	6.5	17.8
FY25	1,72,985	93,159	37,481	58.6	35.9	38.3	17.7	14.8
FY26E	2,15,196	1,19,987	34,598	56.8	37.0	27.8	14.8	11.1
FY27E	2,55,045	1,42,825	48,025	78.8	26.7	31.7	17.5	8.9

Source: Company, Axis Securities

Industry view



Over Weight

CMP
2,106

Target Price
2,530

Upside
20%

Profit & Loss

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	1,49,982	1,72,985	2,15,196	2,55,045
Change (YoY, %)	7.8	15.3	24.4	18.5
Operating expenses	71,691	79,826	95,209	1,12,220
EBITDA	78,292	93,159	1,19,987	1,42,825
Change (YoY, %)	9.8	18.9	28.8	19.0
Margin (%)	52.2	53.8	55.7	56.0
Depreciation	39,538	45,570	51,276	57,876
Interest paid	22,648	21,754	22,539	23,250
Other income	1,435	1,574	2,940	4,088
PBT	9,970	34,696	49,113	65,787
Tax	4,121	917	14,191	17,762
Effective tax rate (%)	41%	3%	29%	27%
Share of JV/Associate	2,709	3,703	(324)	-
Exceptional items	(7,572)	7,287	-	-
Net profit	8,558	37,481	34,598	48,025
Adjusted net profit	16,130	30,195	34,598	48,025
Change (YoY, %)	24	87	15	39
Adj EPS	27	50	57	79
Dividend per share	8	16	21	27
Dividend Payout (%)	57	26	26	26

Source: Company, Axis Securities Research

(Rs Cr)

Balance Sheet

Y/E March	FY24	FY25	FY26E	FY27E
Share capital	2,877	2,900	2,900	2,900
Reserves & surplus	79,142	1,10,772	1,32,694	1,64,239
Shareholders' funds	82,019	1,13,672	1,35,594	1,67,139
Total Debt	1,38,747	1,48,312	1,46,312	1,44,312
Other liabilities	50,094	75,589	75,589	75,589
Current Liabilities & Provisions	1,38,668	1,80,440	2,05,716	2,28,915
Current liabilities	99,252	1,00,837	1,16,990	1,32,487
Provisions	31,631	36,155	44,833	53,134
Total liabilities	3,19,724	3,60,893	3,83,723	4,05,522
Total equity & liabilities	4,25,288	5,14,360	5,61,103	6,16,536
Net fixed assets	3,03,303	1,43,272	1,36,996	1,39,120
Investments	31,333	544	544	544
Other non-current assets	32,376	3,02,956	3,02,956	3,02,956
Current assets	58,276	67,589	1,20,607	1,73,917
Inventories	364	452	452	452
Sundry Debtors	4,728	7,456	9,564	11,335
Cash & Liquid	16,340	16,720	64,239	1,12,456
Other Current Assets	36,845	16,195	19,586	22,907
Total assets	4,25,288	5,14,361	5,61,103	6,16,536

Source: Company, Axis Securities Research

Cash Flow

	(Rs Cr)			
Y/E March	FY24	FY25	FY26E	FY27E
Pre-tax Profit	12,679	38,399	48,789	65,787
Depreciation	39,538	45,570	51,276	57,876
Change in working capital	18,851	32,840	19,776	18,107
Other operating activities	28,785	12,893	19,598	19,162
Cash flow from operations (a)	95,731	1,28,785	1,25,249	1,43,170
Capital expenditure	(48,971)	1,14,460	(45,000)	(60,000)
Change in investments	(3,444)	3,142	-	-
Other investing activities	33,957	(2,41,359)	2,940	4,088
Cash flow from investing (b)	(18,458)	(1,23,756)	(42,060)	(55,912)
Equity raised/(repaid)	40	24	-	-
Debt raised/(repaid)	(18,217)	(604)	(2,445)	(1,400)
Dividend paid	(4,838)	(9,751)	(10,726)	(11,262)
Change in minorities	(5,336)	16,251	1,990	2,089
Other financing activities	(46,001)	(10,568)	(24,489)	(28,467)
Cash flow from financing (c)	(74,352)	(4,649)	(35,671)	(39,040)
Net change in cash (a+b+c)	2,921	380	47,519	48,217
Opening cash balance	13,419	16,340	16,720	64,239
Closing cash balance	16,340	16,720	64,239	1,12,456

Source: Company, Axis Securities Research

Ratio Analysis

Y/E March	FY24	FY25	FY26E	FY27E
Book Value (Rs)	136	187	222	274
Adj EPS (Rs)	27	50	57	79
Adj EPS growth (%)	24	87	15	39
EBITDA margin (%)	52	54	56	56
Pre-tax margin (%)	7	20	23	26
Debt/Equity (x)	1.6	0.9	0.8	0.6
ROCE (%)	6	18	15	17
ROE (%)	11	38	28	32
Financial leverage ratios				
Debt / Equity (x)	1.6	0.9	0.8	0.6
Interest Coverage (x)	3.5	4.3	5.3	6.1
Interest / Debt (%)	16	18	22	23
Working Capital & Liquidity Ratio				
Inventory days	-	-	0	0
Receivable days	11	16	16	16
Payable days	84	79	80	80
Valuation ratio				
PER (x)	160	36	37	27
Adjusted PER (x)	77	42	37	27
P/BV (x)	15.2	11.0	9.5	7.7
EV/EBITDA (x)	17.4	14.4	11.1	8.9
Market Cap. / Sales (x)	8.3	7.3	6.0	5.1

Source: Company, Axis Securities Research

Avenue Supermarts Ltd – POSITIONING FOR THE NEXT PHASE OF GROWTH

D-Mart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. The company was founded by Mr. Radhakishan Damani and his family to cater to the evolving needs of the Indian family. Since the launch of its first store in Powai in 2002, D-Mart has established a strong presence with 422 locations (as on Jun-25) across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh, NCR, Tamil Nadu, Punjab, and Rajasthan. Additionally, the company operates in the online and multi-channel grocery retail segment under the brand name D-Mart Ready. Through D-Mart Ready, customers can order a broad range of grocery and household products via its mobile app and website, www.dmart.in. Orders can be picked up from designated D-Mart Ready Pick-up Points or delivered directly to customers' doorsteps. Many Pick-up Points also feature a curated selection of merchandise available for instant purchase.

Key Rationale

- Positioning for the Next Phase of Growth:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment in D-Mart Ready to support operations, working capital, and expansion, is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits. In fact, in Q2FY26, DMart reported 15.5% YoY revenue growth, with like-for-like growth at 6.8%.
- Margins Remain Intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart's strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- Extensive Retail Network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 439 as of the date. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 10-20% in the coming years. Further, the management sees potential for 1800+ store additions across India over a longer period.
- Improving outlook:** D-Mart has faced several challenges over the past few years, impacted by a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, affecting overall profitability, along with increasing competition from both organised players and online platforms. However, the company has undertaken several initiatives to address these challenges, such as: 1) changes in leadership to revamp the slowing GM&A category, 2) focusing on improving profitability in D-Mart Ready through a gradual expansion strategy, and 3) targeting a 10-20% store addition on an existing base of 432 stores, which is a step in the right direction. The overall improving consumer demand, supported by stable macroeconomics and a strong festive outlook in H2FY26, is expected to further support these initiatives and drive growth in high-margin general merchandise and apparel categories. Additionally, a reduction in the GST rate cut has spurred consumption and indirectly supports discretionary spending. **Hence, we maintain our BUY rating on the stock.**

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY25	59,358	4,487	2,707	41.6	90.9	12.6	13.4
FY26E	71,499	5,466	3,306	50.8	74.4	13.4	14.2
FY27E	86,251	6,838	4,222	64.9	58.3	14.6	15.6
FY28E	1,02,905	7,394	4,547	69.9	54.1	13.6	14.5

Industry view



Equal Weight

CMP

3,782

Target Price

4,960

Upside

31%

Profit & Loss

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	50,789	59,358	71,499	86,251
Growth, %	18.6	16.9	20.5	20.6
Raw material expenses	(43,275)	(50,552)	(60,561)	(72,976)
Employee expenses	(906)	(1,166)	(1,411)	(1,707)
Other Operating Expenses	(2,504)	(3,153)	(3,658)	(4,243)
EBITDA (Core)	4,104	4,487	5,870	7,325
Growth, %	12.8	9.3	30.8	24.8
Margin, %	8.1	7.6	8.2	8.5
Depreciation	(731)	(870)	(1,013)	(1,156)
EBIT	3,373	3,618	4,857	6,169
Growth, %	12.5	7.3	34.3	27.0
Margin, %	6.6	6.1	6.8	7.2
Other Income	146	124	149	179
Non-recurring Items	-	-	-	-
Pre-tax profit	3,461	3,673	4,933	6,271
Tax provided	(926)	(965)	(1,332)	(1,693)
Profit after tax	2,536	2,707	3,601	4,578

Source: Company, Axis Research

(Rs Cr) Balance Sheet

Y/E Mar	FY24	FY25	FY26E	FY27E
Cash & bank	638	358	828	2,236
Debtors	166	154	185	223
Inventory	3,927	5,044	6,076	7,330
Loans & advances	-	-	-	-
Other current assets	1,364	835	835	835
Total current assets	6,202	6,392	7,925	10,625
Investments	243	178	178	178
Gross fixed assets	16,562	20,097	23,397	26,697
Less: Depreciation	(3,155)	(3,897)	(4,909)	(6,066)
Add: Capital WIP	935	1,099	1,099	1,099
Net fixed assets	14,343	17,299	19,586	21,730
Non-current assets	390	452	452	452
Total assets	21,178	24,321	28,142	32,985
Current liabilities	1,979	2,212	2,431	2,697
Provisions	-	-	-	-
Total current liabilities	1,979	2,212	2,431	2,697
Non-current liabilities	501	681	681	681
Total liabilities	2,480	2,894	3,113	3,379
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,777	24,378	28,956
Shareholders' equity	18,698	21,428	25,029	29,607
Total equity & liabilities	21,178	24,321	28,142	32,985

Source: Company, Axis Research

Cash flow

Y/E Mar	(Rs Cr)			
	FY24	FY25	FY26E	FY27E
Pre-tax profit	3,461	3,673	4,933	6,271
Depreciation	731	870	1,013	1,156
Change in working capital	(1,192)	(244)	(844)	(1,026)
Total tax paid	(911)	(945)	(1,332)	(1,693)
Cash flow from operating activities	2,089	3,353	3,770	4,708
Capital expenditure	(2,912)	(3,826)	(3,300)	(3,300)
Change in marketable securities	96	105	-	-
Cash flow from investing activities	(2,943)	(3,656)	(3,300)	(3,300)
Free cash flow	(854)	(302)	470	1,408
Equity raised/(repaid)	2	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	2	-	-	-
Net change in cash	(851)	(302)	470	1,408
Opening cash balance	1,408	638	358	828
Closing cash balance	638	358	828	2,236

Source: Company, Axis Research

Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E
Per Share data				
EPS (INR)	39.0	41.6	55.3	70.3
Growth, %	6.0	6.8	33.0	27.1
Book NAV/share (INR)	287.3	329.3	384.6	455.0
FDEPS (INR)	39.0	41.6	55.3	70.3
CEPS (INR)	50.2	55.0	70.9	88.1
CFPS (INR)	30.0	50.6	55.6	69.6
Return ratios				
Return on assets (%)	13.2	12.2	14.0	15.2
Return on equity (%)	13.6	12.6	14.4	15.5
Return on capital employed (%)	14.5	13.4	15.4	16.6
Turnover ratios				
Asset turnover (x)	3.2	3.1	3.2	3.4
Sales/Total assets (x)	2.6	2.6	2.7	2.8
Sales/Net FA (x)	3.8	3.8	3.9	4.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	1.2	0.9	0.9	0.9
Inventory days	28.2	31.0	31.0	31.0
Payable days	7.7	7.1	7.2	7.2
Working capital days	25.0	23.5	23.8	24.1
Liquidity ratios				
Current ratio (x)	3.1	2.9	3.3	3.9
Quick ratio (x)	1.1	0.6	0.8	1.2
Valuation				
PER (x)	114.8	107.5	80.9	63.6
PEG (x) - y-o-y growth	19.1	15.9	2.4	2.3
Price/Book (x)	15.6	13.6	11.6	9.8
EV/Net sales (x)	5.7	4.9	4.1	3.3
EV/EBITDA (x)	70.8	64.8	49.5	39.4
EV/EBIT (x)	86.1	80.4	59.8	46.8

Source: Company, Axis Research

MAX HEALTHCARE – LEADER IN CHARGE

Max Healthcare is a market leader in the Delhi-NCR and Mumbai regions, with over 2,900 beds and a strong presence in oncology. The company plans to add 3,000 beds over the next three years, primarily through brownfield expansions. Strong operational performance has driven significant EBITDA growth, with margins currently at 26.5%. Backed by robust cash flows and strategic expansions, Max Healthcare is well-positioned for sustained profitability and growth.

Key Rationale

- Strong Quarterly Performance:** Max Healthcare reported net revenue of Rs 2,580 Cr, registering 21.4% YoY and 5% QoQ growth, broadly in line with expectations. The performance was supported by steady ARPOB, stable occupancy, and the addition of new beds, which together drove a 19% increase in occupied bed days. International patient revenue rose 25% YoY and now contributes 9% to overall revenue. Existing units delivered a strong 14% like-for-like revenue growth, reflecting sustained operational momentum across the network.
- Expansion-Focused Growth with Prudent Leverage:** Max Healthcare continues to pursue an aggressive yet capital-efficient expansion strategy, primarily led by brownfield additions that support a strong multi-year growth trajectory. The company plans to increase bed capacity from ~5,000 in FY25 to ~9,000–9,500 by 2028, driven by key projects such as Nanavati Max (268 beds), Max Smart Saket (400 beds), and Max Mohali (160 beds), alongside additional developments in Lucknow and Gurgaon. Brownfield assets enable faster ramp-ups, quicker EBITDA breakeven, and improved earnings visibility.
- Strong Operating KPI:** ARPOB stood at Rs 77,300, flat YoY (with existing units delivering 3% YoY growth), while overall occupancy improved to 77% with a 19% increase in occupied bed days, and mature hospitals reported 79% occupancy. IP and OP volumes grew 22.5% and 27%, respectively.
- Recent Update:** Additionally, Max Healthcare has announced its entry into Pune with a planned 450-bed super specialty hospital in Yerawada, involving an investment of over ₹1,000 crore. The project will be developed on freehold land acquired through Yerawada Properties Pvt Ltd and is expected to be commissioned over the next three years, further expanding Max's presence in Western India and tapping into growing healthcare demand in the region.
- Outlook & Valuation:** Management reiterated guidance of 6–7% ARPOB growth in mature hospitals, supported by higher case complexity and an improving clinical mix, alongside sustained occupancy of around 80%. Developing hospitals are expected to ramp up gradually, driving incremental occupancy and revenue growth. The company remains focused on scaling oncology and international patient businesses while maintaining strong return ratios. The recent CGHS rate revision is expected to generate a revenue uplift of over Rs 200 Cr once fully implemented across CGHS and CGHS-linked schemes such as ECHS. Management indicated that 85–90% of this incremental revenue is likely to flow through to EBITDA, as the cost base for servicing these patients is already largely established. The full benefit, particularly from the newly introduced "super-specialty hospital" category, is expected to materialise from FY27 onward.
- Valuation:** We value the stock at 30x EV/EBITDA FY28E.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	P/BV (x)	ROE (%)
FY25	8,621	2,193	1,335	14	76	47	10	13
FY26E	11,201	2,901	1,877	19	54	36	8	15
FY27E	13,114	3,436	2,275	23	45	30	7	16

Source: Company, Axis Securities

Industry view



Equal Weight

CMP

1,045

Target Price

1,400

Upside

34%

Profit & Loss

Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	(Rs Cr) FY28E
Net sales	8,621	11,201	13,114	16,806
Growth	27%	30%	17%	28%
Total Expenditure	6,428	8,300	9,678	12,353
Raw Material Consumed	2,115	2,834	3,305	4,235
Gross Margins (%)	75.5%	74.7%	74.8%	74.8%
EBITDA	2,193	2,901	3,436	4,454
EBITDA (%)	25.4%	25.9%	26.2%	26.5%
Depreciation	406	482	533	573
% of GB	6%	5%	5%	5%
Interest & Fin Chg.	84	141	132	124
EBIT	2,109	2,761	3,303	4,329
EBIT (%)	0	0	0	0
Other Income	45	80	88	96
Exceptional Items	(74)	-	-	-
Share of P/L of Associates	-	-	-	-
PBT	1,674	2,358	2,859	3,853
Tax Rate (%)	20%	20%	20%	20%
Tax	339	481	583	786
Reported PAT	1,335	1,877	2,275	3,067

Source: Company, Axis Research

Balance Sheet

Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	(Rs Cr) FY28E
Share Capital	972	972	972	972
Reserves & Surplus	9561	11341	13519	16489
Shareholders Fund	10533	12313	14491	17461
- Long Term Borrowings	3029	3429	3229	3029
- Deferred Tax Liabilities(Net)	151	37	37	37
- Other Long-Term Liabilities	95	95	95	95
- Long Term Provisions	489	614	719	921
Total Non-Current Liabilities	3764	4175	4080	4082
TOTAL EQUITY & LIABILITIES	14297	16488	18571	21543
Net Block	5597	7461	8129	8356
CWIP	1292	445	445	445
Goodwill	4795	4795	4795	4795
Other intangible assets	698	1459	1459	1459
Right-of-use asset	1344	1344	1344	1344
- Fixed Assets(incl. Capital Work in Progress)	13726	15505	16172	16399
Total Non-Current Assets	13726	15505	16172	16399
- Current Investments	4	66	66	66
- Inventories	134	184	216	276
- Trade Receivables	857	1013	1186	1519
- Cash & Cash Equivalents	1011	1155	2367	4717
- Other Current Assets(Net)	-1435	-1435	-1435	-1435
Total Current Assets	571	983	2399	5143
TOTAL ASSETS	14297	16488	18571	21543

Source: Company, Axis Research

Cash Flow

Y/E Mar	(Rs Cr)			
	FY25	FY26E	FY27E	FY28E
PBT	1,674	2,358	2,859	3,853
Add: depreciation	406	482	533	573
Add: Interest	84	141	132	124
Cash flow from operations	2,164	2,981	3,524	4,550
Change in working capital	-169	81	100	192
Taxes	339	481	583	786
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,994	2,419	2,841	3,572
Capital expenditure	-3,943	-2,261	-1,200	-800
Change in Investments	62	-62	0	0
Net cash from investing	-3,881	-2,323	-1,200	-800
Increase/Decrease in debt	1,679	400	-200	-200
Dividends	-97	-97	-97	-97
Proceedings from equity	1	0	0	0
Interest	-84	-141	-132	-124
Others	113	-114	0	0
Net cash from financing	1,612	48	-430	-421
Net Inc./Dec.) in Cash	-275	144	1,211	2,350
Opening cash balance	1,286	1,011	1,155	2,367
Closing cash balance	1,011	1,155	2,367	4,717

Source: Company, Axis Research

Ratio Analysis

Key Ratios	FY25	FY26E	FY27E	FY28E
Sales growth	27	30	17	28
OPM	25	26	26	27
Operating profit growth	40%	61%	57%	54%
COGS / Net sales	25%	25%	25%	25%
Depreciation / G. block	6%	5%	5%	5%
Effective interest rate	3%	4%	4%	4%
Net working capital / Net sales	-12%	-8%	-6%	-4%
Net sales / Gr block (x)	1.2	1.2	1.2	1.5
ROCE	12	14	17	21
Debt/equity (x)	0.3	0.3	0.2	0.2
Effective tax rate	20%	20%	20%	20%
RoE	13	15	16	18
Payout ratio (Div/NP)	10%	10%	10%	10%
EPS (Rs.)	14	19	23	32
EPS Growth	4%	41%	21%	35%
CEPS (Rs.)	18	24	29	37
DPS (Rs.)	1	1	1	1

Source: Company, Axis Research

PRESTIGE ESTATES PROJECTS LTD – LAYING FOUNDATION FOR A ROBUST FY26

Prestige Group, established in 1986, is one of India's leading real estate developers with a strong foothold in Bangalore and an expanding presence across major metro cities. With over 38 years of experience, the company has developed a diverse portfolio across all asset classes. It has successfully completed over 300 projects, delivering more than 180 Mn sq. ft.

Key Rationale

- Quarterly Performance:** Prestige reported pre-sales of Rs 6,017 Cr for the quarter (PG's share Rs 5,081 Cr), registering a 26% YoY growth. Collections stood at Rs 4,213 Cr, in line with expectations and management guidance. During Q2FY26, the company launched 3.87 Mn sq. ft. across four projects, including NCR Mayflower at Prestige City. The total GDV of launched projects stood at approximately Rs 17,590 Cr for H1FY26, with NCR contributing 24%, Bengaluru 48%, and Mumbai 28%. Key sales contributors included TPC Indirapuram, Prestige Nautilus, and Prestige Southern Star Phase 1. The company has guided for a launch pipeline of GDV Rs 43,000 Cr and pre-sales of Rs 27,000 Cr for FY26; however, we expect it to surpass this guidance. Having achieved 67% of its annual target, the company is back on track with its growth trajectory.
- Annuity Gains Traction:** The company reported healthy occupancy levels of around 93% in its office segment across 2.3 Mn sq. ft. and a strong 99% in its retail portfolio, generating GTO of Rs 623 Cr. Exit rentals for the commercial and retail portfolios stood at Rs 525 Cr and Rs 275 Cr, respectively. The upcoming development pipeline includes 14 Mn sq. ft. of commercial and 10 Mn sq. ft. of retail space, with an annuity capex of approximately Rs 15,000 Cr. Prestige expects exit rentals to rise from the current Rs 1,091 Cr to around Rs 4,900 Cr by FY30E. In BKC, the company has pre-leased 1.6 Mn sq. ft., which is expected to be operational by FY26, while the Mahalaxmi project is expected to commence operations by FY28.
- Resilient Cashflows leading to Healthy BD:** The company added projects worth approximately Rs 12,600 Cr in GDV across five projects during the quarter, taking the total H1FY26 GDV additions to Rs 12,600 Cr. It has budgeted operating cash flows of Rs 7,500–8,000 Cr for FY26, of which around Rs 4,000 Cr is allocated for BD and the remainder for capex. Free cash flows from residential (ongoing and upcoming) projects, net of spends, stand at around Rs 22,000 Cr, while the balance capex required for annuity assets is approximately Rs 10,800 Cr, providing substantial headroom for further BD and acquisitions. Net debt stands at Rs 7,320 Cr, with a net debt-to-equity ratio of 0.45x, which is expected to remain below 0.5x going forward.
- Recommendation & Valuation:** Prestige Estates continues to demonstrate a strong growth trajectory, underpinned by sustained demand across key residential markets and steady expansion in its annuity portfolio. Backed by healthy launch momentum and robust collections, the company remains well-positioned to exceed its FY26 pre-sales guidance of Rs 27,000 Cr and the planned launch pipeline of Rs 43,000 Cr GDV. Management anticipates sustained traction in both mid-income and luxury housing segments, while upcoming launches in NCR and Mumbai are expected to further diversify the growth base. On the annuity front, near-term completions in BKC and Mahalaxmi, along with a robust 24 mn sq. ft. development pipeline, will significantly enhance rental income over the next few years. Strong operating cash flows and disciplined capital allocation are expected to keep the net debt-to-equity ratio comfortably below 0.5x, providing ample flexibility for future growth.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs Cr)	PER (X)	EV/EBITDA (X)	RoE (%)	RoCE (%)	Net Debt/Equity (X)
FY25	7,349	2,559	617	11.7	150.2	30.3	3%	11%	0.53
FY26E	9,724	3,247	1,270	29.2	60.0	24.0	7%	14%	0.46
FY27E	13,489	4,657	2,320	52.8	33.2	15.2	11%	20%	0.04
FY28E	16,068	5,569	2,785	56.5	31.0	11.4	11%	21%	-0.32

Source: Company, Axis Securities

Industry view



Equal Weight

CMP

1,595

Target Price

2,000

Upside

25%

Profit & Loss

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Sales & other receipts	7,349	9,724	13,489	16,068
% YoY growth	-7%	32%	39%	19%
Cost of construction	1,203	4,337	5,864	6,964
Employee Cost	822	681	944	1,125
Other Expenses	2,766	1,459	2,023	2,410
Total expenditure	4,791	6,476	8,832	10,499
EBITDA	2,559	3,247	4,657	5,569
EBITDA margin (%)	35%	33%	35%	35%
Depreciation	812	911	1,005	1,193
Ebit	1,747	2,337	3,652	4,376
Interest	1,334	1,022	1,089	1,202
Other Income	386	386	386	425
PBT	799	1,701	2,949	3,599
Taxes	139	374	649	720
% of PBT	17%	22%	22%	20%
Profit in Associates	43	57	19	94
Group PAT (before Minority & Associates)	617	1,270	2,320	2,785
Minority interest	149	99	203	519
PAT	468	1,171	2,117	2,266
PAT Margin (%)	6%	12%	16%	14%

Source: Company, Axis Research, *P&L numbers are adjusted for split

Balance Sheet

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Shareholders' funds	15,423	16,522	18,567	20,760
Share capital	431	431	431	431
Reserves and surplus	14,992	16,091	18,136	20,330
Non-Controlling Interest	482	580	783	1,302
Loan funds	10,600	12,100	12,100	14,600
Deferred tax liability	584	584	584	584
Total liabilities & shareholders' funds	27,089	29,787	32,034	37,247
Fixed assets (including Investments)	13,219	15,265	17,511	19,896
Gross block	13,697	16,653	19,906	23,483
Depreciation	3,206	4,116	5,121	6,315
Net block	10,491	12,537	14,784	17,168
Capital WIP	1,424	1,424	1,424	1,424
Goodwill	53	53	53	53
Inventories	31,883	46,012	62,581	79,149
Other Current Assets	6,423	6,423	6,423	6,423
Receivables	1,358	1,358	1,358	1,358
Cash and bank balance	2,393	3,563	10,526	20,318
Current Liabilities	31,706	46,354	69,885	93,416
Trade Payables	1,871	1,871	1,871	1,871
Lease Liabilities	2,580	2,580	2,580	2,580
Provisions	520	520	520	520
Total assets	27,089	29,787	32,034	37,247

Source: Company, Axis Research

Cash Flow

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
PBT	756	1,701	2,949	3,599
Add: Share of JVs	44	0	0	0
Add: Depreciation	812	911	1,005	1,193
Interest Paid	1,334	1,022	1,089	1,202
Interest & dividend income	-293	-386	-386	-425
Change in Working Capital	-2,084	519	6,962	6,962
Cash from operations	526	3,766	11,620	12,532
Taxes paid	-396	-374	-649	-720
Cash from operating activities	131	3,392	10,971	11,812
Change in Fixed Assets	-1,583	-2,957	-3,252	-3,577
Change in Investments & Others	-44	0	0	0
Interest/ Dividend received	278	386	386	425
Net cash from investing activities	-1,348	-2,627	-2,847	-3,247
Proceeds from Equity	5,000	0	0	0
Proceeds from Borrowings	-862	1,500	0	2,500
Interest paid	-1,666	-1,022	-1,089	-1,202
Dividend paid	-78	-72	-72	-72
Net Cash from Financing	959	406	-1,161	1,226
Net cash for the period	-259	1,170	6,963	9,791
Cash at the end of the period	2,009	3,180	10,143	19,934

Source: Company, Axis Research

Ratio Analysis

Y/E Mar	FY25	FY26E	FY27E	FY28E
Total Debt	10,600	12,100	12,100	14,600
Less Cash and Cash Equivalents	2,393	4,420	11,383	21,175
Net debt / (cash)	8,207	7,680	717	-6,574
Net D/E	0.53	0.46	0.04	-0.32
ROIC	6%	8%	15%	25%
ROE	3%	7%	11%	11%
ROCE	11%	14%	20%	21%
Capex (% of sales)	0.4	0.3	0.2	0.2
Depreciation (% of sales)	-0.1	-0.1	-0.1	-0.1
FCF/OCF Ratio	-2.0	0.3	0.6	0.8
Cashflow Coverage	-2.2	0.4	7.1	6.9

Source: Company, Axis Research

APL APOLLO TUBES LTD – LEADING THE STRUCTURAL STEEL TUBES GROWTH STORY

APL Apollo Tubes (APT) is a leading structural steel tube brand with an extended distribution network of warehouses and branch offices in 29 cities across the country. The company caters to domestic as well as 20 countries worldwide. Its multi-product offerings include over 2,500 varieties of Pre-Galvanised Tubes, Structural Steel Tubes, Galvanised Tubes, MS Black Pipes, and Hollow Sections. It has a 4.3 MTPA capacity for structural steel tubes. The company operates 11 manufacturing facilities. Its vast 3-tier distribution network, comprising over 800 distributors, is spread across India.

Industry view



Equal Weight

CMP
1,914

Target Price
2,100

Upside
10%

Key Rationale

- Leader in the Structural Steel Tubes Market in India:** The company is the leader in the structural steel tubes market in India with the largest saleable capacity of 4.5 MT. It targets to expand its current capacity from 4.5 MTPA to 6.8 MTPA by FY28. The expansion will help it cater to the virgin East Indian market and high-margin international markets. The expansion would include a brownfield expansion of 2 Lc Ton in Dubai, 5 Lc Ton roofing sheets, and 1 Lc Ton Heavy structure in Raipur. Greenfield expansion would include 2 Lc Ton in Gorakhpur, 3 Lc Ton in Kolkata, 3 Lc Ton in Bhuj (for focusing on exports from India), and 3.6 Lc Ton in New Malur (including 1.6 Lc Ton shifting of existing lines). Furthermore, the company is also expanding into speciality tubes with a 0.5 MTPA expansion. The total capex outlay is expected to be Rs 15 Bn over the next 3 years.
- Long-term Growth Vision:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. India's structural steel tube market is expected to grow by 10% CAGR from 9.0MT to 17.3MT over 2024-30: Out of this, the hot-rolled coil-based structural steel tube market (APT Apollo's addressable market)

is expected to grow faster at a 20% CAGR over the same period, increasing from 4.5MT to 13.3MT.

- Capacity Expansion in Value-added Segment:** The company will add 4x2,50,000 tons of value-added plants, which will include seamless, API, automotive tubes, and SS pipes. This expansion is expected by 2030 and will require a capex outlay of Rs 1,000 Cr.
- Resilient Q2FY26 Results, Growth to Pick Up in H2FY26:** APL delivered record sales volume of 855 kt, up 13%/8% YoY/QoQ, supported by strong utilization at Raipur and Dubai plants despite weak macros and extended monsoons. EBITDA/t rose over ₹5,000, meeting its target. With expected demand recovery and higher government spending in H2FY26, APL is targeting to gain sustainable market share and 30% ROCE.
- Outlook & Valuation:** With the growth drivers intact, we believe APL Apollo tubes is well-positioned to capture India's infrastructure growth. We project EBITDA CAGR of 29% over FY25-27E. The stock is trading at a 12-month forward P/E of 38x. We maintain our BUY rating on the stock with a TP of Rs 2,100.

Key Financials (Consolidated)

Y/E Mar	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	EV/EBITDA (X)	ROE (%)	ROCE (%)
FY24	18,119	1,192	732	26.4	56.7	35.8	22.2	22.8
FY25	20,690	1,199	757	27.3	56.1	35.9	19.4	20.1
FY26E	22,495	1,732	1,125	40.5	47.2	31.0	23.7	27.3
FY27E	26,734	2,213	1,477	53.2	36.0	24.2	24.7	29.4

Source: Company, Axis Securities

Income Statement					(Rs Cr)			
Y/E March	FY25	FY26E	FY27E	FY28E				
Total Sales	20,690	22,495	26,734	30,875				
Total Raw Materials	17,870	19,005	22,590	26,090				
COGS	19,158	20,422	24,182	27,896				
EBITDA	1,199	1,732	2,213	2,586				
EBITDA per tonne	3,797	4,950	5,532	5,622				
Depreciation	201	228	246	269				
Interest & Finance charges	133	116	83	63				
Other Income	96	99	110	124				
EBT (as reported)	960	1,487	1,994	2,378				
Tax	203	363	517	617				
RPAT	757	1,125	1,477	1,761				

Source: Company, Axis Research

Balance Sheet					(Rs Cr)			
Y/E March	FY25	FY26E	FY27E	FY28E				
Equity Share Capital	56	56	56	56				
Reserves	4,153	5,222	6,644	8,349				
Net worth	4,209	5,278	6,699	8,405				
Total loans	615	515	415	315				
Deferred tax liability (Net)	153	153	153	153				
Capital Employed	5,172	6,154	7,513	9,157				
Net block	3,370	3,642	3,896	4,127				
Investments	126	180	214	247				
Inventories	1,623	1,787	2,124	2,453				
Sundry debtors	267	247	293	338				
Cash and cash equivalents	369	401	1,291	2,492				
Total Current Assets	3,183	3,462	4,886	6,609				
Total Current Liabilities	2,424	2,178	2,586	2,986				
Net Current Assets	759	1,284	2,300	3,624				
Capital Deployed	5,172	6,154	7,513	9,157				

Source: Company, Axis Research

Cash Flow					Ratio Analysis (%)				
Y/E March	FY25	FY26E	FY27E	FY28E	Ratios	FY25	FY26E	FY27E	FY28E
PBT	960	1,487	1,994	2,378	Growth (%)				
Depreciation & Amortization	201	228	246	269	Sales	14.2	8.7	18.8	15.5
Incr/(Decr) in Deferred Tax Liability	-	-	-	-	EBITDA	0.6	44.5	27.8	16.9
(Incr)/Decr in Working Capital	167	(494)	(125)	(123)	APAT	3.4	48.6	31.3	19.3
Net Cash Flow from Operating	1,213	875	1,571	1,847	Profitability (%)				
(Incr)/ Decr in Gross PP&E incl Capital Advances	(723)	(500)	(500)	(500)	EBITDA Margin	5.8	7.7	8.3	8.4
(Incr)/Decr In Work in Progress	-	-	-	-	Adj. Net Profit Margin	3.7	5.0	5.5	5.7
(Incr)/Decr In Investments	-	(54)	(34)	(33)	ROCE	20.1	27.3	29.4	28.3
(Incr)/Decr in Other Non-Current Assets	-	(130)	(56)	(56)	ROE	19.4	23.7	24.7	23.3
Cash Flow from Investing	(375)	(572)	(442)	(427)	Per Share Data (Rs.)				
(Decr)/Incr in Borrowings	(514)	(100)	(100)	(100)	AEPS	27.3	40.5	53.2	63.5
Dividend	(153)	(56)	(56)	(56)	Reported CEPS	35.6	48.3	62.6	73.8
Cash Flow from Financing	(815)	(271)	(238)	(218)	BVPS	151.6	190.2	241.4	302.8
Cash at the Start of the Year	345	369	401	1,291	Valuations (x)				
Cash at the End of the Year	369	401	1,291	2,492	PER (x)	56.1	47.2	36.0	30.1
Source: Company, Axis Research					PEG (x)	16.7	1.0	1.1	1.6
					P/BV (x)	10.1	10.1	7.9	6.3
					EV/EBITDA (x)	35.9	31.0	24.2	20.7
					Dividend Yield (%)	0.38%	0.10%	0.10%	0.10%
					Turnover days				
					Inventory Days	31.1	30.5	29.5	29.9
					Debtor Days	3.7	4.3	3.8	3.9
					Payable Days	43.6	41.1	35.9	36.5
					Gearing Ratio				
					D/E	0.1	0.1	0.1	0.0
Source: Company, Axis Research									

Mahanagar Gas Ltd – Robust Fundamentals at Attractive Valuation

Mahanagar Gas Ltd is one of the largest City Gas Distribution (CGD) companies in India, providing Compressed Natural Gas (CNG) for mobility and Piped Natural Gas (PNG) to residential (D-PNG), commercial, and industrial customers (C&I), serving Mumbai, Urban Thane, and the Raigad district of Maharashtra. MGL did a strategic acquisition of 100% equity share capital of Unison Enviro Private Limited (UEPL) in Feb'24, which operates in the Geographical Areas (GAs) of Ratnagiri, Latur, and Osmanabad in the state of Maharashtra and Chitradurga and Davangere in the State of Karnataka.

Key Rationale

- Strategic Expansion Unlocking New Growth Avenues:** MGL's volume growth stood at 4.9% CAGR over FY19-24, which lagged the CGD sector growth of 7.9% CAGR over the same period. This was due to the lower capex spend of Rs 300-400 Cr per annum till FY21. The company has stepped up capex from FY22 onwards, reaching 1,000 Cr in FY25 and guided for higher capex of Rs 1,100-1,300 Cr at least for the next couple of years. It also acquired Unison Enviro Pvt Ltd (UEPL) in Feb'24, adding the prospective Ratnagiri, Latur-Osmanabad, and Chitradurga-Davangere districts to its portfolio. These newer geographical areas (GAs) offer large untapped potential, especially in commercial and industrial segments where PNG penetration remains low. Higher capex spending will boost the infrastructure in newer GAs, which, along with the marketing initiatives, will drive volume growth in the future. In FY25, it achieved gas volumes of 4.24 mmscmd (up 13% YoY), a 17.6% CAGR over FY21-25 (FY21 impacted base). Management guides at high single-digit to low double-digit volume growth for at least 2-3 years. We estimate volume to grow at 9.4% CAGR over FY25-28E and 8.7% CAGR over FY25-30E.
- Volume Growth to Support Earnings:** We estimate a robust 9.5%/8% EBITDA/PAT CAGR over FY25-28E, driven by a 9.4% volume CAGR over the same period. Volume growth should be driven by network expansion in GA-3 (Raigad) and UEPL (~50%/~40% YoY growth in GA-3 and UEPL in FY25). Growth could get a further boost if regulatory or legislative actions pick up to promote clean air in the Mumbai Metropolitan Region (MMR). In Q2FY26, EBITDA/scm was down 25%/35% YoY/QoQ to Rs 8/scm, mainly led by higher gas cost, and FY26 guidance is revised down to Rs 8.5-9/scm; however, MGL expects strong volume growth, and the expected ramp-up of the long-term gas contracts is likely to drive cost efficiencies and support the EBITDA margins over the medium term.
- Valuation & Recommendation:** We value the company using the DCF method, considering a WACC of 11.5%. We forecast cash flows for 15 years and post that use a terminal growth rate of 3.0% to arrive at the terminal value. We add net cash and investments at a 30% discount to arrive at our target price of Rs 1,540 per share.

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY25	6,924	1,510	1,041	105	11	20%	18%	6.5
FY26E	8,397	1,557	1,025	104	11	20%	15%	6.1
FY27E	9,225	1,828	1,217	123	9	19%	16%	5.1
FY28E	10,384	1,985	1,311	133	9	18%	16%	4.6

Source: Company, Axis Securities Research

Industry view



Over Weight

CMP
1,136

Target Price

1,540

Upside
36%

Profit & Loss

Y/E Mar	FY25	FY26E	FY27E	(Rs Cr) FY28E
Total Operating Income	6,924	8,397	9,225	10,384
Cost of Natural Gas	4,458	5,772	6,204	7,065
Change in inventories	(0)	-	-	-
Employees Cost	138	145	152	159
Other Expenses	818	922	1,041	1,175
Total Expenditure	5,414	6,839	7,397	8,399
EBITDA	1,510	1,557	1,828	1,985
Depreciation and Amortisation	306	315	368	413
EBIT	1,204	1,242	1,460	1,571
Other Income	184	125	160	172
Less: Interest & Fin Chg.	13	14	14	14
Profit before tax	1,374	1,353	1,606	1,729
Provision for Tax	329	324	385	414
Net Profit from associates/JVs	(4)	(4)	(4)	(4)
Reported PAT	1,041	1,025	1,217	1,311
EPS (Rs/sh)	105.3	103.8	123.2	132.7
DPS (Rs/sh)	30.0	29.5	35.1	37.8

Source: Company, Axis Securities Research

Balance Sheet

Y/E Mar	FY25	FY26E	FY27E	(Rs Cr) FY28E
Net Block	4,153	4,377	5,584	6,518
CWIP	1,068	1,358	1,032	935
Intangible assets	421	421	421	421
Investments	1,054	1,054	1,054	1,054
Inventories	52	68	73	83
Trade Receivables	364	442	485	546
Cash / Bank balance	333	726	857	1,136
Misc. Assets	824	836	847	858
Total assets	8,270	9,280	10,354	11,551
Equity capital	99	99	99	99
Reserves	5,781	6,522	7,397	8,339
Minority Interest	15	15	15	15
Borrowings	-	-	-	-
Def tax Liabilities	277	277	277	277
Other Liabilities	1,592	1,734	1,891	2,063
Provisions	75	75	75	75
Trade Payables	431	558	600	683
Capital employed	8,270	9,280	10,354	11,551

Source: Company, Axis Securities Research

Cash Flow				(Rs Cr)				Ratio Analysis (%)			
Y/E Mar	FY25	FY26E	FY27E	FY28E	Y/E March	FY25A	FY26E	FY27E	FY28E		
Profit After Tax	1,045	1,029	1,221	1,315	Operational Ratios						
Depreciation	306	315	368	413	Sales growth (% YoY)	11%	21%	10%	13%		
Change in W/C	(15)	177	150	184	EBITDA growth (% YoY)	-18%	3%	17%	9%		
Operating Cash Flow	1,336	1,521	1,739	1,913	Op. profit growth (% YoY)	-23%	3%	18%	8%		
Capital Expenditure	(1,051)	(829)	(1,250)	(1,250)	Net Profit growth (% YoY)	-18%	-2%	19%	8%		
Free Cash Flow	286	692	489	663	EBITDA Margin %	22%	19%	20%	19%		
Other Investments	(141)	(11)	(11)	(12)	Net profit Margin %	20%	16%	17%	17%		
Investing Cash Flow	(1,192)	(840)	(1,261)	(1,262)	Tax Rate %	24%	24%	24%	24%		
Dividend paid	(296)	(296)	(292)	(346)	Efficiency Ratios						
Other Financing cash flow	59	8	(55)	(27)	Total Asset turnover (x)	0.9	1.0	0.9	0.9		
Financing Cash Flow	(238)	(288)	(346)	(373)	Sales/Net block(x)	1.3	1.4	1.4	1.4		
Change in Cash	(93)	393	132	278	Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)		
Opening Cash	426	333	726	857	Valuation Ratios						
Closing Cash	333	726	857	1,136	PER (x)	10.7	10.9	9.2	8.5		
Source: Axis Securities Research											

UJJIVAN SMALL FINANCE BANK LIMITED – STANDING TALL THROUGH THE MFI DOWN CYCLE

Ujjivan Small Finance Bank Ltd. (UJSFB) is a leading and diversified SFB that transitioned from an NBFC (Ujjivan Financial Services Ltd.) in Feb'17. The bank primarily serves low and middle-income individuals and businesses in metro and urban areas with limited or no access to formal banking and financial services. Its diversified portfolio includes Microfinance—both group and individual products, MSE Finance, Affordable Housing Finance, FIG Finance, and newly introduced offerings such as vehicle loans and gold loans.

Key Rationale

- H2 Credit Cost to be Meaningfully Lower:** The largest contributors to UJSFB MFI slippages were GJ, KA, and TN. The bank also witnessed stress flowing in from non-focus markets of KL and OR. The management indicated that the slippages in most of these states peaked in Mar'25, except KA, which peaked in Q2 and is gradually reverting to normalcy. The X-bucket CE in most of the states has normalised at 99.5%, including TN, KA, Western states (ex-GJ), Eastern states (ex-OR), and North. The collections in the SMA pool have seen an improving trend. Currently, the SMA pool stands at <2%, the lowest since Q1FY25. The bank has not seen adverse trends in the secured portfolio, and slippages have averaged Rs 50 Cr/quarter over the last six consecutive quarters. Thus, **with incremental stress accretion in the MFI book declining and the secured book performing well, the management remains confident of credit costs tapering meaningfully in H2 and has reiterated its guidance of credit costs settling at 2.3-2.4% in FY26 vs. ~2.76% in H1FY26.**
- Growth Momentum to Build Up:** UJSFB's loan origination continues to witness strength, with disbursements across segments improving. The bank is also seeing demand pick-up in the MFI segment and remains optimistic of growth accelerating in H2, as **UJSFB looks to exit FY26 with MFI book growth of 7-8%**. Within the MFI book, IL will remain the growth engine in H2. The bank is also **seeing strong traction in newer segments such as Gold, Micro-Mortgage, and Vehicles**. UJSFB has retained its advances growth guidance of 20% for FY26, primarily driven by secured advances growing at ~35%. As the newer products scale up and **UJSFB continues to push growth in secured advances in line with its aim to improve its mix to 65-70% over the next five years, we expect UJSFB to deliver a healthy credit growth of ~22% CAGR over FY26-28E**.
- NIMs to Compress with Portfolio Shifting towards Secured Assets:** The rate actions taken by the bank over Apr-Aug'25 have reflected on the SA rates, while they will continue to reflect on TD rates from Q3 onwards. Furthermore, the CRR cut will further help in reducing the CoF. Thus, the benefit of the CoF and improving growth momentum in the MFI portfolio (higher-yielding) should partially offset the impact of the portfolio mix shift on yields. The management remains confident of maintaining NIMs at current levels in H2. The bank intends to scale up the secured portfolio and expects it to constitute ~65-70% of the portfolio mix over the longer term. This will weigh on yields. However, **(i) growth in better-yielding secured segments – Micro-mortgage, Gold, and Vehicle, (ii) faster growth in IL vs. GL, wherein yield differential is ~100 bps, and (iii) gradual downward repricing of deposits driving down CoF with further benefit accruing from the granting of a universal license should enable UJSFB to maintain margins at 7.6-7.8% over FY26-28E**.
- Outlook & Valuation:** UJSFB has emerged strongest through the current MFI downcycle, while maintaining asset quality with unabated focus on collections and controlling forward flows. With the stress in most states having peaked and reverting towards normalcy, alongside stress subsiding in certain states, UJSFB will look to accelerate growth momentum. As challenges ebb, the bank is poised for a stronger bounce-back in H2, supported by steady margins and declining credit costs. We expect UJSFB's RoA/RoE to improve considerably to 1.7-1.9%/15-18% over FY27-28E, supported by (1) improved growth momentum, (2) scope to improve cost ratios through focused productivity gains, (3) lower credit costs, and (4) improving profitability in secured businesses.
- Key risks:** a) Scalability of new products, b) Asset quality concerns in the MFI segment, and (c) Non-issuance of Universal Banking License

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	3,636	1,689	726	3.8	30.2	1.8	1.6	0.5
FY26E	3,825	1,618	609	3.1	32.7	1.6	1.2	0.6
FY27E	4,513	2,069	1,048	5.4	37.4	1.4	1.7	0.5
FY28E	5,377	2,685	1,435	7.4	43.8	1.2	1.8	0.5

Source: Company, Axis Securities.

Industry view



Equal weight

CMP

53

Target Price

65

Upside

23%

Profit & Loss		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E MAR		FY25	FY26E	FY27E	FY28E	Y/E MAR		FY25	FY26E	FY27E	FY28E
Net Interest Income		3,636	3,825	4,513	5,377	SOURCES OF FUNDS					
Other Income		846	1,054	1,208	1,382	Share capital		1,935	1,935	1,935	1,935
Total Income		4,482	4,879	5,721	6,759	Reserves and Surplus		4,059	4,607	5,550	6,842
Total Operating Exp.		2,793	3,261	3,652	4,074	Shareholders' funds		5,994	6,542	7,485	8,777
PPOP		1,689	1,618	2,069	2,685	Deposits		37,630	44,673	54,034	65,419
Provisions & Contingencies		748	805	672	771	Borrowings		2,845	3,026	4,550	6,353
PBT		941	812	1,397	1,914	Other Liabilities, provisions		1,130	1,319	1,608	1,960
Provision for Tax		215	203	349	478	Total liabilities		47,689	55,691	67,852	82,730
PAT		726	609	1,048	1,435	APPLICATION OF FUNDS					
Source: Company, Axis Research						Cash & Bank Balance		3,170	3,135	3,791	4,590
						Investments		11,730	13,389	16,195	19,607
						Advances		31,390	37,422	45,739	55,939
						Fixed Assets & Other Assets		1,399	1,746	2,127	2,593
						Total assets		47,689	55,691	67,852	82,730
Source: Company, Axis Research											

KEY RATIOS (%)					Balance Sheet Structure Ratios (%)				
Y/E MAR	FY25	FY26E	FY27E	FY28E	Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS									
EPS	3.8	3.1	5.4	7.4	Loan Growth (%)	7.9	19.2	22.2	22.3
Earnings Growth (%)	-43.5	-16.1	71.9	37.0	Deposits Growth (%)	19.6	18.7	21.0	21.1
BVPS	31.0	33.8	38.7	45.4	Equity/Assets (%)	8.5	8.3	8.2	8.3
Adj. BVPS	30.2	32.7	37.4	43.8	Equity/Loans (%)	19.1	17.5	16.4	15.7
ROAA (%)	1.6	1.2	1.7	1.9	Total Capital Adequacy Ratio (CAR)	23.1	21.5	20.1	19.2
ROAE (%)	12.6	9.7	14.9	17.7	ASSET QUALITY				
P/E (x)	13.9	17.1	9.8	7.2	Gross NPLs (%)	2.2	2.3	2.1	2.1
P/BV (x)	1.8	1.6	1.4	1.2	Net NPLs (%)	0.5	0.6	0.5	0.5
PROFITABILITY									
NIM (%)	8.7	7.8	7.7	7.5	PCR	78.1	75.0	75.0	75.0
Cost-Assets Ratio	6.3	6.3	5.9	5.4	Credit costs	2.6	2.3	1.6	1.5
Cost-Income Ratio	62.3	66.8	63.8	60.3	Source: Company, Axis Research				

Source: Company, Axis Research

CHALET HOTELS LTD. – DELIVERING HOSPITALITY WITH SCALE, STRATEGY, AND SUPERIOR MARGINS

Chalet Hotels Limited is a leading owner, developer, and asset manager of high-end hotels in India, primarily operating in key metro cities such as Mumbai, Hyderabad, Bengaluru, and Pune. The company's portfolio comprises luxury and upper upscale hotels managed by renowned global brands like Marriott, Westin, and Four Points. Chalet follows an integrated business model that combines hospitality with commercial and mixed-use developments, leveraging synergies in operations, location, and asset management. With a focus on premium urban markets, efficiency, and sustainable practices, Chalet continues to enhance its portfolio through strategic expansions and redevelopment projects.

Key Rationale

- Stabilized Q2:** Chalet Hotels reported revenue of Rs 735 Cr, up 95% YoY, supported by the recognition of Rs 282 Cr from residential unit sales. Excluding this, the core hospitality business delivered Rs 453 Cr, up 20% YoY but flat sequentially, as industry demand was impacted by heavy monsoon rains and delayed foreign tourist arrivals amid geopolitical tensions. Occupancy stood at 67%, down 7% YoY, mainly due to weather disruptions, the ramp-up of new inventory at Bengaluru Marriott, and the start of its own in-house brand "ATHIVA" with overall demand moderation.
- Diversified Portfolio:** Chalet Hotels Limited operates a diversified portfolio across hospitality, commercial, and residential segments, with its core strength in hospitality. It has 11 hotels with over 3,350 keys as of H1FY26, managed under long-term partnerships with Marriott International and Accor Hotels, including brands like JW Marriott, Westin, Four Points, Courtyard, Lakeside Chalet, and Novotel. The commercial portfolio spans 2.4 Mn sq. ft., providing steady rental income and healthy cash flows, while the residential segment comprises two premium towers in Koramangala with 321 units, of which only 13 remain unsold. Chalet's integrated asset model ensures diversified revenue streams, operational resilience, and sustainable growth.
- Capex with Focused Debt Level:** Chalet Hotels Limited has planned a Rs 2,000 Cr capex for its announced projects by FY27, largely funded through internal accruals. The management targets to maintain a prudent leverage profile of around 3.5x EBITDA. As of Q2FY26, net debt stood at Rs 2,100 Cr, with the average cost of finance declining 40 bps QoQ to 7.6%, while the company maintained a healthy liquidity buffer of Rs 320 Cr, supporting its aggressive expansion and operational needs.

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	P/BV (x)	ROE (%)
FY25A	1,718	736	143	7	136	30	6	5
FY26E	2,868	1,262	650	30	30	17	5	18
FY27E	3,399	1,482	806	37	24	14	4	18
FY28E	3,006	1,368	726	33	27	15	4	14

Source: Company, Axis Securities Research

Industry view



Under Weight

CMP
871

Target Price
1,120

Upside
29%

- Aligned Pipeline with Demand Drivers:** Chalet Hotels has an aggressive expansion pipeline, planning to add ~1,200 rooms and 0.9 Mn sq. ft. leasable area over the next three years. Key projects include The Dukes Retreat (Khandala) expansion, Taj at Delhi International Airport (~385–390 keys, H1FY27), Varca, South Goa (~190 rooms, FY28), and CIGNUS Powai Tower II (0.9 Mn sq. ft., Q4FY27), along with new hotels in Navi Mumbai. The company is well-positioned to benefit from favourable demand-supply dynamics. Its hotels, located near commercial districts and airports, command ARR premiums while maintaining high occupancy (75–80% post-pandemic). With a focus on business travellers, seasonal fluctuations remain moderate. Limited supply additions in Tier-1 cities have helped Chalet's properties, especially in MMR, deliver ARR growth of 8–10%, supported by Pan-India demand growth of 11.6% (2022–27) outpacing supply growth of 9%, with strong expansion in the Luxury (5.3%) and Upper-upscale (7.2%) segments.
- Outlook:** The hospitality industry's upcycle is anticipated to be long and sustained. According to Horwath HTL, demand is expected to grow at over 10% annually over the next 3–4 years, with supply continuing to lag. Foreign Tourist Arrivals (FTA) reached 92 Lc in CY24, while corporate travel expenses under MICE remain below pre-COVID levels. Upcoming events, such as the World Cup, could further boost occupancies in the coming quarters. The leisure segment is already a significant driver in the hotel industry, and these factors are expected to benefit the sector in the quarters ahead. We value the stock at EV/EBITDA of 20x on H1FY28E earnings.
- Key risks:** a) Economic slowdown, b) Delay in Execution

Profit & Loss

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Net Sales	1,718	2,868	3,399	3,006
Growth (%)	21.2%	67.0%	18.5%	-11.6%
Total Expenditure	982	1,606	1,917	1,638
Raw Material Consumed	117	344	387	271
Gross margins (%)	91.0%	88.0%	88.6%	91.0%
Employee Expenses	234	315	408	346
% of sales	13.5%	11.0%	12.0%	11.5%
Other Expenses	631	946	1,122	1,022
% of sales	37.0%	33.0%	33.0%	34.0%
EBIDTA	736	1,262	1,482	1,368
EBITDAM (%)	42.8%	44.0%	43.6%	45.5%
Depreciation	179	215	253	280
% of GB	3.6%	4.0%	4.0%	4.0%
EBIT	557	1,047	1,229	1,088
EBITM (%)	32.4%	36.5%	36.1%	36.2%
Interest	159	196	169	142
Other Income	36	40	44	48
Share of P/L of Associates	0	0	0	0
PBT	434	890	1,103	994
Tax Rate (%)	67.2%	27.0%	27.0%	27.0%
Tax	292	240	298	268
Reported PAT	143	650	806	726

Source: Company, Axis Securities Research

Balance Sheet

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Share Capital	218	219	219	219
Reserves & Surplus	2,827	3,467	4,253	4,958
Net Worth	3,046	3,686	4,472	5,177
Total Loan funds	2,679	2,179	1,879	1,579
Deferred Tax Liability	85	170	170	170
Long Term Provisions	16	16	16	16
Other Long-Term Liability	41	79	93	82
Capital Employed	7,063	7,196	7,550	7,805
Gross Block	4,684	5,384	6,334	7,004
Less: Depreciation	1,472	1,687	1,940	2,221
Net Block	3,212	3,697	4,393	4,783
Investments	99	28	28	28
Sundry Debtors	78	102	121	107
Cash & Bank Bal	186	413	254	167
Loans & Advances	23	23	23	23
Inventory	633	310	100	60
Other Current Assets	147	147	147	147
Total Current Assets	2,204	1,675	1,428	1,189
Curr Liab & Prov	1,165	1,023	673	531
Net Current Assets	-1,039	-652	-755	-657
Total Assets	7,063	7,196	7,550	7,805

Source: Company, Axis Securities Research

Cash Flow

Y/E Mar	(Rs Cr)			
	FY25A	FY26E	FY27E	FY28E
PBT	434	890	1,103	994
Add: depreciation	179	215	253	280
Add: Interest	159	196	169	142
Cash flow from operations	772	1,302	1,526	1,416
Change in working capital	54	-362	-52	104
Taxes	292	240	298	268
Net cash from operations	427	1,424	1,280	1,044
Capital expenditure	-1,130	-639	-950	-670
Net cash from investing	-1,228	-569	-950	-670
Increase/Decrease in debt	-271	-500	-300	-300
Dividends	0	-10	-20	-20
Proceedings from equity	13	0	0	0
Interest	-159	-196	-169	-142
Others	1,272	78	-0	0
Net cash from financing	855	-627	-489	-462
Net Inc. / (Dec.) in Cash	53	227	-159	-88
Opening cash balance	132	186	413	254
Closing cash balance	186	413	254	167

Source: Axis Securities Research

Ratio Analysis

Key Ratios	FY25A	FY26E	FY27E	FY28E
Sales growth	21.2	67.0	18.5	(11.6)
OPM	42.8	44.0	43.6	45.5
Oper. profit growth	25.9	71.5	17.4	(7.7)
COGS / Net sales	9.0	12.0	11.4	9.0
Overheads/Net sales	50.4	44.0	45.0	45.5
Depreciation / G. block	3.6	4.0	4.0	4.0
Effective interest rate	67.2	27.0	27.0	27.0
Net wkg.cap / Net sales	0.1	(0.1)	(0.1)	(0.1)
Net sales / Gr block (x)	0.4	0.5	0.5	0.4
RoCE	9.4	17.6	19.2	16.1
Debt/equity (x)	0.9	0.6	0.4	0.3
Effective tax rate	67.2	27.0	27.0	27.0
RoE	4.7	17.6	18.0	14.0
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	6.5	29.8	36.9	33.3
EPS Growth	(48.7)	356.0	23.9	(9.9)
CEPS (Rs.)	14.7	39.7	48.6	46.1
DPS (Rs.)	0.0	1.0	2.0	2.0

Source: Axis Securities Research

Inox Wind Ltd - TAPPING THE WIND ENERGY POTENTIAL

Inox Wind Ltd (IWL) is an integrated wind energy solutions provider engaged in the manufacturing and sale of wind turbine generators (WTGs). The company and its subsidiaries also offer erection, procurement, and commissioning (EPC), operations and maintenance (O&M), and common infrastructure facilities services for WTGs, as well as wind farm development services. Inox Wind has a manufacturing capacity exceeding 2.5 GW across 4 facilities. It is amongst the select few wind OEMs in India offering plug & play turnkey solutions and post commissioning O&M services (through Inox Green Energy Services Ltd: only listed pureplay wind O&M player in India). Its product portfolio includes 2MW & 3MW WTGs (under production) & 4MW (license secured). Its current O&M assets portfolio stands at robust ~5.1 GW. It executes EPC through its subsidiary Inox Renewable Solutions Limited (formerly Resco Global), which has executed > 3 GW of projects across India.

Industry view



Key Rationale

- IWL's Fully Integrated Model** spanning manufacturing, EPC, and O&M provides end-to-end control over project execution. A strengthened balance sheet with net cash and sanctioned banking limits of ~Rs 2,200 Cr enhances financial flexibility. The company's diversified customer base includes marquee PSUs such as NTPC and NLC, IPPs, and corporates like Hero Future Energies, Serentica, and Gentari. Backed by the INOXGFL Group, IWL benefits from synergies across wind, solar, hybrid, and BESS segments, while its credit profile has been further reinforced by rating upgrades and improved financials.
- Execution and Order Book Visibility:** The company maintained its FY26/FY27 execution targets at 1.2 GW and 2 GW, respectively. The order book of 3.1 GW (as of Jun'25) provides 2–3 years of revenue visibility, supported by rising turnkey project contributions and better realisations. The operationalisation of new Nacelle and Hub facilities in Gujarat will enhance execution speed and scale in H2FY26.
- Strategic Levers for Growth:** The reverse merger with Inox Wind Energy Ltd strengthens the balance sheet, while synergies from the group's new solar venture (Inox Solar) will position IWL as an integrated renewable solutions provider. The expanding O&M portfolio via Inox Green (5.1 GW, target 17 GW in two years) adds a recurring, high-margin revenue stream. With a robust order pipeline, cost-efficient execution, and improved profitability, IWL remains well placed to capitalise on India's accelerating renewable energy buildout. India's target of 100 GW wind capacity by 2030, supported by FY25 additions of ~4.15 GW (the highest in seven years), provides a structural growth runway.
- Valuation & Recommendation:** We assign a target P/E multiple of 29x to our Sep'27 EPS estimate. After adjusting for the minority stake in Inox Green Energy Services Ltd and Resco Global (~8%), we arrive at a TP of Rs 190/share.

Over Weight

CMP
124

Target Price

190

Upside
54%

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY25	3,557	738	415	2.8	54	14%	13%	33.8
FY26E	5,600	967	692	4.0	31	13%	13%	23.3
FY27E	9,058	1,551	1,168	6.8	18	19%	18%	14.4
FY28E	11,800	2,021	1,435	8.3	15	22%	19%	11.0

Source: Company, Axis Securities Research

Profit & Loss

	(Rs Cr)			
Y/E March	FY25A	FY26E	FY27E	FY28E
Total Operating Income	3,557	5,600	9,058	11,800
Cost of Material consumed	2,074	3,248	5,253	6,844
Changes in inventory	20	-	-	-
Employees Cost	170	267	432	563
EPC Cost	172	557	915	1,192
Other Expenses	385	560	906	1,180
Total Expenditure	2,820	4,633	7,506	9,779
EBITDA	738	967	1,551	2,021
Depreciation and Amortization	182	198	198	198
EBIT	555	770	1,353	1,823
Other Income	144	155	162	170
Less: Interest & Fin Chg.	169	110	100	80
Less: Exceptional Items	13	-	-	-
Profit before tax	517	814	1,416	1,913
Provision for Tax	102	122	248	478
Reported PAT	415	692	1,168	1,435
EPS (Rs/sh)	2.8	4.0	6.8	8.3

Source: Company, Axis Securities Research

Balance Sheet

	(Rs Cr)			
Y/E March	FY25A	FY26E	FY27E	FY28E
Net Block	1,980	1,983	1,985	1,987
CWIP	296	296	296	296
Goodwill	10	10	10	10
Intangible assets	234	234	234	234
ROU Assets	66	66	66	66
Investments	265	265	265	265
Inventories	1,352	1,995	3,226	4,203
Trade Receivables	2,688	3,068	3,722	4,849
Cash / Bank balance	213	348	576	656
Misc. Assets	1,691	1,691	1,691	1,691
Total assets	8,795	9,956	12,071	14,257
Equity capital	1,624	1,624	1,624	1,624
Reserves	3,423	4,115	5,283	6,717
NCI	559	559	559	559
Borrowings	1,466	1,466	1,466	1,466
Other Liabilities	639	639	639	639
Provisions	19	19	19	19
Trade Payables	1,065	1,534	2,482	3,233
Capital employed	8,795	9,956	12,071	14,257

Source: Company, Axis Securities Research

Cash Flow

Y/E March	(Rs Cr)			
	FY25A	FY26E	FY27E	FY28E
Profit after tax	438	692	1,168	1,435
Depreciation	182	198	198	198
Interest Expenses	169	110	100	80
Non-operating / EO item	163	-	-	-
Change in W/C	(823)	(555)	(938)	(1,352)
Operating Cash Flow	129	445	528	360
Capital Expenditure	(620)	(200)	(200)	(200)
Free Cash Flow	(492)	245	328	160
Other Investments	1,746	-	-	-
Investing Cash Flow	1,125	(200)	(200)	(200)
Proceeds / (Repayment) of Borrowings	(395)	-	-	-
Proceeds from preference shares	-	-	-	-
Finance cost paid	(264)	(110)	(100)	(80)
Financing Cash Flow	(659)	(110)	(100)	(80)
Change in Cash	595	135	228	80
Opening Cash	12	213	348	576
Closing Cash	608	348	576	656

Source: Axis Securities Research

Ratio Analysis

Y/E March	(%)			
	FY25A	FY26E	FY27E	FY28E
Operational Ratios				
Sales growth (% YoY)	104%	57%	62%	30%
EBITDA Margin %	21%	17%	17%	17%
Net profit Margin %	12%	12%	13%	12%
Tax Rate %	19%	15%	18%	25%
Efficiency Ratios				
Total Asset Turnover (x)	0.5	0.6	0.8	0.9
Sales/Gross block (x)	1.3	1.9	2.9	3.5
Sales/Net block(x)	1.8	2.8	4.6	5.9
Working capital/Sales (x)	0.8	0.6	0.5	0.5
Valuation Ratios				
PER (x)	54.2	30.8	18.3	14.9
P/BV (x)	4.8	3.7	3.1	2.6
EV/Ebitda (x)	33.8	23.3	14.4	11.0
EV/Sales (x)	7.2	4.0	2.5	1.9
Dividend Yield (%)	NA	NA	NA	NA
Return Ratios				
ROE	13%	13%	18%	19%
ROCE	14%	13%	19%	22%
ROIC	7%	9%	14%	15%
Leverage Ratios				
Debt /equity (x)	0.26	0.23	0.20	0.16
Net debt/ Equity (x)	0.14	0.11	0.06	0.04
Net debt/Ebitda (x)	1.07	0.70	0.29	0.18

Source: Axis Securities Research

KIRLOSKAR BROTHERS LTD – STRONG ORDER Book UNDERPINS GROWTH OUTLOOK

Kirloskar Brothers Limited (KBL) is a world-class pump manufacturing company with expertise in engineering and manufacturing fluid management systems. Established in 1888 and incorporated in 1920, KBL is the parent company of the Kirloskar Group. It provides complete fluid management solutions for large infrastructure projects across sectors such as water supply, power plants, irrigation, building & construction, oil & gas, and marine & defence. KBL manufactures a wide range of industrial, agricultural, and domestic pumps, along with valves and hydro-turbines.

Key Rationale

- Robust Order Pipeline Ensuring Revenue Visibility:** KBL posted a marginal decline in revenue by 0.8% YoY in Q2, impacted by seasonal factors such as a prolonged monsoon and external headwinds. Demand momentum, however, stayed firm across both the small pump and industrial segments. The consolidated order book expanded to Rs 3,564 Cr (vs Rs 3,345 Cr in Q1FY26), ensuring healthy visibility for upcoming quarters. The company's strong order book, diversified operations, and strong execution record indicate very strong growth prospects in H2FY26 and FY27.
- Strong International Operations:** During Q2, KBL's overseas subsidiaries reported robust growth, led by a strong recovery in the U.S. and Thailand, which posted constant currency growth of 21% and 158%, respectively. This performance was supported by the execution of deferred orders and an improvement in underlying demand. South Africa also delivered a strong 27% growth, while the U.K. business witnessed temporary softness owing to project deferrals. The international order book grew steadily YoY to Rs. 1,289 Cr, reflecting sustained demand traction across key geographies.
- Profitability Impacted by Mix and Forex, Efficiency Measures Underway:** Q2FY26 EBITDA margins dipped to 10.5% (vs 13.7% in Q2FY25). The YoY moderation was primarily driven by product mix variations and adverse forex movements. Nevertheless, KBL continues to emphasize operational efficiency and cost optimisation initiatives, which are expected to aid margin recovery in the coming quarters. Management remains confident about achieving sustainable growth backed by balanced exposure between domestic and international markets, a strong order pipeline, and continued focus on operational excellence.
- Outlook & Recommendation:** With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility, with the execution cycle ranging from a few weeks to as much as 18 months. Order intake is also expected to remain strong. Additionally, the focus on cost optimisation and an improved product mix should support continued margin expansion. Accordingly, we value the stock at 25x Sep'27E EPS and maintain a BUY rating on the stock.

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24	4,001	578	333	44	37	28	22	24
FY25	4,492	681	411	52	31	28	21	20
FY26E	5,089	795	471	62	26	26	20	17
FY27E	6,655	1,033	648	84	19	31	23	12
FY28E	7,780	1,247	800	103	16	32	23	10

Source: Company, Axis Securities Research

Industry view



Over Weight

CMP
1,610

Target Price
2,330

Upside
45%

Profit & Loss

Y/E Mar	(Rs Cr)				
	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	4,001	4,492	5,089	6,655	7,780
Growth (%)	7.3	12.3	13.3	30.8	16.9
Total Income	4,001	4,492	5,089	6,655	7,780
Raw Material Expense	1,983	2,198	2,484	3,248	3,765
Employee Expense	673	708	774	1,012	1,175
Other Operating Expense	826	977	1,109	1,438	1,673
EBITDA (Excl. Other Income)	520	609	723	958	1,167
Growth (%)	30	17	19	33	22
EBITDA Margin (Excl. Other Income - %)	13.0	13.6	14.2	14.4	15.0
Other Income	59	72	72	75	80
EBITDA (Incl. Other Income)	578	681	795	1,033	1,247
Growth (%)	35.6	17.8	16.7	30.1	20.7
EBITDA Margin (Incl. Other Income - %)	14.5	15.2	15.6	15.5	16.0
Depreciation	78	89	99	123	138
EBIT	500	592	695	910	1,109
Interest Cost	26	25	25	18	10
Profit Before Tax	474	567	671	892	1,099
Tax	141	156	200	244	299
Profit After Tax	333	411	471	648	800
Growth (%)	45.2	23.5	14.5	37.6	23.4
Exceptional Items	6.6	-7.8	-	-	-
Share of Profit of an associate/OCI	9	12	25	16	17
Net Profit (Adjusted)	348	415	496	664	816
EPS	44	52	62	84	103

Source: Company, Axis Securities Research

Balance Sheet

Y/E Mar	(Rs Cr)				
	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS					
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	1708	2086	2510	3082	3807
Net Worth	1724	2101	2525	3098	3823
Borrowings	192	182	150	90	40
Other Liabilities	1409	1383	1303	1428	1584
Total Liabilities	1601	1564	1453	1518	1624
Total Equity & Liability	3325	3665	3978	4616	5447
APPLICATION OF FUNDS					
Cash & Bank Balance	293	349	569	745	1269
Investments	410	619	619	619	619
Advances	201	108	108	108	108
Fixed & Other Assets	2421	2590	2683	3145	3452
Total Assets	3325	3665	3978	4616	5447

Source: Company, Axis Securities Research

Cash Flow

Y/E Mar	(Rs Cr)				
	FY24	FY25	FY26E	FY27E	FY28E
PBT	474	559	671	892	1099
Depreciation & amortisation	78	89	99	123	138
Interest expense	26	14	25	18	10
Interest / Dividend	-47	-36	-47	-59	-63
Other Adjustments	3	17	0	0	0
(Inc)/Dec in working capital	-95	-97	-121	-210	-39
Tax paid	-141	-160	-200	-244	-299
CF from operating activities	299	386	427	520	845
Capital expenditure	-174	-89	-150	-250	-250
(Purchase) / Sale of Investments	0	0	0	0	0
Income from investments and others	-5	-151	72	75	80
CF from investing activities	-179	-240	-78	-175	-170
Inc/(Dec) in share capital	0	0	0	0	0
Inc/(Dec) in debt	-94	-24	-32	-60	-50
Dividends & Interest paid	-83	-52	-96	-109	-101
Other Financial Activities	0	-17	0	0	0
CF from financing activities	-177	-92	-128	-169	-151
Net cash flow	-57	54	221	175	524
Opening balance	253	266	349	569	745
Other Bank Balance	0	3	0	0	0
Closing balance	293	349	569	745	1269

Source: Axis Securities Research

Ratio Analysis

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Financial Ratios					
RoE (%)	21.7	21.1	20.4	23.1	23.1
RoCE (%)	27.7	28.2	28.1	31.0	31.5
Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0
EBIT/Interest (x)	19.4	23.9	28.0	50.6	113.7
Turnover Ratios					
Asset turnover (x)	2.1	2.0	1.9	2.1	2.0
Sales/Net FA (x)	6.0	6.5	6.9	7.7	8.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1	0.1
Working capital days	7.0	8.0	17.0	25.0	23.0
Liquidity Ratios					
Current ratio (x)	1.6	1.7	2.0	2.2	2.4
Quick ratio (x)	1.0	1.1	1.3	1.4	1.6
Interest cover (x)	17.2	20.9	23.9	43.9	97.2
Net debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
Valuation (x)					
PE	36.7	30.8	25.8	19.3	15.7
PEG (x) YoY growth	0.7	1.6	1.5	0.5	0.7
P/BV	7.4	6.1	5.1	4.1	3.3
EV/EBITDA	23.8	20.1	16.6	12.3	9.6
EV/Sales	3.1	2.7	2.4	1.8	1.4
EV/EBIT	24.8	20.7	17.3	12.9	10.1

Source: Axis Securities Research

SANSERA ENGINEERING LTD - STRONG ORDER BOOK & BALANCE SHEET TO SUPPORT FUTURE GROWTH

Sansera Engineering (Sansera), incorporated in 1981 and headquartered in Bengaluru, is a technology-driven manufacturer of complex and critical high-precision iron and aluminium components for automotive and non-automotive sectors. It is the largest supplier of Connecting Rods, Rocker Arms, and Gear Shifter Forks for the 2W segment and the largest supplier of Connecting Rods and Rocker Arms for LMV in India. With a strong presence in high-precision IC engine components, it extends its design and engineering capabilities to cater to fast-growing areas like EV, Defence, and Aerospace, among others. It has 17 integrated manufacturing facilities (16 in India and 1 in Sweden) and has evolved organically by supplying premium quality components to Auto ICE, Tech Agnostic, xEV, and Non-Auto OEMs globally.

Key Rationale

- **ADS Segment Demonstrates Strong Momentum and Visibility:** Sansera's Aerospace, Defence and Semiconductor (ADS) segment continues to exhibit strong performance, reaffirming its position as a key growth engine for the company. Revenue stood at Rs 50 Cr in Q2FY26, taking H1FY26 sales to Rs 86 Cr, with management maintaining its full-year guidance of ~Rs 300 Cr, supported by consistent QoQ growth visibility. Segment margins remain significantly above the company average, estimated at 25–30%, and are currently trending toward the higher end of the range. The ADS business holds a robust cumulative order backlog exceeding Rs 3,950 Cr (lifetime value through FY30), ensuring strong multi-year revenue visibility. To support this growth trajectory, Sansera is augmenting capacity with a new 70,000 sq. ft. facility around two-thirds the size of the existing plant, expected to be operational by H1FY27.
- **Diversified Orderbook:** Sansera's order book stands at Rs 2,146 Cr in peak annual revenue potential, well-diversified across ADS (24%), xEV (7%), tech-agnostic auto components (10%), ICE PV+CV (31%), and two-wheelers (17%). In H1FY26, the company secured new orders worth Rs 1,168 Cr, demonstrating its strong execution capabilities and resilience amid challenging market conditions. Key order wins included xEV programs from North American OEMs, new business from an American tractor OEM, and incremental orders from Collins Aerospace.
- **Export PVs:** The export PV segment remained under pressure, with shipments (both xEV and ICE OEMs) declining 22% YoY in Q2FY26 and 25.8% in H1FY26, primarily due to delayed model launches across key programs. However, a recovery is anticipated in H2FY26 as offtake improves with new model introductions.
- **MRFIC Investment:** The ADS business currently excludes MMRFIC. The Board has approved an additional investment of Rs 30 Cr to be deployed before the end of FY26, aimed at increasing the company's holding beyond 50% (from the current ~31%).
- **Valuation & Outlook:** Given factors such as a) A higher sales mix in Non-Auto ICE components, b) Increased premiumisation trend, c) A focused approach on improving margin trends, d) Strong ability to generate operating cash flows, and e) Capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGR of 12%, 14%, and 21%, respectively, over FY26E-28E.
- **Key risks:** Macro Economic Uncertainty, Low Promoter Holding

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY25	3,017	515	217	37.4	32.5	13.81%	10.50%	13.69
FY26E	3,328	576	279	44.6	37.5	13.44%	9.60%	17.75
FY27E	3,713	661	335	53.8	31.1	15.20%	10.52%	15.24
FY28E	4,202	756	392	62.7	26.7	16.67%	11.11%	13.04

Source: Company, Axis Securities Research

Industry view



Over Weight

CMP

1,674

Target Price

1,950

Upside

16%

Profit & Loss

Y/E Mar	(Rs Cr)			
	FY25A	FY26E	FY27E	FY28E
Net sales	3,017	3,328	3,713	4,202
Raw materials	1,241	1,398	1,567	1,765
Staff costs	443	489	520	588
Other expenses	818	865	965	1,092
Total expenses	250	275	305	345
EBITDA	515	576	661	756
Depreciation	174	199	214	240
EBIT	341	377	447	517
Other income	20	33	32	29
Interest expense	70	37	29	20
Share of Profit/loss from associates	-	-	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	291	374	451	527
Tax expense	75	97	117	137
Adjusted PAT	-	-	1	1
Reported PAT	217	279	335	392
No. of shares	58.0	61.9	61.9	61.9
Reported EPS (Rs/share)	37.4	44.6	53.8	62.7

Source: Company, Axis Securities Research

Balance Sheet

Y/E Mar	(Rs Cr)			
	FY25A	FY26E	FY27E	FY28E
Equity Share Capital	12	12	12	12
Reserves and Surplus	2,738	2,995	3,305	3,667
Non-Controlling Interest	17	20	22	25
Total Shareholders' Funds	2,768	3,027	3,340	3,705
NON-CURRENT LIABILITIES				
Long-term Borrowings	171	81	-19	-119
Long-Term Finance/Lease Liabilities	94	94	94	94
Long Term Provisions	4	4	4	4
Deferred Tax Liabilities	80	80	80	80
Other LT liabilities	46	46	46	46
Total Non-Current Liabilities	396	306	206	106
CURRENT LIABILITIES				
Short-Term Borrowings	128	128	128	128
Short-Term Lease Liabilities	13	13	13	13
Trade Payables	362	400	446	505
Other Current Liabilities	68	68	68	68
Total Current Liabilities	572	609	655	714
Total Capital and Liabilities	3,736	3,943	4,201	4,525
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1,778	1,779	1,805	1,806
Capital Work in progress	195	245	305	365
Intangible Assets	160	160	160	160
Financial Assets	82	82	82	82
Other Non-Current Assets	62	62	62	62
Total Non-Current Assets	2,276	2,327	2,413	2,474
CURRENT ASSETS				
Inventories	501	553	617	698
Current Investments	1	1	1	1
Trade Receivables	455	501	560	633
Cash And Cash Equivalents	427	485	535	644
Other Current Assets	76	76	76	76
Total Current Assets	1,459	1,615	1,788	2,051
TOTAL ASSETS	3,736	3,943	4,201	4,525

Source: Company, Axis Securities Research

Cash Flow		(Rs Cr)			
Y/E Mar		FY25A	FY26E	FY27E	FY28E
Cash flows from operating activities					
Profit before tax for the year	292	376	453	529	
Finance costs	70	37	29	20	
Depreciation and amortisation	174	199	214	240	
Others	-78	-97	-117	-137	
Cash Flow from Operations before Changes in WC	458	514	578	651	
Change in operating assets and liabilities	-81	-61	-76	-96	
Net cash generated by operating activities	377	453	502	555	
Cash flows from investing activities					
Capex	-596	-250	-300	-300	
Investments	-371	-	-	-	
Others	12	-	-	-	
Net cash (used in)/generated by investing activities	-955	-250	-300	-300	
Cash flows from financing activities					
Change in borrowing	665	-90	-100	-100	
Interest on borrowings	-65	-37	-29	-20	
Other	-	-	1	1	
Dividends paid (-)	-16	-19	-23	-26	
Net cash used in financing activities	583	-145	-151	-145	
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	52	574	503	1,087	
CCE at the beginning of the year	49	51	109	159	
Effect of exchange differences on translation of foreign currency cash and cash equivalents	-2	-	-	-	
CCE at the end of the year	515	1,089	1,592	2,679	

Source: Axis Securities Research

Ratio Analysis (%)				
Key Ratios	FY25A	FY26E	FY27E	FY28E
Valuation Ratios				
PER	32.5	37.5	31.1	26.7
P/BV (x)	2.5	3.4	3.1	2.8
EV/EBITDA (x)	13.7	17.7	15.24	13.0
EV/Sales (x)	2.3	3.1	2.7	2.3
Dividend Yield %	0.3%	0.2%	0.3%	0.3%
Return Ratios				
ROE	10.5%	9.6%	10.5%	11.1%
ROCE	13.81%	13.44%	15.20%	16.67%
ROIC	14.6%	12.3%	13.7%	14.7%
Leverage Ratios				
Debt/equity (x)	0.2	0.1	0.1	0.0
Net debt/ Equity (x)	0.0	-0.1	-0.1	-0.1
Net debt/EBITDA (x)	0.0	-0.3	-0.5	-0.7
Operational Ratios				
Sales growth (% YoY)	7.3%	10.3%	11.6%	13.2%
EBITDA growth (% YoY)	7.3%	11.8%	14.8%	14.4%
Net Profit growth (% YoY)	15.6%	28.4%	20.5%	16.7%
EBITDA Margin %	17.1%	17.3%	17.8%	18.0%
Net profit Margin %	7.2%	8.4%	9.0%	9.3%
Efficiency Ratios				
Total Asset Turnover (x)	0.9	0.9	0.9	1.0
Sales/Net block(x)	1.9	1.9	2.1	2.3

Source: Axis Securities Research

KALPATARU PROJECTS INTERNATIONAL LTD – ROBUST EXECUTION & STRONG ORDER BOOK TO PROPEL GROWTH

KPIL, founded in 1981, is a prominent specialised EPC company with a strong global presence across 75 countries. The company has established itself as a key player in the international EPC market, leveraging its high-growth and diversified business model to deliver innovative solutions. KPIL consistently focuses on creating sustainable value for diverse stakeholders, reinforcing its reputation as a reliable and forward-looking organisation.

Industry view

Equal Weight

Key Rationale

- Robust Order Book to Support Revenue Growth:** As of 30th Sep'25, the company's order book stands at Rs 64,682 Cr, with 40% from T&D, 29% from B&F, 13% from Water, 9% from Oil & Gas, 5% from Railways, and 4% from Urban Infra. Backed by a strong execution track record and expanding opportunities across all segments, the company is positioned for steady revenue growth, projecting a 20% CAGR from FY25 to FY27E.
- New Order Inflow to Sustain Growth:** The YTD order inflow stood at Rs 14591 Cr. The management expects a full-year order inflow of Rs 25,000 Cr plus, with a major focus on the T&D and B&F segments. The management foresees opportunities across power transmission, distribution, solar EPC, residential and commercial buildings, oil and gas pipeline network, underground and tunneling, urban mobility, and select international projects in the civil business.
- T&D business to be a Major Growth Contributor:** T&D business remains very optimistic in the domestic and overseas market, with a tender pipeline in excess of Rs 1,50,000 Cr over the next 12-18 months. The company is also favorably placed in tenders worth Rs 5,000 Cr, mainly in the international T&D business. The high margin T&D projects will drive growth, and we expect EBITDA Margin and PAT growth of CAGR 25% and 47% from FY25-27E.
- Outlook:** The company is well-placed to capitalise on its strong order book, favourable sectoral trends in domestic and international T&D and B&F segments, improved performance of international subsidiaries, supportive government initiatives, and anticipated margin gains. It is projected to deliver a CAGR of 20%/25%/47% over FY25–FY27E.
- Valuation:** The stock is currently trading at 20x/17x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,475/share, implying an upside of 23% from the CMP.
- Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

CMP
1,194

Target Price
1,475

Upside
24%

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY24	19,626	1,629	516	31.9	37	13.6	10.4	16.1
FY25	22,316	1,834	567	33.2	36	12.5	9.6	16.8
FY26E	27,688	2,439	1,036	60	20	9.2	14.7	21.3
FY27E	32,046	2,852	1,232	72	17	8.0	15.3	22.9

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E Mar		FY24	FY25	FY26E	FY27E	Y/E Mar		FY24	FY25	FY26E	FY27E
Net sales		19,626	22,316	27,688	32,046	Capital Applied		7,659	8,971	9,757	10,809
Other operating income		0	0	0	0	Net Block		2,970	3,090	3,164	3,167
Total income		19,626	22,316	27,688	32,046	Other non-current assets		788	984	984	984
Net RM		8,205	8,581	10,615	13,267	Wkg. cap. (excl cash)		1,850	2,114	2,352	3,895
Contribution (%)		58.2%	61.5%	61.7%	58.6%	Cash / Bank balance		1,032	1,759	2,234	1,739
Other Expenses		9,793	11,901	14,634	15,927	Misc Assets		1,019	1,024	1,024	1,024
Operating Profit		1,629	1,834	2,439	2,852	Capital employed		7,659	8,970	9,757	10,808
Other income		64	62	85	96	Equity capital		32	34.1	34.1	34.1
PBIT		1,693	1,897	2,524	2,948	Reserves		5,105	6,479	7,385	8,487
Depreciation		473	497	526	597	Minority Interests		(25)	(44)	(44)	(44)
Interest & Fin Chg.		518	577	574	641	Borrowings		1,448	1,467	1,348	1,298
E/o income / (Expense)		0	0	0	0	Other non-current Liabilities		1,099	1,035	1,035	1,035
Share of Profit from Associates		0	0	0	0	Source: Company, Axis Research					
Pre-tax profit		701	823	1,424	1,711						
Tax provision		185	256	388	479						
PAT		516	567	1,036	1,232						

Source: Company, Axis Research

Cash Flow

Y/E Mar	FY24	FY25	FY26E	FY27E
PAT	516	567	1036	1232
Depreciation	473	497	526	597
Interest Expense	518	577	574	641
Changes in Working Capital	(635)	(677)	(238)	(1543)
Others	253	222	304	383
Tax Paid	(282)	(272)	(388)	(479)
Net Cash from Operations	843	914	1813	830
Capex	(352)	(575)	(600)	(600)
Others	89	(144)	85	96
Net Cash from Investing	(263)	(719)	(515)	(504)
Borrowings	137	487	(120)	(50)
Interest Expense	(504)	(566)	(574)	(641)
Dividend paid	(114)	(130)	(130)	(130)
Others	182	200	0	0
Net Cash from Financing	(524)	400	(823)	(821)
Net Change in Cash	56	596	474	(494)
Opening cash	956	1009	1602	2076
Closing cash	1009	1602	2076	1582
FCF	492	340	1036	1232

Source: Company, Axis Research

Ratio Analysis

Key Ratios	FY24	FY25	FY26E	FY27E
Sales growth	20.0%	14%	24%	16%
OPM	8.3%	8.2%	8.8%	8.9%
Operating profit growth	19%	13%	33%	17%
COGS / Net sales	42%	38%	38%	41%
Overheads/Net sales	50%	53%	53%	50%
Depreciation / G. block	10%	10%	9%	10%
Effective interest rate	13.6%	14.2%	13.9%	15.8%
Net working capital / Net sales	0.21	0.21	0.18	0.19
Net sales / Gr block (x)	4.2	4.4	4.9	5.1
RoCE	16%	17%	21%	23%
Debt/equity (x)	0.8	0.6	0.5	0.5
Effective tax rate	26.4%	31.0%	27.3%	28.0%
RoE	10%	10%	15%	15%
Payout ratio (Div/NP)	22.0%	23%	13%	11%
EPS (Rs.)	31.9	33.2	60.6	72.0
EPS Growth	18.6%	4.2%	82.6%	18.9%
CEPS (Rs.)	61.1	62.3	91.3	106.9
DPS (Rs.)	7.0	7.6	7.6	7.6

Source: Company, Axis Research

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