



Top Conviction Ideas
Q1FY26
(Consolidated)



Top Conviction Ideas: **Q1FY26** (Consolidated)



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Top Conviction Ideas: Cement

Uttam Kumar Simal

Cement Sector: Q1FY26 Review

Q1FY26 Cement Review – Higher Prices Boost Profitability; Outlook Remains Positive

In Q1FY26, companies under our coverage posted strong financial performance, with YoY growth of 10% in volumes, 16% in revenue, 40% in EBITDA, and 45% in PAT, all exceeding our expectations. EBITDA margins expanded sharply by 350 bps YoY, supported by higher realisations (+4% YoY) and volumes (+10% YoY), resulting in EBITDA/tonne of Rs 1,070, a 30% YoY increase. Blended realisation per tonne improved to Rs 5,510, while cost per tonne declined 1% YoY to Rs 4,441, aided by a 7% drop in power and fuel costs.

Performance was broad-based, with notable outperformance from JK Cement, JK Lakshmi, Ambuja Cement, and UltraTech Cement, while Dalmia Bharat and Shree Cement delivered stronger margins. ACC and Birla Corporation had mixed showings. Capacity expansion momentum continued, with UltraTech, Shree, and Ambuja commissioning a combined 14.5 mtpa in Q1, and Dalmia Bharat announcing a further 6 mtpa expansion. Management commentary indicates cement prices have been largely stable since Q1 exit levels, with demand expected to strengthen through FY26, driven by government infrastructure push and a recovery in housing, industrial, and commercial demand.

Outlook – Growth Momentum Intact

Input costs remain supportive, with power and fuel costs down 7% YoY to Rs 1,010/tonne, partially offsetting marginal increases in raw material costs. We expect cement demand to remain strong in FY26, supported by infrastructure spending, steady housing demand, and rural consumption recovery. The sector is expected to see high single-digit volume growth, with ~40 mtpa of new capacity additions in FY26 following 30–35 mtpa in FY25, reflecting confidence in long-term demand.

Cement Sector: Q1FY26 Review

Our forecast calls for 7–8% CAGR demand growth over FY24–27E, with sector consolidation enhancing economies of scale, supply chain efficiencies, and pricing discipline for large players. We see long-term demand growth outpacing supply despite ongoing capacity additions. Key factors to watch include cement price trends, regional demand-supply balances, and movements in fuel costs.

Key Monitorables

We will track higher price realisations, trends in input costs, and the pace of demand pick-up, especially in the run-up to the festive season and busy construction activity in H2FY26. The stability of power and fuel costs, coupled with the sustainability of current pricing, will be critical to margin resilience.


Top Conviction Ideas – Act Now

Our preferred picks in the cement space combine strong balance sheets, efficient operations, and capacity expansion pipelines that position them to capture incremental demand:

- **UltraTech Cement Ltd** – BUY, TP Rs 13,840*
- **Ambuja Cements Ltd** – BUY, TP Rs 660*
- **Dalmia Bharat Ltd** – BUY, TP Rs 2,550*
- **JK Lakshmi Cement** – BUY, TP Rs 1,050*

(* **Note:** Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 UltraTech Cement Ltd	BUY	Rs 13,840*	<ul style="list-style-type: none"> ✓ The company's capacity expansion is on track. Its total grinding capacity in India stands at 187 mtpa after acquiring India Cement's assets. ✓ The company plans to add a further 11 mtpa in FY26 and another 15 mtpa in FY27, bringing its total cement manufacturing capacity to 212 mtpa in India. ✓ With expanded capacity and scale, the company is positioned to strengthen its market leadership, targeting a market share increase from 25% to 28%. We project volume growth at a 1% CAGR over FY24–27E. ✓ In FY25, total efficiency improvements saved Rs 86 per tonne. The company projects a total cost reduction of Rs 200–300 per tonne over the next 2–3 years. We project that its EBITDA margins will increase to 22% in FY27E, driven by higher volume, better realisations, and cost optimisation initiatives. ✓ Between 2013 and 2024, the market share of large players increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, its overall market share is set to increase further. This trend will positively influence cement pricing, economies of scale, and supply chain efficiency. UltraTech, being the top player in the country, is well-positioned to benefit from this consolidation in the medium to long term.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Cement


Stock
Reco.
TP
Recommendation Rationale

Ambuja Cements Ltd
BUY
Rs 660*

- ✓ The company is expanding its capacity from the current 104.5 MTPA (including 8.5 MTPA of Orient Cement) to 118 MTPA, with the ongoing expansion set to be completed in phases over FY26.
- ✓ The company is exploring further growth opportunities to achieve a combined capacity of 140 MTPA by FY28. This expansion is expected to support its sustained growth momentum. Volume and revenue are projected to grow at CAGRs of 11% and 12%, respectively, over FY24-FY27E.
- ✓ Business initiatives are expected to further lower operating costs by reducing the clinker factor and logistics costs, improving the sale of blended cement, and expanding the EBITDA margins. We forecast the company's EBITDA margins to improve to 20%-21% in FY27E.
- ✓ Strong infrastructure demand and ongoing needs from the housing and commercial sectors are anticipated to boost cement demand in FY26. Strategic investments in roads, railways, and urban and commercial amenities are poised to drive robust growth. The company expects demand for the industry during FY26 to grow in the range of 7-8%.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 Dalmia Bharat Ltd	BUY	Rs 2,550*	<ul style="list-style-type: none"> ✓ The company announced a fresh capacity expansion plan involving a 6 MTPA cement unit and 3.5 MTPA clinker unit at Kadapa and a 3 MTPA bulk terminal in Chennai, with a capital outlay of Rs 3,287 Cr, targeted to be operational by Q2FY28. Additionally, the earlier announced 6 MTPA capacity addition (3 MTPA each in Pune and Belgaum) aimed at catering to the western region is progressing well and is expected to be commissioned by Q4FY27. With improved utilisation and incremental capacity coming onstream, the company is projected to deliver a 7% volume CAGR over FY25–27E ✓ It is expected that the company will enhance its EBITDA margins to 21-22% over FY26E-FY27E, driven by improved operating efficiency, higher sales of premium products, increased trade sales, and stable realisations. Pricing remains a key monitorable. ✓ The Indian cement industry is witnessing a wave of consolidation, with larger players acquiring regional or mid-sized firms to enhance market presence, optimise logistics, and achieve cost synergies. This consolidation trend is expected to reduce competitive intensity, enabling better price discipline and margin stability across the sector. The company, with its strategic focus on profitable growth through selective capacity expansion, focus on high-margin regions, improved product mix (e.g., blended cement), and disciplined capital allocation, is well-positioned to capitalise on this industry shift.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 <p>JK Lakshmi Cement</p>	BUY	Rs 1,050*	<ul style="list-style-type: none"> ✓ The setting up of a grinding unit in Surat of 1.4 mtpa at a capital cost of Rs 220 Cr, which is to be funded out of a mix of internal accruals and debt, 1st phase is expected to commence in Q2FY26. The company is also setting up a grinding unit with a capacity of 4.6 mtpa and a Clinker unit of 2.3 mtpa. These facilities are expected to commence in phases over FY26-FY28, thereby boosting its market share, volume and revenue growth. We project a volume and revenue growth CAGR of 8%/11% over FY25-27E ✓ JKLC reported an 11% YoY increase in revenue to Rs 1,741 Cr. This was driven by a 10% YoY growth in sales volume, outperforming the industry's average growth. ✓ JKLC expects cost savings of Rs 100-120 per tonne. We project EBITDA/tonne growth at a 7% CAGR over FY24-27E, reaching Rs 1,000/tonne, supported by better realisations, higher volumes, and cost-saving measures. ✓ Given the government's emphasis on infrastructure development and increased budgetary allocation for housing and road projects, the outlook for the cement sector remains positive for the upcoming year.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas: Metals & Mining

Aditya Welekar

Q1FY26 Review – Mixed Bag Amid Macro Headwinds

The Q1FY26 performance of the Metals & Mining sector reflected a mixed trend, influenced by both global macroeconomic uncertainties and supportive domestic factors. Aluminium players such as Hindalco and NALCO delivered resilient results despite pricing headwinds. Hindalco's Indian operations stood strong with consolidated EBITDA of Rs 8,075 Cr, comfortably ahead of estimates, showcasing the strength of its integrated model. NALCO reported EBITDA growth of 60% YoY, led by higher Alumina sales volumes, though QoQ weakness was expected given softer Alumina and Aluminium prices. On the steel front, Tata Steel's results stood out with India EBITDA/t at Rs 15,240, 17% above our estimates, while European operations turned profitable after 10 quarters, demonstrating the effectiveness of its cost transformation efforts. However, SAIL's performance lagged due to a one-time inventory valuation impact, and Coal India faced a softer offtake in Q1FY26 owing to weaker demand during the early monsoon. Structural steel tube players such as APL Apollo tubes and JTL industries delivered muted results in a seasonally weak quarter and pick up in growth is expected from H2FY26. These divergences highlight the nuanced sector dynamics where leadership in cost efficiencies, operational resilience, and exposure to high-margin segments is making a material difference.

Outlook – Structural Strength in Aluminium; Near-term Challenges in Steel

Looking ahead, we believe Aluminium companies are well-placed to benefit from supply-side discipline and steady demand in the US, Europe, and China. LME Aluminium prices, which averaged \$2,444/t in Q1FY26, have already rebounded to \$2,600/t in Q2FY26, supported by limited supply additions outside China and global deficits expected in CY25. Hindalco remains best placed given its strong Indian operations, while headwinds at Novelis likely to taper down in future quarters. NALCO's volume strength and strategic position continue to drive performance.

Steel, on the other hand, faces near-term price pressure with domestic HRC trading at an 8% discount to landed Chinese prices. However, post-safeguard duty imposition, import volumes have fallen sharply while exports have grown, creating a buffer for domestic prices to firm up. Raw material softness in coking coal and iron ore further supports margins over the medium term. With infrastructure spending, housing recovery, and manufacturing growth acting as structural demand drivers, domestic steel demand trajectory will continue to remain resilient.

Key Monitorables – Geopolitics, Tariffs, and Policy Support

Going forward, global macro developments will play a pivotal role in shaping the earnings outlook for the Metals & Mining sector. Key factors to watch include the trajectory of US Fed rate cuts, any additional stimulus measures from China, the potential extension of safeguard duty on steel imports, and evolving trade flows post the imposition of tariffs in the US. In Aluminium, global supply tightness and China's capacity cap is expected to support prices, while in Steel, domestic demand recovery post-monsoon and festive demand season will be critical triggers. Companies with expansion plans having strong execution capability, operational efficiency, scale advantages, and diversified portfolios remain best positioned to capture upside once macro tailwinds strengthen.

Based on the identified themes, the following are our Top Conviction Ideas:

Top Conviction Ideas - Metals & Mining


- **Hindalco Industries Ltd.** – BUY; TP: Rs 770*
- **National Aluminium Company Ltd.** (NALCO) – BUY; TP: Rs 220*

Structural steel tubes play:

- **APL Apollo tubes** – BUY; TP: Rs 1,950*

(*Note: Target Price is based on our Q1FY26 Result Update Report)

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
 <p>Hindalco</p>	BUY	Rs 770*	<ul style="list-style-type: none"> ✓ Aluminium upstream: Aluminium smelting capacity will increase from 1,340 KT to 1,520 KT post the under-execution Aditya smelter expansion of 180 ktpa by FY28. Alumina refinery capacity will increase from 3,740 KT to 4,590 KT, led by the Aditya alumina greenfield refinery project of 850 ktpa by FY28. Incremental EBITDA/t from these upstream aluminium projects over the FY24 base is estimated at \$200/t. Aluminium downstream: Aluminium Downstream capacity will rise to 600 ktpa from 430 ktpa as Aditya FRP-2 of 170 ktpa ramp up in Q1FY26. This will lead to a \$120/t addition to EBITDA/t over the base of FY24. ✓ Copper business: The company's 300 ktpa brownfield copper smelter expansion is expected to be commissioned by FY29 in Gujarat, and management envisages that the Tc/Rcs will improve from the current low levels in the next few years as it embarks on the smelter capex. Copper smelting capacity will rise to 721kt from 421kt post this 300kt expansion. In line with the smelting capacity, the CCR expansion of 300 KT is also under execution over and above the existing 540 ktpa rods capacity. This will lead to a \$100/t addition to EBITDA/t over the base of FY24. ✓ Novelis: EBITDA/t will be muted in the short term due to tighter scrap spreads and the impact of tariffs. However, the long-term EBITDA/t towards \$600/t is maintained. ✓ Outlook: Expansion projects will be completed by keeping the Net Debt/EBITDA < 1.5x in India, 3.5x at Novelis and 2.0x at the consolidated level when the Capex peaks in FY28. The company aims to return 8-10% of annual FCF (post maintenance capex and WC) to shareholders.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Metals & Mining

Stock
Reco.
TP
Recommendation Rationale

APL Apollo tubes
BUY
Rs 1,950*

- ✓ **Leading the structural steel tube demand growth story in India:** Although Q1FY26 results were sluggish, APL Apollo is well placed for recovery towards H2FY26. Q1FY26 EBITDA/t at Rs 4,683/t missed the consensus by 6%, down 4% QoQ, but up 12% YoY, as the lower sales volume led to negative operating leverage and one-time notional expense of Rs 100/t related to ESOPs, which increased the employee costs in the quarter. But we see APL Apollo tubes in the longer term as the leader in the space, and it will be the beneficiary of India's infrastructure push.
- ✓ **Growth likely to pick up in H2FY26:** Management foresees growth to pick up from H2FY26 as government projects will pick up post monsoon, leading to the buying power of channel partners (dealers). Exports to Dubai started recovering in Jul'25, and are likely to pick up in H2FY26. Rate cuts could also lead to higher retail demand (independent housing). The company's strategy is to focus on EBITDA/t rather than pushing volumes in the market..
- ✓ **Strategy to penetrate new markets – capacity expansion:** The company 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
- ✓ **Outlook & Valuation:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. Our TP of Rs 1,950/share is based on the Mar'27 EPS using a 1-year forward P/E target of 35x.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
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NALCO

BUY

Rs 220*

- ✓ **NALCO is currently undertaking brownfield expansion of its 5th stream of Alumina Refinery**, increasing its capacity by 1 MT from the existing 2.1 MTPA to 3.1 MTPA. The commissioning date for the 5th stream Alumina refinery of 1 mtpa is kept unchanged at Jun'26 (Mechanical completion by the end of FY26). The Pottangi Bauxite Mine (3.5 mtpa) will also start from Jun'26 to supply Bauxite for the refinery expansion.
- ✓ **Nalco is targeting operationalising the 3.5 MTPA Pottangi Bauxite mines**, synchronising with the Alumina Refinery expansion. Capex for this mine development is Rs 2,200 Cr. The company has received board clearance for an MDO appointment, and it is expected to be operational by Jun'26. The mine has reserves of 120 MnT, which will be sufficient for the next 15-20 years, including the 3.5 MnT bauxite requirement for the 1 MTPA new refinery.
- ✓ **Captive coal usage to increase** to the rated 4 MTPA capacity in FY26 vs. 2.8 MT in FY25. The total Coal requirement for CPP is at 7.2 MTPA, and in FY26, ~4 MT will be from the captive Utkal D-E mines, and the balance will be from the linkage coal from CIL. The difference between CIL and own mined coal cost is ~Rs 300-400/t.
- ✓ **Valuation & Recommendation:** We value the company at 6.0x Mar'27E EBITDA and 0.5x book value of CWIP to arrive at our TP of Rs 220/share

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas:
Pharmaceutical & Hospitals

Pharma & Hospital Sector: Q1FY26 Review

Q1FY26 Review – Growth Momentum in Hospitals and Stability in Pharma

The Q1FY26 performance of the Pharma & Hospitals sector reflected steady growth in pharmaceuticals alongside strong momentum in healthcare services. The pharma universe under our coverage reported revenue growth of 8.9% YoY and 2.2% QoQ, largely supported by a robust 13.5% YoY expansion in the India business. The domestic IPM grew 9% YoY, with chronic therapies up 11% and acute therapies stabilising at 7%, confirming the sector's structural shift towards chronic treatments.

Gross margins improved to 65.9% on a YoY basis, aided by niche launches, low price erosion, and a higher domestic mix. Hospitals outperformed significantly, with revenues up 22% YoY and 7% QoQ, supported by higher occupancy rates, which rose 30 bps YoY, and a 7% increase in ARPOB to Rs 62,220. Bed capacity expansion by key players such as KIMS and Max Healthcare further underlined the sector's growth momentum. While margins moderated slightly due to new units, operating leverage is expected to improve as these assets mature.

Pharma Outlook – Back on Growth Track

Pharma companies are gradually regaining momentum, with India continuing to be the anchor of growth. Lupin delivered the strongest performance, with US sales of \$282 Mn rising 24.2% YoY in CC terms, its highest since Q4FY17, driven by new launches and exclusivity benefits in Tolvaptan. Sun Pharma, Dr. Reddy's, and Cipla also posted double-digit India growth, reflecting the strength of branded prescriptions and chronic therapies. While Aurobindo faced pressure from erosion in gRevlimid and inventory destocking, its injectable portfolio grew strongly, supported by new launches.

Looking ahead, the sector's growth will be driven by a robust pipeline of biosimilars, GLP-1, and peptide products. Companies with a greater share of chronic therapies and strong regulatory track records remain well placed. Despite competitive pressures in the US generics market, steady launches, niche products, and stable input costs support a constructive outlook for the sector.

Hospitals Outlook – Sustained Growth with Structural Tailwinds

The healthcare sector's performance in Q1FY26 reinforced its structural growth drivers. Occupancy rates rose, ARPOB grew 7% YoY, and industry-wide operational bed days increased 16% YoY, reflecting rising healthcare access and demand. Insurance payors, now contributing 33% of revenues, grew 24% YoY, indicating a positive shift in the payer mix that will support long-term sustainability.

Fortis, Max, and Medanta all reported stable operating margins around the industry average, with growth driven by mature units in metro cities and aggressive expansion strategies. KIMS and Max added over 3,500 beds in the last year, setting the stage for sustained patient inflows. With rising insurance penetration, higher surgical volumes, and demand for high-growth therapies such as cancer and cardiac care, we expect the hospital sector to deliver consistent double-digit revenue growth with annual ARPOB increases of 6–7%.

Key Monitorables – Sector Triggers Ahead


In pharmaceuticals, investors should closely track the pace of new launches, margin sustainability, and the degree of price erosion in the US generics market. In hospitals, occupancy trends, expansion into new geographies, insurance penetration, and the ramp-up of new facilities will be critical indicators of future growth.

Top Conviction Ideas - Pharma & Hospitals

- **Lupin Ltd** – BUY, TP Rs 2,400
- **Aurobindo Pharma Ltd** – BUY, TP Rs 1,400
- **Max Healthcare Institute Ltd** – BUY, TP Rs 1,450
- **Fortis Healthcare Ltd** – BUY, TP Rs 1,000

(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Pharma

Stock	Reco.	TP	Recommendation Rationale
 <p>Lupin Ltd</p>	BUY	Rs 2,400*	<ul style="list-style-type: none"> ✓ Lupin reported strong results, exceeding expectations. Reported revenue grew 12% YoY, led by US businesses, which grew 24% YoY (largely driven by Tolvaptan and Myrbetriq), along with a 7.8% YoY increase in the Indian business. The EMEA and Other Developed Markets segment grew 27% and 17% YoY, respectively, while the API segment declined 33% YoY. ✓ Gross margin expanded by 288 bps YoY to 71.7%, aided by a better product mix (including Tolvaptan and Myrbetriq), lower share of in-licensed products, and improved cost efficiencies. EBITDA stood at Rs 1,727 Cr, up 39% YoY and 31% QoQ, with EBITDA margin improving by 540 bps YoY to 27.6%, driven by strong operating leverage. Reported PAT grew 52% YoY to Rs 1,221 Cr, significantly beating expectations. The company remains debt-free and cash surplus, backed by strong cash flows. Lupin continues to sell the product under litigation, supported by non-infringement and invalidity defences ✓ North America Business: US sales stood at \$282 Mn, registering a 24.2% YoY growth in constant currency terms, the highest since Q4FY17, while overall reported revenue from the US was Rs 2,516 Cr, up 23% YoY. This growth was primarily driven by new launches and the 180-day exclusivity of Tolvaptan. However, lower seasonal business and competition in Suprep and Albuterol weighed on performance. Despite this, the company maintained a 19% market share in Albuterol ✓ Outlook: Lupin is poised for sustained double-digit revenue growth in FY26, led by strong US market execution, new launches like Glucagon and Liraglutide, and a robust injectable and biosimilar pipeline. While some loss of exclusivity in FY27 (e.g., Tolvaptan, Mirabegron) may create near-term volatility, management projects high single-digit to potential double-digit growth, supported by new approvals including Risperdal, Pegfilgrastim, and Ranibizumab. EBITDA margins are expected to remain healthy at 24–25% in FY26, with further expansion in FY27 driven by premium product mix and continued cost optimisation. R&D spending will stay elevated (7.5–8.5% of sales) as focus shifts toward complex generics, 505(b)(2) products, and global biosimilar expansion. Adjacency businesses are currently dragging margins by ~1% but are expected to break even by FY27, adding further upside to profitability.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Pharma

Stock	Reco.	TP	Recommendation Rationale
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Aurobindo Pharma Ltd

BUY

Rs 1,400*

- ✓ Aurobindo Pharma's Q1FY26 results came in below our expectations. The company reported a revenue of Rs 7,868 Cr, up 4% YoY but down 6.1% QoQ. This was due to a drop in gRevlimid sales in the US and price erosion in the API segment. Despite the headwinds, performance was supported by momentum in Europe and growth markets, along with incremental Contribution from the ARV market.
- ✓ **North America & Europe Business:** In North America, Aurobindo recorded revenue of \$408 Mn (4.3% YoY degrowth in constant currency), with an estimated \$30 Mn contribution from gRevlimid. The decline was driven by gRevlimid erosion, seasonal moderation, and inventory destocking. Despite this, injectable sales rose 11% QoQ, aided by 15 new launches. Europe maintained its growth momentum with a 9% YoY rise to €241 Mn, putting the company on track to cross €1 Bn in annual revenue by FY26-end. API revenues fell 16% YoY to Rs 916 Cr, impacted by pricing pressure and rising import competition. ARV segment posted strong 55% YoY growth, supported by tender wins and volume uptick. Growth markets rose 9% to Rs 772 Cr.
- ✓ **Key facilities are poised to drive growth.** Aurobindo resumed operations at its Pen-G manufacturing facility in Jul'25 following regulatory clearance, with early signs of improved yields and output. The company received EU approvals for its biosimilar portfolio, with commercial launches expected to begin in H2FY26. Revenue contribution from both Pen-G and biosimilars is expected to start from Q3/Q4FY26. Additionally, the China facility has already commenced invoicing during Q1FY26, while the US-based Dayton site remains a key near-term growth driver, currently awaiting regulatory approval.
- ✓ **Outlook:** Aurobindo Pharma remains confident in sustaining its growth momentum in FY26. It targets high single-digit revenue growth (excluding one-offs), with continued strength in Europe and North America. The company aims to maintain EBITDA margins at 20–21%, supported by a favourable product mix, stable input costs, and operational efficiencies. Over the past two years, Rs 7,000 Cr has been invested in biosimilars and Pen-G (API), with future valuations expected to hinge on returns from these investments. Margin expansion will be further supported by the injectables and biosimilars scale-up and contributions from the Lannett acquisition. Strategic investments in CMO and biologics are expected to fuel long-term growth. Importantly, no new greenfield capex is planned for the next three years, reflecting a focus on optimising existing assets.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Hospitals

Stock	Reco.	TP	Recommendation Rationale
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Max Healthcare Institute Ltd


BUY

Rs 1,450*

- ✓ **Strong Q1FY26 performance:** Max Healthcare reported a strong Q1FY26 performance with revenues at Rs 2,460 Cr, up 27.1% YoY and 5.8% QoQ, marginally ahead of estimates. Growth was supported by higher patient volumes, steady ARPOB, and contributions from newly acquired hospitals. ARPOB stood at Rs 78,000, flat YoY (Existing units +7% Growth YoY), while overall occupancy improved to 76% and Mature Hospitals reported 80%. Occupancy led to a 26% YoY growth in occupied bed days. EBITDA Margins and Profitability: EBITDA margins compressed by 74 bps to 24.1% over the year, despite the addition of new assets. PAT was Rs 345 Cr, reflecting a 17% YoY growth driven by operational efficiencies and cost control.
- ✓ **Expansion-Focused Growth with Prudent Leverage:** The company remains on an aggressive expansion path, with ~1,500 beds (1,000 brownfield + 500 greenfield) slated for commissioning in FY26. Key projects include Nanavati (Mumbai), Smart Saket (Delhi), Lucknow, and Gurgaon Sector 56. Net debt rose to Rs 1,755 Cr due to ongoing capex; however, leverage remains comfortable with net Debt/EBITDA expected to stay <1x, even after planned Rs 400–500 Cr increase by the end of FY26.
- ✓ **Oncology continues to be the largest segment:** On business mix, oncology continues to be the largest segment (~25–26% of revenues) with management guiding sustained growth as radiation oncology becomes operational at Lucknow and Dwarka in Q3FY26, potentially pushing oncology share above 30% over the medium term. International revenues grew 32% YoY to Rs 208 Cr, aided by expansion into new geographies and direct-to-fly marketing offices. Digital revenue also scaled to Rs 744 Cr (29% of sales, +61% YoY), underscoring strong patient acquisition trends.
- ✓ **Outlook:** Max Healthcare's revenue mix remains well-balanced, with continued growth in institutional and international patient segments. The recent increase in institutional business share is expected to stabilise as higher-value payer segments expand. The short-term margin impact from new hospital ramp-ups should gradually ease as these facilities scale operations. Lucknow and Nagpur are expected to witness further profitability expansion, driven by higher occupancy rates and the introduction of new clinical programs.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Hospital

Stock	Reco.	TP	Recommendation Rationale
 <p>Fortis Healthcare Ltd</p>	BUY	Rs 1,000*	<ul style="list-style-type: none"> ✓ Strong Q1 Performance: Fortis Healthcare reported revenue of Rs 2,167 Cr, which is in line with expectations and supported by higher ARPOB and improved occupancy levels. ARPOB stood at Rs 72,603, up 10% YoY, while occupancy improved to 69% (up 200 bps YoY), driven by an 8.4% YoY growth in occupied bed days. The Hospital Segment's EBITDA margins stood at 22.1% with 41.5% EBITDA growth over the year. The company's topline grew by 16.6% YoY, while overall EBITDA margins stood at 22.6%, up 440 bps YoY and 95 bps QoQ. The reported PAT was Rs 267 Cr, including an exceptional gain of Rs 13 Cr. Adjusted PAT grew 46% YoY, driven by operational efficiencies and cost control. ✓ Agilus Diagnostics Delivers Improved Profitability: The rebranded Agilus Diagnostics reported revenue of Rs 329 Cr, growth of 6.5% YoY, and an EBITDA of Rs 85 Cr, reflecting a 25.8% margin, up 800 bps YoY. The margin improvement reflects operational recovery and efficiency gains as the business continues to scale post-rebranding. ✓ Aggressive Capacity Expansion: Fortis plans to add approximately 900 beds in FY26, including capacity from the recently acquired Shrimann Super Speciality Hospital in Jalandhar. Around 50% of these beds are expected to be commercialised within the current financial year, with the remainder contributing to revenue from FY27 onwards. The expansion will primarily be brownfield in nature, focusing on existing hospitals. Key additions include 250 beds at the FMRI Gurugram unit, expected to be completed by year-end but not contributing meaningfully to FY26 revenues, 150 beds at the Noida facility, 50 beds in Faridabad, and a ramp-up of 200 beds at the Manesar location. Overall, at least 600 beds are expected to begin revenue contribution in FY27. Additionally, Fortis has entered into an operations and maintenance agreement with Gleneagles India, under which it will manage 700 beds across five hospitals, earning a 3% net revenue service fee. This arrangement is expected to contribute approximately Rs 30 Cr directly to EBITDA. ✓ Outlook: Fortis Healthcare remains focused on a profitable growth trajectory, leveraging brownfield expansions, operational efficiencies, and portfolio optimisation. The company targets 14-15% revenue growth in the hospital business, with ARPOB expected to grow at 5-6% YoY. Management reiterates its margin expansion guidance of 200 bps for FY26, also driven by higher occupancy and improvements in the speciality mix. Strategic initiatives such as the acquisition of the Fortis brand, expansion in key clusters (notably Punjab and NCR), and investment in advanced medical technology are expected to further strengthen Fortis's market position.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas

Banking, Financial Services & Insurance (BFSI)

**Dnyanada Vaidya
Pranav Nawale**

The BFSI sector is at an inflection point where near-term headwinds are paving the way for meaningful medium-term gains. Our latest Top Conviction Ideas – BFSI identifies select opportunities in Banks, NBFCs, and Diversified Financials that stand out for their growth visibility, asset quality resilience, and management strength. With the sector poised for a revival from H2FY26, we believe this is the time to position portfolios strategically for compounding returns.

Banks – Review, Outlook & Key Monitorables

Q1FY26 was a mixed quarter for banks, with larger private and PSU banks managing NIMs better than expected, while mid-sized players and SFBs saw sharper compression. Credit growth at ~11% YoY was in line with systemic trends, supported by retail and SME lending, but corporate credit remained sluggish due to competitive pricing pressure. Margins faced expected pressure from the recent rate cuts, though operational efficiencies and treasury gains helped PPOP beat estimates. Asset quality saw seasonal agri slippages and continued stress in the unsecured segment, alongside stress emerging in SME, and CV segments. However, the stress in unsecured portfolios has likely peaked. Looking ahead, growth momentum is expected to pick up from H2FY26, supported by rate cuts, festive demand, and a consumption boost from tax reductions. Our coverage universe banks are expected to deliver 14% CAGR credit growth over FY25-28E, with NIM recovery visible from Q3 onwards as deposit repricing benefits flow in. Fee income growth will mirror business growth, and cost discipline should keep PPOP CAGR healthy at ~14%. Asset quality trends in unsecured products and stabilisation in SME/CV portfolios remain critical to monitor.

With valuations still attractive in select names, we prefer banks with robust deposit franchises, stable asset quality, and strong execution track records, which are well placed to capitalise on the upcoming credit growth cycle.

NBFCs – Review, Outlook & Key Monitorables

NBFCs had a softer Q1FY26 due to seasonal weakness and slower economic activity, but AUM growth across our coverage still held healthy at 19% YoY. Disbursements in gold loans, used CVs, and used cars showed strong momentum, while MFIs continued to stabilise from past stress. Except credit cards and certain microfinance lenders, margins compressed across most segments driven by rate pass-throughs, competitive yield adjustments, and higher reversals. Asset quality issues persisted in microfinance (especially in KA and TN) and emerged in smaller ticket-size SME portfolios, but management commentary points towards normalisation from H2FY26.

We expect NBFCs under coverage to deliver ~21% CAGR AUM growth over FY25-28E, with a sharper pickup in unsecured segments and benefits from consumption demand pick-up. Vehicle financiers should benefit from improving rural incomes and infrastructure spending, while housing and diversified financiers should see steady growth aided by sectoral tailwinds. Microfinance players, despite near-term pain, are positioned for a rebound as credit costs normalise. Key monitorables include asset quality in SME and MFI segments, NIM recovery trajectories, and the pace of unsecured lending growth.

Diversified Financials – Review, Outlook & Key Monitorables

Performance across diversified financials was mixed in Q1FY26. SBI Cards saw elevated credit costs due to an ECL model reset, though NIMs held steady, and cost control measures were visible. SBILIFE delivered steady growth in high-margin products, aided by a shift towards non-PAR and protection segments, maintaining healthy VNB margins. NAM posted strong AUM growth with market share gains, supported by a resilient SIP franchise and improving product diversification.

Our outlook remains constructive for all three sub-segments. For SBI Cards, NIM expansion from CoF repricing and improved opex ratios should offset credit cost pressures, with RoA/RoE expected to improve meaningfully from FY27E. SBILIFE is well-positioned for double-digit growth in NBP, APE, and VNB, supported by agency channel activation and product mix optimisation. NAM remains a direct beneficiary of the financialisation of savings in India, with strong growth potential in passive offerings and SIP-led flows. Key monitorables include asset quality stabilisation in SBI Cards, sustained APE growth in SBILIFE, and continued market share gains for NAM.

Based on the identified themes, the following are our Top Conviction Ideas:

Top Conviction Ideas: BFSI

Tier 1 Banks

- **HDFC Bank** – BUY | Target Price: Rs 2,300*
- **Kotak Mahindra Bank** – BUY | Target Price: Rs 2,500*

PSU Banks

- **SBI** – BUY | Target Price: Rs 1,025*

Mid-sized Banks


- **City Union Bank** – BUY | Target Price: Rs 270*

NBFCs

- **Bajaj Finance Ltd** – BUY | Target Price: Rs 1,100*
- **Shriram Finance Ltd** – BUY | Target Price: Rs 750*


(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
 <p>HDFC Bank Ltd.</p>	BUY	Rs 2,300*	<ul style="list-style-type: none"> ✓ Readying 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, with growth ahead of systemic growth. The management has identified segments to drive this growth, with the retail portfolio, particularly non-mortgage segments, poised for a strong growth uptick. This growth will be driven by a pick-up in consumption demand on the back of tax rate cuts and improved demand during the festive season. ✓ Near-term NIM Pressures to Persist: HDFCB's NIMs contracted by ~11 bps QoQ, excluding the impact of one-time IT refund in Q4. Margin compression was on account of the higher share of floating rate loans driving a sharp decline in lending yields by ~30 bps QoQ, with the impact of the Feb'25 and Apr'25 repo rate cuts visible. In Q2, the management expects NIMs to remain under pressure and are likely to bottom out with the Jun'25 repo rate cut (of 50 bps), reflecting in the lending yields. The SA rate cut taken by the bank is reflected in the CoF (down 10 bps QoQ); however, the TD repricing is expected to happen with a lag. Margins are expected to stabilise from H2FY26 onwards as the deposits reprice downwards. ✓ RoA Optimisation Underway: 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. While near-term pressures on NIMs will weigh on earnings, healthy fee income growth, controlled costs, and pristine asset quality, keeping credit costs benign, will offset the impact of margin compression. We expect HDFCB's RoA/RoE to improve to 1.9%/15-16% over FY27-28E vs 1.7%/13.6% in FY26.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
 <p>Kotak Mahindra Bank Ltd.</p>	BUY	Rs 2,500*	<ul style="list-style-type: none"> ✓ MFI Stress Peaks; Credit Costs to Taper Gradually: The stress in the MFI has peaked, and slippages in this segment are expected to gradually taper from H2 onwards. Similarly, the asset quality challenges in the Personal Loans (PL) and Credit Card (CC) segments have stabilised. The bank is witnessing emerging stress in the retail CV segment. Consequently, the bank has tightened its underwriting policies. The management expects the stress in the retail CV segment to subside over the next couple of quarters. With the slippages in the unsecured portfolio having peaked out and the incremental stress formation across most segments (ex-Retail CV) remaining benign, KMB expects credit costs to taper sequentially. ✓ Growth Momentum to be Healthy; Calibrated Improvement in Unsecured Mix: The management has reiterated its guidance of growing the advances at 1.5-2x of nominal GDP growth. With Asset quality challenges in the unsecured portfolio now behind, the bank will look to resume growth in the PL, CC and MFI segments. While the MFI portfolio contribution to the portfolio will remain capped at 3-4%, KMB believe PL and CC remain key growth drivers. Another focus area for the bank would be the mid-market segment, wherein KMB will look to accelerate growth. We expect KMB to deliver a healthy ~17% CAGR credit growth over FY25-28E. ✓ NIMs to Bottom-out in Q2; Improved Unsecured Share to Support NIMs: The repo rate cut in Jun'25 is yet to reflect on the yields, and thus margins will continue to remain under pressure in Q2. However, the SA rate action (reduction of ~75 bps) should reflect in Q2, partially supporting NIMs. However, the impact of TD repricing would be visible from H2 onwards. Thus, from Q3 onwards, KMB's margins should find support from the (1) Impact of CRR cut, (2) Improving growth in the unsecured segments and an improving mix in the overall portfolio, and (3) Downward repricing of deposits. We expect FY26 margins to remain lower at ~4.7%, before improving to ~4.9-5% over FY27-28E, driven by aforementioned factors.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: PSU Banks

Stock	Reco.	TP	Recommendation Rationale
 State Bank of India	BUY	Rs 1,025*	<ul style="list-style-type: none"> ✓ Growth Buoyancy to Continue: SBI has seen strong growth in the Home Loans and SME segments and expects the momentum to continue. The growth in the Xpress credit segment has been muted for the past few quarters. The bank has seen stress emerging amongst the low-net-income government employee customer segment, owing to over-leveraging. Consequently, SBI consciously slowed down the pace of growth. However, the demand is gradually picking up from Q2 onwards, and the bank is also re-examining growth in certain segments it had placed on the back burner earlier. Moreover, the corporate sanctions pipeline remains strong at Rs 7.2 Tn, and SBI expects double-digit corporate growth to resume from Q2 onwards. The management has continued to guide for 12-13% growth in advances for FY26. ✓ Confident in Maintaining Domestic NIMs at 3%: Currently, 30.2% of the portfolio is EBLR-linked, 30.7% is MCLR-linked, 22.6% is fixed rate, and 15.9% is T-bill-linked. Thus, NIMs will continue to contract in Q2, reflecting repo rate changes. However, the bank is confident of maintaining domestic NIMs at 3% in FY26, driven by recovery in margins in H2. The CRR cut (releasing ~Rs 520 Bn) and the benefit of the rate cut actions taken on SA and TDs flowing in the CoF from Q3 onwards, should support margin recovery. We expect NIMs to remain range-bound between 3.0-3.2% over FY26-28E. ✓ Comfortable RoA Delivery of 1%: SBI remains well-poised to sustain its growth momentum, supported by its comfortable LDR, providing it with leverage to accelerate credit growth. While near-term pressures are expected to be visible on NIMs, benefit from deposit rate cuts, which will reflect in CoF from H2 onwards, should support NIM recovery. The bank is making concentrated efforts to contain Opex growth by focusing on improving productivity and maintaining the C-I Ratio at <50% across cycles. Asset quality does not pose challenges, and thus, credit costs should remain benign. Collectively, this should ensure a comfortable 1% RoA delivery over FY26-28E. The recent QIP has strengthened the Tier I capital, adequate to fuel medium-term growth.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Mid-Sized Banks

Stock	Reco.	TP	Recommendation Rationale
 <p>City Union Bank</p>	BUY	Rs 270*	<ul style="list-style-type: none"> ✓ Growth visibility healthy; Momentum to Continue: CUB's growth engine has started to fire, and the management is confident of the momentum to continue, supported by healthy growth visibility in its core segments. Thus, the management has indicated that barring any macro uncertainties, CUB will continue to deliver ~15-16% credit growth in FY26. The bank is on track to ramp up its retail portfolio with a focus on Home Loans, Affordable Housing, and LAP. We expect CUB to deliver a healthy 15% CAGR credit growth over FY25-28E. ✓ NIMs to be Defended at 3.5% for FY26: Despite ~70% of CUB's portfolio being floating rate (of which ~48% is EBLR-linked), the management remains confident of defending margins at 3.5% in FY26. The impact of the Jun'25 rate cut would reflect on Q2 margins (expected to range between 3.45-3.5%); however, as the rate actions on deposits reflect in the CoF, NIMs are expected to find support. The bank has reduced its TD rates in Apr'25 and has taken rate action on SA deposits in Jun'25, the benefit of which will reflect meaningfully from H2 onwards. Moreover, the bank had given certain customers loans at discounted rates, and the pass-on of the repo rate cut to these customers would be lower. We expect a NIM delivery in FY26 to be in line with the guidance, with improvement likely in FY27. Margins are likely to hover between 3.5-3.6% over FY26-28E. ✓ Strong RoA Delivery to Continue: We expect CUB's superior RoA delivery on 1.5-1.6% over the medium term to continue supported by (1) Buoyant growth sustaining, (2) Ability to maintain NIMs in a narrow range of 3.5-3.6%, (3) Strong and improving Asset quality, keeping credit costs under control and (4) Gradual improvement in Opex ratios. Near-term challenges on margins would be visible; however, we believe CUB remains well poised to deliver a strong Advances/NII/Earnings growth of 15% each over FY25-28E. Sustenance of growth trends should drive stock performance.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: NBFCs



Bajaj Finance Ltd.

BUY


Rs 1,100*

Recommendation Rationale

- ✓ **NIMs to Benefit From Rate Cut:** BAF's margins are expected to improve by ~10 bps in FY26, driven by a sharp decline in CoF. The management expects CoF to settle at 7.6-7.65% in FY25, vs. 7.79% reported in Q1. In order to optimise the CoF, BAF plans to reduce its dependence on Deposits and plans to reduce its mix to 15-16% vs 17-19%. The company has also tweaked its deposit rates sharply (by 70-80 bps), owing to which deposit volumes have declined. Moreover, it will look to increase the share of ECB loans, NCDs, and Bank borrowings, citing better pricing to improve the CoF. We expect BAF's NIMs (calc.) to remain steady, ranging between 8.9-9% over FY26-28E, driven by faster transmission of rate cuts reflecting in CoF.
- ✓ **Growth Guidance Maintained; More Clarity in Q2:** The company has maintained its guidance of adding 14-16 Mn new customers during FY26. Within the portfolio segments, the SME is witnessing emerging signs of stress, with most industries either showing signs of growth contraction or demand slowing down. Thus, BAF has pulled back growth in this segment, and FY26 growth is expected to be significantly lower. Its diversified loan book should help BAF navigate this stress, thereby delivering a consistently strong AUM growth of ~25% CAGR over FY25-28E. Along with the existing segments, the company will also look to scale up LAP, Commercial Vehicles, Tractors, Gold, and Affordable Housing. While the management has maintained its AUM growth guidance of 23-24% for FY26, more clarity would emerge post Q2FY26.
- ✓ **Asset Quality to Improve:** BAF is observing improvement in early vintages across all portfolios except MSME and hence remains confident of credit cost gradually tapering. While Q2 credit costs could continue to remain flat, improvement is likely over H2. The management has maintained its credit costs guidance of 185-195 bps for FY26.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
 <p>Shriram Finance Ltd.</p>	BUY	Rs 750*	<ul style="list-style-type: none"> ✓ NIMs Impacted by Excess Liquidity; CoF Improvement to Drive Expansion: The management has indicated that SFL will look to ease the excess liquidity (by ~Rs 10,000 Cr) over the next 4-5 months, which should support margins. SFL's yields across segments have remained largely stable. Thus, apart from easing liquidity, NIMs are expected to find support from the downward repricing of liabilities. The company has seen a sharp improvement in the incremental CoF, declining to 8.3-8.4% vs the current CoF of 8.86%. Furthermore, SFL has slashed its deposit rates by 40 bps effective Aug'25, which should augur well from the CoF perspective. It will look to repay the high-cost borrowings alongside re-aligning the borrowing mix to optimise CoF. Currently, ~85% of its borrowings are fixed-rate, and hence, the pass-through of the rate cut benefit could be with a slight lag. Resultantly, the management expects NIMs to improve to 8.5-8.6% by Q4FY25. The NIM improvement trajectory is panning out slower than expected. ✓ Growth Visibility Healthy: SFL's AUM growth in Q1 was marginally ahead of the management's guidance of 15% AUM growth. This was primarily led by improved growth in CVs (12/4% YoY/QoQ) and strong growth in PVs (+23/5% YoY/QoQ), Farm Equipments (+46/12% YoY/QoQ) and MSME (+35/4% YoY/QoQ). The company will continue to pursue strong growth in the MSME, PVs, and 2-Wheelers segment, wherein growth visibility remains strong. We pencil in AUM growth of 15% CAGR over FY25-28E, largely in line with management guidance. ✓ Increase in Stage 2 Assets Not Worrisome: The increase in Stage 2 has been primarily owing to unseasonal monsoons causing business disruptions and borrower cashflow mismatch. Given these issues being transient, the management is confident that most of these accounts would be rolled back, and forward flows will not be meaningful. In Q1FY26, asset quality (GNPA/NNPA) has remained largely stable. The management has continued to guide for credit costs of <2% for FY26.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Sector Ideas: Infra-Road & Others

Uttam Kumar Srimal
Shikha Doshi

Infra-Road & Others: Q1FY26 Review

Review – Slower Execution Impacted Near-term Performance

Road infrastructure companies underperformed in Q1FY26 due to execution delays and slower Appointed Date (AD) issuances. Revenues, EBITDA, and PAT declined by 15%, 19%, and 17% YoY, as against the expectations of 7%, -25%, and -25%, respectively. A high base in the previous year—driven by arbitration gains for players like PNC Infratech and KNR Constructions—also skewed comparisons.

EBITDA margins came in at 13.4% (vs. est. 14.1%), impacted by higher input costs. Among road players, J Kumar Infraprojects delivered strong revenue growth backed by execution, while GR Infra posted PAT growth aided by InVIT dividend income. In contrast, GR Infra, PNC Infratech, and KNR faced execution challenges.

In the non-road segment, Kalpataru Projects and KEC International reported solid results on the back of margin-accretive T&D projects. Ahluwalia Contracts also saw strong revenue growth, while PSP Projects and RITES were affected by delays and weak turnkey business momentum.

Outlook – H2FY26 Execution & Awards to Accelerate

Project awarding remained sluggish (180 km awarded Apr–Jul'25), but NHAI's robust pipeline (6,376 km worth Rs 3.4–3.45 Lc Cr) offers strong visibility. New MoRTH norms aim to curb aggressive bidding and improve order quality.

Execution has slowed to ~30 km/day (vs. 34 km/day in FY24), with a FY26 target of ~10,000 km. Awarding is expected to pick up to 8,500–9,000 km, supporting H2 execution momentum.

HAM monetisation remains challenged by AD delays and stalled financial closures, though progress on execution and land acquisition could unlock value.

Infra players are diversifying into Railways, Water, T&D, Solar, and Civil projects and are expected to contribute 25–30% of revenues and support margin stability.

Key Monitorables

- Appointed Date issuance for pending projects
- New Order Inflows, especially under EPC and HAM models
- Execution ramp-up to translate order books into revenue

Top Conviction Ideas:

Non-Road

- **Kalpataru Projects International Ltd** - BUY | Target Price: Rs 1,470*
- **KEC International Ltd** - BUY | Target Price: Rs 1,030*
- **Ahluwalia Contracts India Ltd** - BUY | Target Price: Rs 1,050*

Road Infra

- **GR Infraprojects Ltd** - BUY | Target Price: Rs 1,540*

(*Note: Target Prices are based on our Q1FY26 Result Update Reports.)

Top Conviction Ideas: Non-Road

Stock
Reco.
TP*
Recommendation Rationale


**Kalpataru Projects
International Ltd**


BUY

Rs 1,470*

- ✓ **Robust Order Book to Support Revenue Growth:** As of 30th June, 2025, the company's order book stands at Rs 65,475 Cr, with 41% from T&D, 25% from B&F, 14% from Water, 11% from Oil & Gas, 5% from Railways, and 4% from Urban Infra. Backed by a strong execution track record and expanding opportunities across all segments, KPIL is positioned for steady revenue growth, projecting a 19% CAGR from FY25 to FY27E.
- ✓ **New Order Inflow to Sustain Growth:** The YTD order inflow stood at Rs 9,899 Cr. The management expects full-year order inflow in the range of Rs 26,000-28,000 Cr, with a major focus on the T&D and B&F segments. It anticipates traction in Oil & Gas and the international Water segment, while remaining positive on growth across all businesses except Railways.
- ✓ **EBITDA Margins & PAT Expected to Expand:** Recent order wins are expected to support margin expansion, driving improved profitability. Management anticipates a 100 bps increase in operating margins for FY26. Additionally, reduced debt levels are lowering finance costs, strengthening the bottom line. We project robust growth in EBITDA and PAT, with expected CAGRs of 24% and 47%, respectively, over FY25–FY27E, and forecast EBITDA margins in the range of 8.5%-9% for FY26E/27E.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
 <p>KEC International Ltd</p>	BUY	Rs 1,030*	<ul style="list-style-type: none"> ✓ Healthy Order Backlog Ensuring Revenue Visibility: As of 30th June, 2025, the company's order book stands at Rs 34,409 Cr. This, combined with an order inflow of Rs 5,517 Cr, provides strong revenue growth visibility for the next 18-24 months. Additionally, KEC holds the L1 position in projects valued at over Rs 40,000 Cr, primarily in the T&D business. With its established execution track record and the government's increasing focus on infrastructure development, the company is well-positioned for steady revenue growth, projecting a 15% CAGR from FY25 to FY27E. ✓ Encouraging Pipeline of Tenders Enhances Order Inflow Prospects: A substantial tender pipeline of Rs 1,80,000 Cr ensures a healthy order intake for the company in the foreseeable future. Out of the Rs 1,80,000 Cr bid pipeline, Rs 30,000 Cr is from domestic T&D, Rs 60,000 Cr is from international T&D, and the balance is from non T&D. For FY26, KEC has set a target of Rs 30,000 Cr in order inflow, out of which Rs 5,517 Cr has already been achieved, maintaining its growth momentum. ✓ Strengthening Margins Leading to Better Bottom-line Performance: Despite labour shortage and delay in receivables from the water segment, EBITDA margins have improved, primarily driven by the execution of international T&D projects and high-margin assignments. We expect margins to improve to 9% in FY27. Interest expense has lowered due to a debt reduction, which has further increased profitability. We pencil in EPS CAGR of 55% over FY25-27E.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Road Infra

Stock	Reco.	TP*	Recommendation Rationale
 GR Infraprojects Ltd	BUY	Rs. 1,540*	<ul style="list-style-type: none"> ✓ Strong & Well-diversified Order Book Ensuring Revenue Visibility: The company's order book position, including L1 projects, stands at Rs 23,706 Cr, comprising roads, railways, transmission, telecom/optical fibre and tunnel works, providing revenue visibility for the next 24-36 months. For FY26, it anticipates an order inflow of Rs 22,000 Cr, out of which Rs 14,000-15,000 Cr will be from highways, railways, and metros, Rs 4,000-4,500 Cr from power transmission and ropeway, Rs 2,000-2,500 Cr from tunnel and hydro, and Rs 500-1,000 Cr from telecom and other projects. ✓ Robust Tender Pipeline Supported by Balanced Segment Exposure: The bidding pipeline for FY26 remains strong at Rs 2 Lc Cr (out of Rs 3.4 Lc Cr) in NHAI projects, Rs 40,000 Cr from hydro, Rs 54,000 Cr from power transmission, and Rs 96,000 Cr from railways and metro projects. In addition to road projects, the company has successfully diversified into other segments such as railways, ropeways, optical fibre, multi-modal logistic parks (MMLPs), and power transmission, to reduce its dependence on road projects. ✓ Revenue growth to pick up: In Q1FY26, the company's revenue was lower due to projects being in the initial stage of execution. However, most of the projects have received AD, making the executable order book of Rs 15,000 Cr, which is expected to be completed in the next 2 years. This will support a revenue growth of 13% CAGR over FY25-27E.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Non-Road

Stock
Reco.
TP*
Recommendation Rationale


**Ahluwalia Contracts
India Ltd**

BUY

Rs 1,050*

- ✓ **Robust order book:** The company has an order book of Rs 16,582 Cr (as of 30th June, 2025) and a YTD order inflow of Rs 3,889 Cr. The order book is primarily composed of Hospital at 11.5% (Rs 1,902 Cr), Commercial at 16.8% (Rs 2,794 Cr), Institutional at 4.7% (Rs 784 Cr), Residential at 40.7% (Rs 6,752 Cr), Infrastructure at 25.6% (Rs 4,238 Cr), and Hotel at 0.7% (Rs 113 Cr). The robust order book provides revenue visibility for the next 2–2.5 years. Hence, ACIL is expected to deliver a strong revenue growth of 19% CAGR over FY25–FY27E and is likely to post improved margins with better execution.
- ✓ **Strong Order Inflow:** The company reported YTD order inflows of Rs 3,889 Cr and holds L1 status in 2 projects worth Rs 1,796 Cr. For FY26, management has guided for order inflows of over Rs 8,000 Cr. The bidding pipeline stood at Rs 5,000 Cr for the private segment. It aims to keep 50–60% of its order book weighted toward private sector projects, reflecting its strategic focus on private capex, where it sees stronger visibility and more scalable opportunities.
- ✓ **Pickup in EBITDA margins:** As execution improves, especially with the pickup of the CST project in Delhi and India Jewellery Park, the margins are expected to improve. Double-digit margins are expected from H2FY26; however, in Q2FY26, the margins will remain flat due to execution being impacted by the monsoon. We forecast EBITDA and PAT to grow at a 34% and 32% CAGR, respectively, over FY25–27E.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas: Chemicals & Midcaps

**SANI VISHE
SHIVANI MORE**

Chemicals Sector: Q1FY26 Review

Sector Review: Navigating Through Macro Uncertainties

Chemicals Sector:

Q1FY26 remained a challenging quarter marked by persistent macro uncertainties, subdued pricing, and intensified competition, especially from China. While profitability was under pressure across the board, companies focusing on operational resilience, innovation, and chemistry diversification outperformed peers. Notably, Navin Fluorine International emerged as a strong outlier, delivering robust double-digit growth across key metrics, driven by operating leverage and product mix enhancement. In contrast, names like PI Industries and Aarti Industries witnessed muted profitability due to global agchem softness and margin pressures. Agrochemicals, though impacted by uneven monsoon and weak farmer sentiment, demonstrated relative resilience domestically and are poised for recovery in H2FY26.

Midcaps Segment:

Despite macro headwinds, select midcaps delivered solid numbers on the back of strong demand visibility, improved product mix, and cost efficiencies. Companies such as Mold-tek Packaging, Pitti Engineering, VA Tech Wabag, and Gravita India showcased superior execution and scalability potential. These firms benefited from strategic capacity expansions, healthy order books, and increasing contributions from value-added or export-linked businesses, establishing a firm foundation for sustainable growth.

Outlook: Cautiously Optimistic with Promising Green Shoots

We maintain a constructive stance on both sectors, particularly as H2FY26 is expected to mark the beginning of a cyclical recovery. For the Chemicals sector, the outlook hinges on pricing stability, clarity around U.S. tariff actions, and easing of global supply chain disruptions. Domestic demand remains resilient, particularly in agrochemicals, and product innovation will continue to drive volume-led growth.

For midcaps, we see ample opportunity in companies that are capitalising on long-term megatrends—industrial automation, sustainable packaging, green energy, water management, and recycling. Execution visibility, strong order books, and operational leverage position these companies well to deliver superior returns over the medium term.

Chemicals Sector: Q1FY26 Review

Key Monitorables:

- Several sector-specific and macro triggers could influence performance in the upcoming quarters:
- Tariff Developments in the U.S. and retaliatory responses from trade partners
- Capacity additions and pricing trends in China, especially in chemicals and agchem
- Raw material price volatility and its impact on margins
- Capex execution and new capacity ramp-ups in midcap names
- Domestic demand momentum post-monsoon, especially in agri and rural-linked segments
- Order intake trends across infrastructure, pharma packaging, and engineering verticals
- Based on the identified themes, the following are our **Top Conviction Ideas**:

Top Conviction Ideas – Chemicals & Midcaps

- **Pitti Engineering Ltd** - BUY | Target Price: Rs 1,350*
- **VA Tech Wabag Ltd** - BUY | Target Price: Rs 1,920*
- **Kirloskar Brothers Ltd** - BUY | Target Price: Rs 2,330*
- **Gravita India Ltd** - BUY | Target Price: Rs 2,600*

(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Midcaps

Stock
Reco.
TP*
Recommendation Rationale

Pitti Engineering Ltd
BUY
Rs. 1,350*

- **Volumes to be Driven by Improving Capacity Utilisation:** PEL reported a 17% YoY revenue increase despite relatively modest volume growth. For the quarter, capacity utilisation stood at 82% for machined hours, 70% for sheet metals, and 69% for casting, indicating substantial headroom for volume expansion. The company expects steady improvement in utilisation levels, supported by strong demand from key end markets, enabling it to achieve its targeted 10% volume growth for FY26 and revenue of Rs 2,000 Cr.
- **Improving Margins:** PEL delivered 30% YoY EBITDA growth during the quarter, with a 168 bps improvement in margins. Gains were driven by better operating leverage from increasing volumes and ongoing cost optimisation measures. Management expects further margin expansion, aided by synergies from business integration and higher utilisation levels, with a guided improvement of 75–100 bps by FY27.
- **New Capex to Fuel Volume Growth Beyond FY27:** The board has approved a capex of Rs 150 Cr to expand manufacturing capacities at PEL and its wholly owned subsidiaries, Pitti Industries Pvt. Ltd. and Dakshin Foundry Pvt. Ltd. The expansion, funded through internal accruals and debt, will be executed in phases over 18 months. With existing capacities nearing peak utilisation, this investment is aimed at meeting rising demand and supporting long-term growth opportunities.
- **Valuation & Recommendation:** We value the stock at 25x its FY27E EPS with target price to Rs 1,350/share. We believe that the current valuations appear attractive and have a **BUY** rating on the stock.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Midcaps

Stock

Reco.

TP*

Recommendation Rationale



VA Tech Wabag Ltd


BUY

Rs. 1,920*

- **Strong Revenue Growth Indicating Execution Abilities:** Wabag reported a 17% YoY revenue growth while maintaining EBITDA margins at around 13%. This performance, following a strong previous quarter, underscores the company's ability to effectively convert its order book into tangible revenue growth.
- **Order Wins Support Future Growth Plans:** The company recorded order inflows of ~Rs 2,600 Cr during the quarter, closing with a robust and well-diversified order book of around Rs 15,800 Cr (including framework agreements), representing more than four times its annual revenue. This includes the Yanbu 300 MLD Desalination Project in Saudi Arabia, which was previously cancelled, and the BWSSB DBO Project in Bengaluru.
- **Maintains Medium-Term Growth Outlook:** The company is well-positioned to capitalise on the increasing focus on water infrastructure in both domestic and key international markets. It has reiterated its medium-term guidance of delivering 15–20% revenue CAGR, supported by targeted EBITDA margins in the 13–15% range
- **Valuation & Recommendation:** We believe the order book remains healthy and have a positive long-term view on the stock. Accordingly, we continue to value the stock at 21x FY27E with a target price of Rs 1,920/share, recommending a **BUY** rating on the stock.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Midcaps

Stock	Reco.	TP*	Recommendation Rationale
 Kirloskar Brothers Ltd	BUY	Rs. 2,330*	<ul style="list-style-type: none"> • Strong Order Pipeline Maintaining Revenue Visibility: KBL reported a 5% YoY revenue degrowth for the quarter, with overseas business growing by a notable 43% YoY. This international growth was mainly driven by strong performance at SPP UK, while the US and Thailand businesses were impacted by order deferrals. Domestic revenues were impacted by a temporary slowdown in small pumps due to the early onset of the monsoon. KBL continues to hold a healthy order book of Rs 3,345 Cr (up from Rs 3,118 Cr in Q4FY25), providing clear revenue visibility going forward. • Operational Efficiencies and Product Mix to Aid Profitability: While the EBIDTA margins declined sequentially due to seasonality, the company witnessed improvement in EBITDA margins on a YoY basis (11.4% vs 10.8%), driven by a decline in raw material prices, coupled with cost optimisation initiatives. KBL continues to take efforts to improve operational efficiencies and initiatives, and remains optimistic about continued margin improvement. • Valuation & Recommendation: We value the stock at 25x Sep'27E EPS, with a target price of Rs 2,330/share. We expect the company to register a strong growth in the coming quarters, supported by a recovery in the international markets and potentially benefiting from proposed GST reforms in the domestic market. Accordingly, we recommend a BUY rating on the stock.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Midcaps

Stock	Reco.	TP*	Recommendation Rationale
 <p>Gravita India Ltd</p>	BUY	Rs. 2,600*	<ul style="list-style-type: none"> • Volume Growth in Lead and Aluminium: The company delivered a strong operational performance, with overall volumes rising 12% YoY and revenue increasing by 15% YoY. This was primarily led by a substantial 96% YoY jump in aluminium volumes and a 10% YoY increase in lead volumes. Value-added products contributed 47% of the revenue mix for the quarter. EBITDA (including hedging gains) stood at Rs 112 Cr, supported by a higher contribution from value-added products (~47% of total revenue). • Capacity Ramp-up is on Track: The current operational capacity of 3.4 Lc MTPA is set to increase by 1 Lc MTPA by year-end, with a roadmap to reach 7 Lc MTPA by FY28. The lithium-ion battery recycling pilot facility in Mundra is progressing well and is likely to become operational in Q2FY26. Similarly, the new rubber recycling plant in Mundra is on schedule and is expected to contribute from the end of FY26. The recently acquired rubber recycling unit in Romania is currently delivering an EBITDA of Rs 7–8 per kg, with expectations of improved performance in H2. • Growth to Accelerate from H2FY26: In line with its long-term growth roadmap, the company is targeting a 25% CAGR in volumes and a 35% CAGR in profitability, while maintaining ROIC above 25%. Management has guided similar volume growth for FY26, the majority (~15–16%) of which would be coming from existing capacities and the remaining (8–10%) expected from upcoming capacity additions. The contribution from new capacities is expected to pick up from Q3 onwards as new capacities start being commercialised. • Valuation & Recommendation: We continue to value the stock at 32x FY27E EPS, with a target price of Rs 2,600/share. Accordingly, we recommend a BUY rating on the stock.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas: FMCG

Suhanee Shome

Q1FY26 Review: Rural Strength, Price-led Growth

The FMCG sector delivered modest single-digit topline growth in Q1FY26, largely driven by price hikes and improving sentiment in select urban pockets. However, the standout has been the resilience of rural demand, which has stayed robust despite macro headwinds. Unseasonal rains weighed on summer-led categories like beverages and glucose. Nonetheless, management commentary across companies reflects optimism, with most anticipating volume recovery over the next 2–3 quarters, supported by easing inflation and improving macro indicators.

Urban markets, which contribute nearly 50–60% of FMCG sales, continue to face headwinds due to muted wage growth, higher EMIs, and stiff competition from emerging distribution formats like D2C and Q-commerce. Nevertheless, tax cuts, GST revisions on mass and aspirational goods, and an expected softening in interest rates are expected to revive demand in these regions.

At the same time, gross margins have been under pressure across the board due to elevated input prices, particularly in agri-commodities. This, coupled with subdued volumes, has kept EBITDA margins in check, warranting a cautious approach in the near term.

Outlook: Structural Growth Intact, Strong H2 Anticipated

Looking ahead, we maintain a constructive outlook for the FMCG sector. With rural inflation easing, higher MSPs, healthy monsoon projections, and increased government spending, we expect rural consumption to remain a key growth lever. Moreover, the upcoming quarters—particularly H2FY26—are expected to bring about a more broad-based volume recovery, fueled by seasonal tailwinds, improved consumer sentiment, and monetary policy support.

Importantly, the structural story of the Indian FMCG sector remains intact. Many categories remain under-penetrated, especially in Tier-II/III towns and rural areas, offering long-term expansion opportunities. In addition, the ongoing premiumisation trend is further expected to boost top line and profitability for companies catering to evolving consumer preferences.

Key Monitorables:

To navigate this evolving landscape, we recommend closely tracking the following:


- Urban demand recovery, especially in discretionary categories
- Gross margin and EBITDA margin trends, particularly as raw material costs fluctuate
- Competitive intensity, including pricing actions and innovation from incumbents and new-age D2C brands

Top Conviction Ideas:

- **Varun Beverages** - BUY | Target Price: Rs 590*
- **DOMS Industries** - BUY | Target Price: Rs 2,820*

(*Note: The Target price is based on our Q1FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.)

Top Conviction Ideas - FMCG

Stock	Reco.	TP*	Recommendation Rationale
 <p>Varun Beverages</p>	BUY	Rs 590*	<ul style="list-style-type: none"> ✓ VBL Outperforms Peers; Structural Growth Story Remains Resilient: VBL has consistently outpaced peers despite operating in a volatile environment; though unseasonal rains temporarily disrupted peak summer demand this quarter, its long-term structural growth drivers remain intact. ✓ Strategic Levers in Place to Sustain Growth Momentum: The company is expected to sustain its strong growth momentum, driven by key factors: 1) The strategic acquisition of BevCo, strengthening its presence in South Africa and DRC; 2) Expansion of its snacks portfolio beyond India, particularly in Zimbabwe and Zambia; 3) A continued push to increase distribution reach, especially in rural markets; 4) Commissioning of multiple greenfield and brownfield facilities, enhancing manufacturing capacity, expanding market reach, and optimizing transportation costs; and 5) Scaling up the high-margin Sting energy drink while expanding its value-added dairy, sports drinks (Gatorade), and juice segments. These strategic initiatives are set to drive long-term growth and profitability.

Note: The Target price is based on our Q1FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Top Conviction Ideas - FMCG

Stock
Reco.
TP*
Recommendation Rationale

DOMS Industries
BUY
Rs 2,820*

- ✓ **The company has been executing strategic initiatives over the past few years, which are expected to drive growth in the coming years. Key initiatives include:**
 - 1) Managing end-to-end operations to enhance efficiency while maintaining high-quality standards. The new 44-acre greenfield facility will further accelerate growth.
 - 2) Expanding beyond the small pencil segment into the larger pens category, broadening the product portfolio. Additionally, entering fast-growing segments such as bags, toys, and diapers will provide an incremental growth boost.
 - 3) Significant potential for distribution expansion, with DOMS currently reaching 1.45 Lc outlets. The company has scope to scale up to ~3-3.5 Lc outlets, particularly in the underpenetrated east and south markets and smaller towns in India.
 - 4) The strategic partnership with FILA, enabling DOMS to expand its global footprint while leveraging FILA's R&D capabilities, offering a long-term competitive edge.

Note: The Target price is based on our Q1FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.



Top Conviction Ideas: Retail

SUHANEE SHOME

Retail Sector: Q1FY26 Review

The retail sector reported a mixed set of numbers in Q1FY26, reflecting both resilience and select pressures. Discretionary demand trends were uneven, with the footwear mass and mid-market categories impacted by early monsoon, heightened competitive intensity from unorganised players, and global geopolitical factors. On the other hand, the Quick Service Restaurant (QSR) segment witnessed steady recovery, while value retailers like V-Mart and Avenue Supermarts delivered stronger performance, reiterating the strength of their business models. Premium and luxury formats continued to see healthy traction, though certain pockets of urban discretionary demand remain soft. Despite this challenging backdrop, most retailers in our coverage have stayed consistent with their expansion plans, aggressively targeting smaller towns. Furthermore, EBITDA margins expanded for most players, aided by operational efficiencies, backend optimisation, and strict cost control.

Retail Sector: Outlook

The medium to long-term outlook for Indian retail remains structurally strong. The sector stands to benefit significantly from rapid formalisation, as a majority of the retail market is still unorganised, creating immense opportunity in Tier-2 and Tier-3 towns. Smaller cities are witnessing faster adoption of branded products compared to metros, driven by rising aspirations, higher disposable incomes, and increasing brand penetration across apparel, footwear, and QSR segments. India's per-capita income at \$2,200 offers substantial headroom for discretionary spending, as any incremental income beyond essentials flows toward lifestyle and premium categories. Importantly, the recent GST rate reduction is poised to boost discretionary demand, acting as a near-term tailwind. Higher women's workforce participation is also accelerating growth in categories like women's wear. Collectively, these drivers reinforce the long-term retail growth story.

Key Monitorables

Investors should remain watchful of demand recovery trends, management commentary on margin guidance, inflationary trends, and the rising competitive intensity from both organised and unorganised players. These factors will be critical in assessing the sustainability of growth across sub-segments.

Against this backdrop, the following are our top conviction ideas:

Top Conviction Ideas – Retail

- **Trent** ; BUY; TP Rs 6,160*
- **Avenue Supermarts**; BUY; TP Rs 4,810*

(*Note: Target prices are based on our Q1FY26 Result Updates. We remain positive on the stocks' long-term prospects and recommend 'BUY on Dips.')

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
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Trent


BUY

Rs 6,160*

- ✓ **Strong Sales Growth Outlook:** We expect strong sales growth to continue in the coming quarters, supported by Trent's aggressive store expansion and ongoing assortment renewal, which should drive higher footfall. Additionally, improved earnings across all formats, reduced losses at Star Bazaar, and increasing traction at the Inditex JV are positive indicators for the company.
- ✓ **Strategic Initiatives Driving Growth:** In recent years, Trent has implemented its playbook for the Star business, focusing on private labels, which has proven beneficial and is expected to be a key growth driver. Further, its expansion into the UAE, the launch of Zudio Beauty, and its recent entry into the fast-growing LGD jewellery segment are likely to contribute to long-term growth.
- ✓ **Positive Long-Term View:** Given these factors, we remain positive on Trent from a mid- to long-term perspective.

Note: The Target price is based on our Q1FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
 <p>Avenue Supermarts</p>	BUY	Rs 4810*	<ul style="list-style-type: none"> ✓ Consistent Revenue 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 Q1FY26, D-Mart reported ~18% YoY revenue growth, driven by increased footfalls. ✓ Challenges and Strategic Interventions: D-Mart has been facing challenges from muted demand in the value segment, longer gestation for larger stores, and rising competition. However, strategic steps such as leadership changes to revive GM&A, calibrated expansion of D-Mart Ready, and a prudent ~15% store addition plan are expected to drive recovery. Supported by stable macros and a strong festive outlook in H2FY26, profitability in high-margin categories should improve.

Note: The Target price is based on our Q1FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'



Top Conviction Ideas: Automobile Industry

Shridhar Kallani
Research Analyst

Auto Sector - Q1FY26 Review

Q1FY26 Performance Snapshot - Mixed but Improving

Auto OEMs under our coverage posted a modestly better-than-expected Q1FY26 performance, with Revenue and EBITDA rising 7% and 1% YoY vs. our estimates of 4% and -3%. Growth was driven by strong volume gains in tractors (+9%) and 3Ws (+10%), while 2Ws declined 2% YoY, and PVs saw slight pressure. EBITDA margins compressed due to higher personnel, marketing, and overhead costs, despite a richer product mix and earlier price hikes. PAT grew 10% YoY, boosted by MTM forex gains in select OEMs.

Margin trends varied: Maruti, Eicher Motors, and Bajaj Auto faced margin pressures, whereas Ashok Leyland and TVS Motor outperformed. Auto ancillaries delivered robust results, with revenue and EBITDA up 13% and 14% YoY, led by 3W and tractor volume growth and product premiumization. Key contributors included Endurance Technologies, UNO Minda, SSWL, and Minda Corp, while CIE Automotive struggled due to product mix issues and European restructuring.

Sector Outlook: Structural Tailwinds Gaining Ground

Looking ahead, **we expect volume CAGR to realign with long-term industry trends.** The outlook for the sector is improving, underpinned by several demand and policy tailwinds:

Two-Wheelers (2W): While domestic demand remained subdued in Q1FY26 due to affordability issues, exports surged 23.2% YoY, indicating demand revival in LATAM, Africa, and ASEAN. FY26 is expected to see mid to high single-digit growth supported by premium launches, tax reliefs, and a potential GST cut (from 28% to 18%) in lower-engine capacity segments, which is expected around Sep-Oct'25.

Passenger Vehicles (PV): Though domestic volumes dipped slightly (-1.4% YoY), export volumes jumped 34.4%. The segment is poised for mid-single-digit growth in FY26E, led by a revival in entry-level demand, new model launches, and a possible GST rate cut.

Auto Sector - Q1FY26 Review

Commercial Vehicles (CV): Domestic volumes were flat YoY, largely due to a high base and cautious freight operators' post-elections. However, export growth of 23.4% YoY and long-term infrastructure spending offer a company-specific upside opportunity.

Tractors: Domestic growth (+9.2% YoY) was supported by low base and better monsoon coverage. FY26 is expected to deliver mid to high single-digit growth, aided by favourable rural indicators and government support.

On the margin front, while cost pressures exist due to rising input and personnel costs, we expect stable EBITDA margins in the near term, driven by product premiumization, richer mix (especially exports), and operational efficiencies.

Key Monitorables

- Rural demand recovery (especially for 2Ws and tractors)
- Export momentum in Africa, LATAM, ASEAN
- GST rate cut for select 2Ws and PVs – key for mass-market revival
- Commodity inflation and margin impact on ancillaries
- Inventory levels in the PV segment

Top Conviction Ideas:

Auto


- **Hero MotoCorp Ltd** – BUY | Target Price: Rs 5,220*
- **Bajaj Auto Ltd** – BUY | Target Price: Rs 9,360*
- **Ashok Leyland** – BUY | Target Price: Rs 135*

Auto Ancillaries

- **Sansera Engineering** – BUY | Target Price: Rs 1,500*


(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
 Hero Motocorp Ltd	BUY	Rs 5,220*	<ul style="list-style-type: none"> ✓ Market Share Recovery: Hero's VAHAN market share increased to 30.9% in Q1FY26, reaching an 11-quarter high with a 100 bps sequential gain. Recovery is being driven by strong traction in the Deluxe 100cc segment and renewed momentum in the 125cc scooter and motorcycle categories (Destini 125, Xoom 125, Xtreme 125). In the EV segment, market share doubled YoY to 7% in Q1FY26 and further rose to 10% in July, supported by the successful rollout of VIDA VX2. ✓ EBITDA Margin Improvement Despite EV Investments: Hero's ICE EBITDA margin improved to 16.8% in Q1FY26, driven by a stronger mix and cost efficiencies, while overall margins remained stable at 14.4% despite EV investments of ~Rs 189 Cr. The recent PLI certification for VIDA V2 Pro is expected to enhance EV profitability. Although margins may remain at the lower end of the 14–16% range in the near term, structural levers and incentive support position the company for medium-term improvement. ✓ Global Business: Hero MotoCorp's global business grew 27% YoY in Q1FY26, continuing the strong momentum seen in FY25. With a focus on 10–12 strategic markets, the company is introducing localised, premium-oriented products to drive market share gains. Hero targets scaling its global operations to contribute ~10% of overall revenue and volumes, positioning exports as a critical growth and diversification lever over the medium term.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
 Bajaj Auto Ltd	BUY	Rs 9,360*	<ul style="list-style-type: none"> ✓ International Market: Q1FY26 exports touched an all-time high (~\$500 Mn) in revenue terms despite volume still being ~20-25% below FY22 levels, highlighting pricing power and premium mix benefits. As per management, LATAM and Southeast Asia (apart from Nigeria, Africa) are in an upward cycle, and Brazil—a structurally tough market—is now showing clear traction (7,000 units). Dominar, Pulsar 400Z, and KTM export momentum is expected to sustain. Capacity expansion in Brazil is expected to unlock the next leg of volume growth (50,000 units per annum). Management guides for 15–20% QoQ export growth in FY26, supported by strong demand, market recovery, and product mix improvement. ✓ EVs Gaining Momentum: Bajaj's EV portfolio (Chetak and E-3Ws) is now at high single-digit EBITDA margins, a sharp reversal from red territory in FY24. Despite near-term HRE magnet-based supply chain headwinds, Bajaj is pursuing multiple mitigation strategies. The company has thus cemented the pole position at 31% in e-2W vehicles. Short-term supply bottlenecks are likely priced in, but structural cost leadership and product acceptance offer a high-ROI EV optionality. ✓ Bajaj Auto Credit Limited: A Silent Value Compounder: BACL delivered Rs 102 Cr PAT in Q1FY26, doubling FY25 annual PAT. AUM now stands at Rs 12,000 Cr and penetration at 40%. Bajaj has infused Rs 300 Cr this quarter to support aggressive but profitable growth. This captive NBFC flywheel is increasingly accretive to core RoE and valuations.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
<div data-bbox="50 521 560 714">  ASHOK LEYLAND </div> <div data-bbox="152 742 425 789"> Ashok Leyland </div>	BUY	Rs 135*	<ul style="list-style-type: none"> ✓ Product Innovation & New Launches – Strengthening Portfolio: The company introduced the Intelligent Vehicle Acceleration Control (I-VAC) system to boost fuel efficiency in AC trucks and plans multiple launches in FY26—including high-horsepower MHCV tippers and tractor trailers (280, 320, 360 HP), LNG-powered trucks, upgraded 13.5-meter buses, a new 15-meter bus with unique value propositions, and bi-fuel LCVs targeting metro demand. E-trucks on BOSS and AVTR platforms are gaining traction domestically and internationally, reinforcing Ashok Leyland’s technological edge. ✓ Defence & Power Solutions: Despite Q1FY26 defence revenue of Rs 120 Cr vs Rs 400 Cr last year, management remains bullish, backed by a Rs 1,000 Cr order book and Rs 2,000 Cr in tenders won. The power solutions segment posted a 28.5% YoY revenue increase, diversifying income streams and enhancing margin stability. ✓ Capacity Expansion & Dealer Network – Enabling Scale: Capacity expansion is targeted and demand-driven—the new Andhra Pradesh plant will ramp to 200 units/month by year-end, while the upcoming Lucknow bus plant (Q3FY26) and expanded Alwar and Trichy capacities will raise fully built bus production from 950 to 1,650 units/month. Dealer reach is widening rapidly, with 23 MHCV and 13 LCV touchpoints added in Q1, taking totals to 1,073 (MHCV) and 851 (LCV), with a goal of 2,000+ combined touchpoints by FY26-end.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
 <p>Sansera Engineering</p>	BUY	Rs 1,500*	<ul style="list-style-type: none"> ✓ Revenue Outlook: The company posted a modest 3% YoY revenue growth in Q1FY26, subdued due to multiple short-term headwinds in both domestic and export markets. However, its diversified portfolio—spanning geographies, segments, and customers—provides resilience and positions it well for acceleration in the coming quarters. Management's commentary indicates that most challenges, including US tariff uncertainties and temporary export softness, are transitory and a rebound is expected from FY27. Growth drivers include strong ADS traction, Sweden's sustained performance, new aluminium forging opportunities, agricultural and industrial demand tailwinds, and gradual stabilisation in xEV. ✓ Orderbook: Sansera's orderbook stands at Rs 2,024 Cr in peak annual revenue potential, which is well-diversified across ADS (24%), xEV (10%), tech-agnostic auto components (9%), ICE PV+CV (30%), and two-wheelers (15%). In Q1FY26, the company secured orders worth Rs 173 Cr, reinforcing its ability to win business despite challenging market conditions. Key wins included xEV orders from North American OEMs, order wins from a new American tractor OEM, and new business from Collins Aerospace. This robust order inflow not only enhances revenue visibility but also strengthens its foothold in premium, high-value segments that are expected to drive margin accretion over the medium term. ✓ EBITDA Margins: The 17.2% EBITDA margins achieved in Q1FY26 were supported by Sweden's scale-up (80% YoY revenue growth with a 4% gross margin expansion), Fitwell's 21% YoY growth with stable margins, improved raw material yields, and a richer ADS mix. Additionally, initiatives focused on optimising manpower and capacity utilisation are further contributing to performance. US tariff impacts have so far been passed through to most customers, limiting downside risk.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas: Real Estate & Building Materials

EESHA SHAH

Real Estate Sector: Q1FY26 Review

Q1FY26 Real Estate Review – Steady Demand with Festive Tailwinds Ahead

The Real Estate sector delivered a mixed set of Q1FY26 results, but underlying momentum remains intact. Our coverage universe reported pre-sales of Rs 17,072 Cr, up ~62%, led by Prestige and SignatureGlobal on the back of spillover launches and sustained demand. Oberoi Realty delivered stable performance with annuity build-up, while Arvind and MCL posted subdued pre-sales due to limited launches. Despite delays, management commentary across companies remains confident on meeting annual guidance, with festive demand expected to be a strong catalyst in H2FY26.

Prestige has already achieved ~41% of its full-year booking target, with its robust launch pipeline well aligned to exceed guidance. Collections across the board improved QoQ, signalling healthy cash flows even in a softer quarter. In the annuity business, Oberoi and Prestige maintained high occupancy levels across offices and retail, with rentals continuing to provide long-term stability.

Q1FY26 Building Materials Review

The Building Materials sector, meanwhile, reported gradual growth, setting the stage for a stronger FY26. Pipes and plumbing drove volumes, MDF benefited from BIS implementation, and faucetware outperformed sanitaryware. While subdued demand persisted in Q1, the festive season and anticipated recovery in home renovation activity are expected to drive a sharp pick-up. Astral and Cera are well-placed for margin recovery, aided by stable polymer prices and demand revival. The government's GST 2.0 framework and expected policy support further reinforce the medium-term outlook.

Outlook – Growth Levers Intact, Demand Drivers Strengthening

We maintain a constructive stance on both Real Estate and Building Materials. In Real Estate, demand in the premium and luxury residential segment continues to show resilience, supported by rising disposable incomes, urbanisation, and preference for nuclear homes. Upcoming rate cuts and government-led consumption measures are expected to provide additional support. Commercial real estate, too, remains buoyant, with REIT ecosystems, GCC/IT demand, and limited Grade A supply offering structural tailwinds.

Real Estate Sector - Q1FY26 Review

In Building Materials, the sector is entering a strong demand phase with festive spending, government expenditure, and real estate completions acting as triggers. Margins are expected to improve as raw material costs stabilise. Long-term demand remains supported by higher disposable incomes, renovation-led consumption, and the government's push for housing and urban development. With balance sheets strengthening and execution capabilities improving, companies across both sectors are positioned to deliver consistent growth.

Key Monitorables – Critical Triggers Ahead

For Real Estate, the key monitorables include the timing and extent of rate cuts, the pace of new launches in H2, absorption patterns in premium and mid-income housing, and the trajectory of price realisations. In Building Materials, GST 2.0 implementation, polymer price movements, festive-led demand recovery, and government expenditure will be pivotal in shaping performance. Both sectors stand to benefit from policy stability and a favourable macro backdrop, creating an opportune environment for investors.


Top Conviction Ideas – Strong Buys across Real Estate & Building Materials

We recommend clients position their portfolios in line with our top conviction ideas that capture both cyclical recovery and structural growth. Our preferred picks are:

- **Prestige Estates Projects Ltd** – BUY; TP Rs 2,000*
- **SignatureGlobal India Ltd** – BUY; TP Rs 1,470*
- **Cera Sanitaryware Ltd** – BUY; TP Rs 8,500*
- **Greenply Industries Ltd** – BUY; TP Rs 385*

(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
 <p>Prestige Estates Projects Ltd</p>	BUY	Rs. 2,000*	<ul style="list-style-type: none"> ✓ Strongest Ever Quarterly Performance: Prestige reported pre-sales of Rs 12,126 Cr for the quarter, marking a 300% YoY growth. Collections stood at Rs 4,523 Cr, in line with expectations and management guidance. The company launched 14.94 Mn sq. ft. across four projects in Q1FY26, including its maiden NCR launch with ~Rs 9,500 Cr in GDV. The total GDV of launched projects stood at ~Rs 13,600 Cr. NCR contributed ~Rs 7,162 Cr or 59% of pre-sales, primarily driven by The Prestige City Indirapuram, while Bengaluru and Mumbai contributed ~20% and 12%, respectively. The company has guided for a launch pipeline of GDV Rs 43,000 Cr and pre-sales of Rs 27,000 Cr for FY26. Q2FY26 is expected to see launches with a GDV of ~Rs 12,000 Cr, driven by Evergreen at Raintree Park, Phase 3 of The Prestige City Indirapuram, Prestige Highland Park, and plotted developments from Greenbrooks, Crystal, and Autumn Leaves. This indicates that Prestige is back on track with its growth trajectory and has largely resolved the earlier issues affecting its launch timelines. ✓ Annuity Gains Positive Traction: The company reported a healthy occupancy level of ~94% for its office segment across 1.21 Mn sq. ft. and a strong 99% for its retail portfolio, generating GTO of Rs 590 Cr. EBITDA margins stood at 76%, resulting in an EBITDA of Rs 1,769 Cr from the annuity segment for Q1FY26. Exit rentals for the commercial and retail portfolios stood at Rs 523 Cr and Rs 271 Cr, respectively. The upcoming pipeline comprises 14 Mn sq. ft. of commercial and 10 Mn sq. ft. of retail space. Annuity capex rose to ~Rs 15,000 Cr, up from ~Rs 13,500 Cr earlier. Prestige expects exit rentals to increase from the current Rs 1,091 Cr to ~Rs 4,900 Cr by FY30E. ✓ Resilient Cashflows Leading to Healthy BD: The company added projects worth ~Rs 20,400 Cr in GDV across 7 projects during the quarter, predominantly in southern India, with one commercial project in the MMR region. It has budgeted Rs 7,500–8,000 Cr of operating cashflows for FY26, of which ~Rs 4,000 Cr is earmarked for BD and the remaining for capex. Free cash flows from residential (ongoing and upcoming) projects, net of spends, stand at ~Rs 50,000 Cr, while the balance capex required for annuity assets is ~Rs 15,000 Cr. This implies significant headroom for further BD and acquisitions. The company aims to replenish the year's sales through BD. Net debt stands at Rs 6,830 Cr, with a net debt-to-equity ratio of 0.42x. Debt is expected to rise by Rs 1,200 Cr going forward.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Real Estate

Stock
Reco.
TP*
Recommendation Rationale


**SignatureGlobal India
Ltd**


BUY

Rs. 1,470*

- ✓ **Pre-sales for the Year Remain Intact:** Signature Global clocked pre-sales of Rs 2,640 Cr for the quarter, down 15% YoY. This decline was primarily driven by delayed launches, which were caused by approval delays and are expected to continue into H2FY26. The company is positioned to achieve its FY26 target of pre-sales of Rs 12,500 Cr, having already achieved 21% of the target. The collections stood at Rs 930 Cr. The average ticket size per unit was ~Rs 3.4 Cr, mainly driven by the launch of premium projects. This quarter, the company launched 2 Mn sq. ft. with a GDV of Rs 3,900 Cr. Flagship launch was Cloverdale in Sector 71, phase 2 of its Titanium project. The pricing of Cloverdale was about 12.5% higher than Titanium, which was launched a year prior, indicating strong market demand and price appreciation.
- ✓ **Strong Upcoming Launches and Execution:** For FY26, the company has planned 2 major launches, 3-3.5 Mn sq. ft. in Sector 37D and 4 Mn sq. ft. in Sector 71, with approvals at an advanced stage and expected by Oct/Nov'25. The company has strategically engaged Grade A contractors like Ahluwalia Contracts (For DXP), Arabian Construction Company (for twin tower DXP) and Capacite (for Titanium SPR) to enhance construction pace. It has delivered over 15 Mn sq. ft. of projects to date. In addition, over 9 Mn sq. ft. of projects, primarily mid-income homes, are in advanced stages of completion, with rapid delivery targeted in the current and upcoming fiscal years.
- ✓ **Business Development and Cashflows:** Signature Global's collections stood at Rs 930 Cr for the quarter, down by 23% YoY. The company has anticipated a significant improvement in collections for H2FY26. It continues to expand its land bank, having acquired 10 acres near the Daxin project in the Sohna corridor. Signature's portfolio includes 24+ Mn sq. ft. of land stage inventory, holding a substantial GDV potential of over Rs 40,000 Cr, intended for launch over the next 2-3 years. A key aspect of its strategy is operating on owned land, which constitutes comfortably less than 10% of the share of land owners across its portfolio, ensuring a higher internal cash surplus. Future expansion possibilities include a potential 100-acre Phase 2 development for its project in Sona, although such acquisitions are time consuming. In Sector 71, 70 acres out of the initial 93 acres remain unutilized, with potential to add another 3-4 Mn sq. ft. of developable area beyond the existing land bank.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Building Materials

Stock	Reco.	TP*	Recommendation Rationale
 <p>Cera Sanitaryware Ltd</p>	BUY	Rs. 8,500*	<ul style="list-style-type: none"> ✓ Project Business and Faucetware Driving Growth: Cera's sanitaryware segment showed subdued demand, whereas its faucetware business reported a 14% YoY growth. The overall topline contribution for sanitaryware and faucetware was 50%/39%, respectively. The Project business contributed to 38% of the topline vs 36% in the previous year. Furthermore, it is projected to see a 32% growth, supported by overall macro trends. Wellness/Tiles reported a 15%/5% growth YoY. For its Projects business, the company is seeing higher alignment towards its faucetware division. Cera has maintained its guidance of outperforming the industry by 6-7% with retail markets showing signs of recovery, better liquidity and good project business. The company has not affirmed its Rs 2,700 Cr by FY27 projection and hopes for a higher single-digit to lower double-digit growth for the H2FY26. ✓ New Brands – Senator and Polipluz Introduced: The company's premium brand, The Senator, has a portfolio of 8 sanitaryware and 9 faucetware collections, and a newly introduced wellness line comprising whirlpools, steam cabins and high-end showers. Having onboarded 23 channel partners, Cera has a roadmap to operationalise 45-50 outlets by FY26 end. Its new value brand – 'Polipluz' is focused on the aspirational needs of the Tier 3, Tier 4 and rural markets. It is focusing on PTMT and brass products, which are long-lasting but comfortable on pricing points. This is more aligned towards a replacement market, which is currently dominated by unorganised players. This segment will be affordable yet margin accretive, with margins higher than blended company margins. For its Polipluz brand, it has guided for a Rs 25-30 Cr topline target for FY26 and a 5-7% contribution of topline at the end of three years. ✓ Balanced Growth Strategy and Margin Focus: The company is adopting a lower volume but higher pricing strategy going forward to capitalise on the premiumisation trends. It aims to maintain its margin guidance of 15-17% for the next 2-3 years. Its premium as well as newly introduced mass market segment is margin accretive. It is also cautious about its Capex spending for the greenfield expansion. It is awaiting a revival in overall retail demand to start construction. For FY26, it has guided Capex of Rs 23 Cr, which includes maintenance, brand building, and expansion of retail. A budget of Rs 60 Cr is allocated for marketing expenses, with Rs 12 Cr aimed at marketing Senator and Lux. Staff costs have increased, leading to a net 6.5% increase in employee costs, with Rs 13-15 Cr attributed to Senator and Polipluz brands. Net working capital has improved sequentially by 5 days to 75 days from 66 days in Q1FY25.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Building Materials

Stock	Reco.	TP*	Recommendation Rationale
 Greenply Industries Ltd	BUY	Rs. 385*	<ul style="list-style-type: none"> ✓ Showing early signs of demand recovery: Greenply's Apr'25 and May'25 aligned with its expectation, with the third month being a laggard. The company is seeing further recovery in Jul'25 and expects a better quarter going forward. This quarter, the plywood segment experienced a 3% decline in volumes, even as realisations rose 4% YoY. For its MDF business, Greenply saw a stronger trend, with 8% growth in volumes and 3% in realisations YoY. The shift towards a higher MDF-centric portfolio is playing into its favour. It remains optimistic for the latter part of the year and reiterates its growth guidance of double-digit and EBITDAM 16%+ for MDF in FY26. ✓ BIS implementation: The company is seeing active actions post the BIS implementation. The government is taking a lot of actions in a positive direction to maintain its standards. Raids are being conducted in the market and factories, and a BIS on furniture is expected by Feb'26. The import inventory has also died down, although there is still competition for pricing from the unorganised players. This, combined with the softening of timber prices, will act as a tailwind for its plywood business. However, the management is waiting another quarter before reaffirming its double-digit volume growth guidance in the segment. ✓ Building Capacity; PVC Door Profiles and MDF Focus: MDF reported an 11% YoY growth with revenue of Rs 147 Cr and EBITDAM of 16.4%, in line with the guidance. The company is on track to complete its brownfield expansion of capacity from 800 to 1,000 CBM per day. The company is not planning any capex for another line, and plans to build the existing line with a very small capex to produce 25% more output by expanding the press. Total capex for the Odisha plant will be in the range of ~Rs 30 Cr. It will add new PVC doors capacity; currently, the business is Rs 65 Cr with scalability to Rs 200-250 Cr in the next 2-3 years and overall capex of Rs 100-140Cr.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas
IT Services & Telecom

Kuber Chauhan
Abhishek Bhalotia

IT Sector Q1FY26 Review: Balancing Caution with Strategic Agility

The IT sector delivered a mixed performance in Q1FY26. Large-cap companies like Infosys led in deal wins, while Tech Mahindra reported a sharp 33.9% YoY profit surge despite muted revenue growth. Mid-tier firms such as Persistent Systems and Coforge outperformed with stronger sequential growth and better deal conversion, aided by their agility and focused sector strategies.

Margins remained under pressure across the board due to rising costs and cautious client spending. However, mid-tier players demonstrated greater resilience through AI-led efficiencies. Sector-wise, demand stayed stable in BFSI and Hi-Tech, while Retail and Healthcare remained sluggish. Geographically, Europe showed stronger momentum, whereas North America continued to underperform.

Discretionary IT spending is expected to improve gradually in H2FY26. Companies are focusing on vendor consolidation, cost optimisation, and enhancing utilisation as deal ramp-ups take shape. Despite some lingering softness due to hiring constraints, the long-term outlook remains positive, driven by strong interest in GenAI, cloud, and data analytics.

Strategic investments and adaptive delivery models are expected to unlock sustained value despite ongoing macroeconomic uncertainties.

Key Monitorables:

Global macroeconomic trends

Automation and tech adoption rates

Telecom Sector Q1FY26 Review: Shifting Gears from Expansion to Monetisation

The Telecom sector maintained robust momentum in Q1FY26, with Airtel and Jio reporting impressive revenue growth of 28% and 19% YoY, respectively. This growth was underpinned by rising Average Revenue Per User (ARPU)—Airtel touched Rs 250—and accelerating 5G adoption, with Jio surpassing 200 Mn 5G subscribers.

Both operators are transitioning from capital-intensive network buildouts to monetising their 5G infrastructure. Key focus areas include enterprise services, digital content, and broadband expansion. Cost discipline and digital innovation continue to enhance profitability and support healthier cash flows.

FY26 is poised to be a pivotal year for 5G monetisation, with expected revenue growth of 10–12%, supported by tariff hikes, ARPU improvement, and growing enterprise uptake. Key monetisation drivers include Fixed Wireless Access (FWA), premium service plans, and enterprise cloud offerings.

As subscriber additions extend deeper into rural and underpenetrated markets, both Airtel and Jio are expected to benefit from a more profitable user mix. Slowing capex will unlock stronger free cash flows and aid deleveraging, further strengthening balance sheets. Meanwhile, Vodafone Idea's lagging 5G rollout reduces competitive pressure, offering an additional growth cushion for incumbents.

Key Monitorables – Telecom Sector

ARPU enhancement and tariff conversion trends

Market share evolution and subscriber base expansion

Top Conviction Ideas

IT


- **Tech Mahindra Ltd** – BUY | Target Price: Rs 1,775*
- **Persistent Systems Ltd** – BUY | Target Price: Rs 6,240*
- **Coforge Ltd** – BUY | Target Price: Rs 1,870*

Telecom

- **Bharti Airtel** – BUY | Target Price: Rs 2,300*


(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Sector Ideas: IT services

Stock	Reco.	TP/CMP*	Recommendation Rationale
<div data-bbox="84 639 496 788">  </div> <p>Tech Mahindra Ltd.</p>	BUY	Rs 1,775*	<ul style="list-style-type: none"> ✓ Tech Mahindra has witnessed consecutive growth on a sequential basis, driven by robust deal wins, cost optimisation initiatives, and strategic investments in GenAI capabilities. The company reported in-line Q1FY26 results, with revenue of Rs 13,351 Cr and EBIT margins of 11.1%, reflecting early gains from operational efficiencies and offshore leverage. Net profit rose 30% YoY, supported by improved profitability and higher other income. ✓ The Total Contract Value (TCV) of \$809 Mn, marking a 51% YoY increase, led by broad-based deal wins across communications, BFSI, and high-tech verticals. Large deals now constitute a greater share of TCV, indicating improved client confidence and wallet share. The company has added 15 new “must-have” accounts (mostly Global 2000/Fortune 500), further strengthening its client portfolio. ✓ From a long-term perspective, Tech Mahindra seems to be effectively addressing client-specific engagement issues across various verticals, while maintaining a robust deal pipeline. We believe that the new strategy will facilitate a faster recovery, thereby boosting confidence in near-term growth. ✓ Management remains optimistic about scaling profitability and achieving 15% EBIT margin by FY27, reaffirming its medium-term commitment. While Q1 saw muted fresher hiring amid subdued demand, the company is prioritising bench utilisation, which should support margin expansion. The outlook for H2FY26 remains strong, with deal conversion expected to pick up and sectoral recovery in sight. The company’s strategic pivot to AI, disciplined cost execution, and expanding deal pipeline provide high conviction in its recovery and growth potential.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Sector Ideas: IT services

Stock	Reco.	TP/CMP*	Recommendation Rationale
 Persistent Systems Ltd	BUY	Rs 6,240*	<ul style="list-style-type: none"> ✓ Persistent booked healthy order wins, the Total Contract Value (TCV) stood at \$521 Mn, with new bookings at \$337 Mn. Annual Contract Value (ACV) stood at \$385 Mn, with new bookings contributing \$212 Mn, consisting of a diversified mix of large and mid-sized deals, majorly in the HLS and BFSI segments. Further, the increasing share of new wins (across existing and new customers) in total TCV and ACV is expected to remain positive, resulting in revenue visibility in the long run. ✓ On the segmental front, growth led by BFSI (30.7%), followed by Software, Hi-Tech, and Emerging Industries (14.1%), and Healthcare Life Sciences (12.4%). Healthcare Life Sciences saw a 2.1% QoQ decline due to a planned transition of effort from onsite to offshore for larger customers. The management is focusing on new areas within healthcare services and BFSI, with plans to deepen capabilities in these verticals before shifting focus to others. ✓ Persistent is pursuing an AI-led, platform-driven strategy focused on "AI for Technology" (enhancing engineering productivity) and "AI for Business" (AI adoption and agentic AI development). The company launched SASVA 3.0, an AI-powered digital engineering platform that has delivered notable productivity improvements and was built using SASVA itself. ✓ Even though the valuation remains expensive, its distinctive value proposition and ability to conclude important strategic deals amid an uncertain environment provide confidence in its execution capabilities. We believe that the company remains on track to meet its long-term guidance and expect a CAGR of 20%/21%/20% for Revenue/EBIT/PAT over FY24–27.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Sector Ideas: IT services

Stock	Reco.	TP/CMP*	Recommendation Rationale
 Coforge Ltd.	BUY	Rs 1,870*	<ul style="list-style-type: none"> ✓ In Q1FY26, 50% of revenue came from America, followed by 38.7% from EMEA, while other geographies contributed 11.4%. The top 5 clients reported growth of 25.1% QoQ and 50.8% YoY, contributing 20.8% to revenue. The top 10 clients grew 15.7% QoQ and 36.8% YoY, contributing 29.4% to overall revenue. ✓ Capex was \$65 Mn, with \$58 Mn allocated to an AI data centre project. Over the last two quarters, ~\$85 Mn was invested in this data centre, with \$62 Mn received as a client advance and \$23 Mn funded by a term loan. The Capex is expected to taper down to original levels (2-3% of revenue) in FY26. In terms of deals, the company signed five large deals during the quarter. The executable order book for the next 12 months stood at \$1.6 Bn, up 47% YoY, which indicates strong revenue visibility. Coforge aims to close at least 20 large deals in FY26. Therefore, management remains committed to setting new performance and capability benchmarks through such initiatives. ✓ To expand its service and product offerings and gain access to a wider customer base and geographies, in FY25, Coforge announced a strategic merger with Cigniti Technologies. This merger is expected to enhance end-to-end IT delivery by integrating world-class QA/testing capabilities, thereby positioning the combined entity as a full-service digital transformation provider. The acquisition of Cigniti is anticipated to drive long-term revenue growth in the range of 10–12%. ✓ Coforge is well-positioned for growth, given its multiple long-term contracts with leading global brands. The company maintains a positive outlook, expecting recent deal wins to drive revenue growth. The management remains committed to setting new benchmarks in the evolving industry landscape.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Sector Ideas: Telecom

Stock	Reco.	TP/CMP*	Recommendation Rationale
 Bharti Airtel Ltd.	BUY	Rs 2,300*	<ul style="list-style-type: none"> ✓ Bharti Airtel Ltd. reported revenue of Rs 49,463 Cr, up 3.3% QoQ and 28.5% YoY, in line with our expectations. This growth was led by a strong momentum in the mobile segment (aided by premiumization). Home services saw healthy growth in subscriber addition. It reported Net Income of Rs 7,422 Cr, up 57% YoY and 40% QoQ, due to tax reversal benefits in the last quarter. ARPU (Mobile Service) for the quarter stood at Rs 250 (+18.5% YoY; 2% QoQ). Capex for the quarter stood at Rs 8,307 Cr. Constant currency revenue growth remains strong at ~7% QoQ. Africa accounts for 24% of the revenues. ✓ Bharti Airtel has 152 Mn 5G customers. 5G shipments now account for 86% of total smartphone shipments at the industry level, and its 5G sites handle 36% of total network traffic. Smartphone data customer base stood at 280 Mn, increased by 3.9 Mn QoQ and 21.3 Mn YoY. ✓ The company expects higher cash flows led by the deleveraging of the balance sheet and the moderate capex. Through these cash flows, Bharti Airtel intends to increase its dividends and investment towards B2B areas, data centres and M&A opportunities in growth verticals. ✓ From a long-term perspective, Bharti Airtel remains well-positioned for sustainable growth, backed by its strong digital services portfolio, disciplined capital management, and focus on high-value customer segments. The company expects gradual ARPU improvement, 4G/5G expansion, and B2B growth to drive long-term profitability. We remain optimistic about the company's future growth.

* Note: Target Price is based on our Q1FY26 Result Update Report



Top Conviction Ideas: Power & Utilities

Aditya Welekar

Q1FY26 Review – A Muted Quarter Led by Seasonal Weakness

The Power & Utilities sector experienced a largely subdued Q1FY26 due to the early onset of the monsoon and a less intense summer, both of which led to a 3% YoY decline in peak electricity demand. Consequently, gross power generation and spot power prices on the IEX also saw notable declines.

Key players like NTPC reported a 3% YoY decline in net sales, with EBITDA and margins under pressure due to lower generation. However, NTPC's PAT grew 11% YoY and beat estimates by 13%, indicating underlying operational resilience. Similarly, NLC India benefitted from a deferred tax liability reversal and posted a strong PAT growth of 48% YoY, while core performance was slightly muted.

In contrast, JSW Energy delivered a robust performance, driven by the O2 Power and KSK Mahanadi acquisitions, with PAT up 56% YoY and a significant expansion in EBITDA margins. Among the wind and transmission segments, Inox Wind, Skipper, and Genus Power showed promising execution trends and margin improvements, despite seasonal execution challenges.

Outlook – Tailwinds in Place for Long-term Growth

Despite a tepid quarter, the long-term growth outlook for the Power & Utilities sector remains highly compelling, driven by rising energy demand and aggressive capacity expansion plans. The Central Electricity Authority (CEA) projects that peak demand will increase from 243 GW in Q1FY26 to 366 GW by FY32, necessitating substantial additions in both thermal and renewable capacity. India aims to raise its installed capacity to 900 GW by FY32, up from the current 490 GW, with significant expansion expected across solar, wind, and hybrid (FDRE) projects. On the thermal power front, 80 GW of new capacity is planned by FY32 to meet base load requirements. Renewable energy continues to gain traction, with capacity rising from 177 GW in Mar'25 to 193 GW in Jul'25, led primarily by solar installations; wind capacity alone increased by 1,673 MW in Q1FY26. Additionally, the ambitious targets under the Revamped Distribution Sector Scheme (RDSS) for smart meter installations and grid upgrades position transmission and smart infrastructure players for significant growth over the coming years.

Key Monitorables:

As we look ahead, several key factors will determine the pace and profitability of the sector's transition:

- **On-ground Execution:** Accelerating implementation timelines for capacity addition and resolving transmission bottlenecks remain crucial.
- **Renewable Tendering:** Continued momentum in RE and FDRE tendering will be essential to meet FY27 and FY32 targets.
- **Grid Expansion:** Strengthening of the transmission ecosystem, including the timely addition of lines and substations, is necessary to support new RE projects.
- **Smart Meter Penetration:** Timely rollout of smart meters under RDSS will drive digitalisation and efficiency gains in power distribution.


In this backdrop, the following are our Top Conviction Investment Ideas

Top Conviction Investment Ideas - Power & Utilities

- **NTPC Ltd** – BUY | Target Price: Rs 400*
- **JSW Energy Ltd** – BUY | Target Price: Rs 705*
- **Skipper Ltd** – BUY | Target Price: Rs 570*


(*Note: Target Prices are based on our Q1FY26 Result Update Reports)

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
 NTPC Ltd	BUY	Rs 400*	<ul style="list-style-type: none"> ✓ Total Capacity Addition: NTPC group's installed capacity grew by 2,716 MW to 82,646 MW in Q1FY26, led by 1,320 MW of thermal capacity addition, 996 MW of solar capacity addition, 150 MW of wind capacity and 250 MW of Hydro PSP additions. The thermal capacity additions include 660 MW of the North Karanpura project and 660 MW of the Barh-1 project. For FY26, the company targets 3.6 GW of thermal capacity addition and 6.5 GW of RE capacity addition. ✓ Underconstruction and Pipeline Capacity: As of 30th June, 2025, the company's under construction capacity stood at 30,853 MW vs 33,750 MW in Q4FY25. The under-construction portfolio includes 15,580 MW of thermal capacity, 13,268 MW of RE capacity, and 2,005 MW of Hydro capacity. ✓ Thermal Capacity: The company targets to add 26 GW over the existing 62 GW, taking the total thermal capacity to 88 GW in the next 5 years. ~17 GW of projects are under construction, and the balance 7.2 will be awarded in FY26. Its focus is on trying to add capacity in brownfield pit head plants. ✓ RE Capacity: The company targets to increase its RE capacity to 60 GW by 2032 (from its current capacity of 8 GW). It has 24 GW of visible RE pipeline with 14 GW under construction as of 30th June, 2025. In the initial phase, 20 GW of capacity will be added in 3 years and balanced in the next 2 years. NTPC plans to add 6 GW of RE capacity in FY26, of which 1.4 GW is added by Q1FY26. For the current year's RE capacity additions, 100% land connectivity is in place, and 86% PPA is tied up. For FY27, out of the planned 8,196 MW, 80% of PPAs are tied up, with 100% of the land and 82% of connectivity secured. For FY28, out of the targeted 8 GW, 93% of the land is secured, 76% connectivity is in place, and 60% of PPAs are tied up.


* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
 JSW Energy Ltd.	BUY	Rs 705*	<ul style="list-style-type: none"> ✓ Improved Power Generation: During Q1FY26, the company's installed capacity increased from 10.9 GW in Q4FY25 to 12.8 GW. The 1.9 GW of capacity additions was mainly led by 1.3 GW of acquired O2 portfolio and 550 MW of organic RE capacity additions (including 450 MW of O2 portfolio, which was commercialised by the company post acquisition). Further, KSK Mahanadi, which was operationalised in Mar'25, was fully operational for Q1FY26. Led by the capacity additions, its power generation stood at 13,494 MUs, up 71% YoY and QoQ. ✓ Capacity additions: The company added 550 MW of organic renewable energy capacity in Q1FY26. For FY26, it targets to add 3-4 GW of organic capacity, and it is well on track to achieve the target. It has a total locked-in capacity of 30 GW and is well placed to achieve the target of 30 GW installed capacity by 2030. JSW currently has 12,983 MW of capacity under construction, of which 11,383 MW is renewable projects with an expected commissioning period of 3 years. ✓ Strategic investments in Equipment Manufacturing: The company is in the process of establishing a battery assembly plant in Pune with a rated capacity of 5 GW per annum. This plant would require an initial capex outlay of Rs 165 to 180 Cr. Further, JSW is also investing capital in wind blade manufacturing facilities located in western and southern India. The investments in equipment manufacturing are expected to yield cost efficiencies due to proximity to power plants. ✓ Reduced Reliance on Merchant Markets: In line with the company's target to stabilise its earnings, it has tied up the open capacity of the import-coal-based Vijayanagar plant, thereby reducing its exposure to the merchant market for imported coal-based generation. Its open thermal capacity has come down to 974 MW from 1,400 MW in Q4FY25. Further, of this 974 MW, 90% are domestic coal-based plants and thus, reducing its exposure to global coal price volatility.

* Note: Target Price is based on our Q1FY26 Result Update Report

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
 Skipper Limited	BUY	Rs 570*	<ul style="list-style-type: none"> ✓ Strong Order Book: Skipper received new orders worth Rs 1,977 Cr in Q1FY26, which included three 756V transmission line projects from PGCIL in the states of Rajasthan and Andhra Pradesh. As of Jun'25, the order book stood at its highest ever at Rs 8,520 Cr. The order book comprises 76% domestic T&D orders, 14% non-T&D orders (including Telecom, Railways, Solar, Water EPC, and other Steel Structural items), and 10% export orders. All export orders pertain to T&D. The company currently has a strong bid pipeline of more than Rs 30,000 Cr (20-25% historical order conversion success rate). The management expects the company to receive order inflows of Rs 6,500-7,000 Cr from its order book based on its historical success rate. ✓ Capacity Expansion to Capitalise on the Strong Tailwinds: The company had achieved a close to full capacity utilisation in FY25, and capacity expansion remains critical. In Q1FY26, it has installed and operationalised its 1st plan of 75 kt, in line with the guidance, and reached a capacity of 375 kt. This plant is expected to reach optimum capacity utilisation by Q2FY26. The 2nd 75 kt capacity is also expected to go online by the end of FY26. Further, it has now target to increase its capacity to 600 kt by FY28 with a mix of brownfield and greenfield expansion. ✓ Export Opportunities: Exports stood at 10% of the company's order book as of Jun'25. In Q1FY26, 30% of the engineering revenue and 20% of total revenue were from exports. It has secured a tower testing and design order of Rs 25 Cr from the Middle-East's largest Utility–Saudi Electricity Company. It is also participating in a wide range of high-value tenders across African, Middle-Eastern and Latin American Markets. The company targets to double its export order inflow in FY26 to Rs 1,500 to 1,600 Cr (from Rs 700 to 800 Cr in FY25). The capacity expansion will also allow Skipper to target fast-track export orders with short-term demand cycles. Further, due to its strong backwards integration, it is also able to compete with Chinese companies.

* Note: Target Price is based on our Q1FY26 Result Update Report

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