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Diwali Picks 2026



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Hi,

Happy Diwali

Samvat 2082 will go down as one of the most volatile years in the recent past with Nifty testing 22300 support for two times in the past 6 months. The past 12 months have been marked by extreme geopolitical uncertainty including US Iran and Russia Ukraine wars and tariff related issues. Indian economy continues to retain its status of fastest growing large economy with rising domestic industrial base and focus on emerging segments of defense, semiconductors, data centers, renewables etc. The year also had 13% deficient rainfall and a sharp spike in inflation and interest rates in an environment of high and volatile crude prices. Despite global headwinds, domestic demand has been resilient so far, given the lagged impact of GST cuts and corrective measures taken by GOI from time to time. The market is currently showing signs of a revival as recent US mid- term election results will likely result in reduction in geopolitical uncertainty and relatively stable world order.

We would watch out for demand trends in coming quarters given deficient monsoon and rising inflation and interest rates. We expect some slippage on fiscal deficit given significant absorption of high crude and fertilizer costs by GOI. FII flows and improved geopolitical order will be key factors to watch out for in the coming year.

Large Cap Picks

Bharat Electronics, Britannia Industries, ICICI Bank and Shriram Finance

Mid & Small Cap Picks

Blue Star, CESC, Delhivery and Ingersoll-Rand (India)

Model Portfolio Performance

	Model Portfolio Return	Nifty Returns	Outperformance
Since Nov'18	155.2%	128.0%	27.3%
Since Last Report – 09-Oct-26	7.9%	9.0%	-1.0%
Since Apr'25	10.2%	7.5%	2.7%

Large Cap Picks

Bharat Electronics (BHE IN) | CMP: INR395 | TP: INR490 | MCap: INR2,888.1bn

Bharat Electronics (BEL) has a strong order book of INR687.2bn (2.3x TTM sales), providing healthy execution visibility. Key programs, including Electronic Fuses, LCA MK1A, LR-SAM, BMP-2 upgrades, Ashwini Radar and EW Suites for Mi-17, account for ~INR176bn. The ~INR200bn NGC opportunity is expected to translate into staggered orders from GSL and GRSE, largely by FY27-end. QRSAM orders (INR300bn) are expected shortly, with BEL well positioned to retaining its role given its decade-long development experience. Other prospects, including Shatrughat, Samaghat and HAMMER, along with P-75I (potentially deferred to FY28), provide further order pipeline visibility. BEL and L&T have formed a 50:50 consortium for AMCA, with technical evaluation expected over the next 2-3 months and the price bid potentially opening before FY27-end, providing additional optionality. Traction in drones and counter-drone systems is increasing, with larger orders expected over the next 1-2 years. Missile electronics, seekers, electronic warfare and cybersecurity remain key medium-to-long-term growth drivers. We expect BEL to deliver Revenue / EBITDA / PAT CAGR of 16.3% / 16.4% / 16.7% over FY26-29E.

Britannia Industries (BRIT IN) | CMP: INR4,980 | TP: INR6,579 | MCap: INR1,199.8bn

BRIT remains a high-conviction pick, underpinned by 1) leadership in Biscuits & Bakery, 2) sustained growth in signature brands, which grew 3x faster than the rest of the portfolio in FY26, 3) improving scalability and profitability across adjacencies and 4) a robust innovation pipeline focused on region and channel specific offerings and premiumization. We believe the complete resolution of the dual-pricing issue should restore volume stability and support growth recovery. While elevated input costs are likely to keep margins rangebound, we expect growth momentum to improve, driven by dual pricing issue resolved, new launches, accelerating growth in adjacencies and a demand uptick. These factors should support 11.4% EPS CAGR over FY26-29E.

ICICI Bank (ICICIBC IN) | CMP: INR1,500 | TP: INR1,900 | MCap: INR10,769.7bn

ICICIB remains the best performing bank due to earnings quality. ICICI Bank's balance sheet profile remains strong with (1) CET-1 adequate at 16% (2) LDR controlled between 86-89% and (3) LCR adequate at 126%. Sizable fixed-rate funding mobilized through FCNR may support future credit growth amid the rate hike cycle. Credit growth resurgence, resilient margins and strong NII/fee income, coupled with improving asset quality and operating efficiency, is expected to sustain earnings momentum and support industry-leading profitability in tighter credit environment. We expect industry best-in-class core RoA of ~2.32% in FY28E. Core earnings CAGR over FY26-28E could be healthy at ~25%. Stock is currently trading at 2.1x on FY28E core ABV.

Shriram Finance (SHFL IN) | CMP: INR964 | TP: INR1,200 | MCap: INR2,041.1bn

Shriram Finance (SHFL) remains a compelling long-term investment opportunity supported by (1) structurally higher AUM growth aided by capital infusion from MUFG Bank, (2) potential reduction in CoF driven by a stronger balance sheet and credit rating upgrade, (3) diversification across vehicle finance, MSME and gold loans and (4) gradual improvement in profitability. We expect AUM CAGR of ~18% over FY26-29E, supported by healthy vehicle financing demand and expansion of the non-VF portfolio. While near-term NIMs may moderate due to a rising share of lower-yielding new vehicle loans, improved funding costs should support margins over the medium term. Asset quality remains broadly stable, with credit costs expected to moderate as seasonal rural stress subsides. We expect RoA to improve to ~3.1% by FY29E supported by operating leverage benefits. We reiterate 'BUY' with a TP of INR1,200, valuing the stock at 2.2x Sep'28E P/ABV.

Mid & Small Cap Picks

Blue Star (BLSTR IN) | CMP: INR1,572 | TP: INR1,783 | Mcap: INR323.2bn

Blue Star is well positioned to capitalise on India's structural cooling demand, supported by low RAC penetration, market share gains and expanding distribution. The RAC industry is expected to grow by ~25% in FY27, while Blue Star is targeting UCP EBIT margins of above 6.5% through calibrated price hikes, product rationalisation, and cost optimisation. Additionally, the company is witnessing strong traction in data centre MEP, with order bookings expected to reach INR40bn in FY27, supported by rising investments from hyperscale and colocation players. The data centre business is expected to scale significantly, providing strong long-term growth visibility. Capacity expansion at Sri City, increasing RAC penetration and a growing data centre opportunity are expected to support sustained growth. We expect Revenue/EBITDA/PAT CAGR of 17.6%/18.1%/23.2% over FY26-29E. We maintain our positive view on the stock with a SOTP-based TP of INR1,783, implying 40x Sep'28E EPS.

CESC (CESC IN) | CMP: INR130 | TP: INR204 | MCap: INR173.5bn

CESC is well positioned to benefit from its expanding renewable energy portfolio, alongside stable cash flows from its core distribution and generation businesses. The company plans to scale up its renewable capacity from 0.4GW in Q1FY27 to 4.5GW by FY29E, with PPAs already secured for 4.3GW, providing strong revenue visibility. The proposed acquisition of ReNew's 1.4GW operational renewable portfolio is expected to close by mid-November 2026, further strengthening its renewable presence. Meanwhile, the distribution business, contributing ~60% of PAT, continues to provide stable earnings, supported by improving T&D losses across newer franchises, particularly Noida and Rajasthan. Additionally, commissioning of the transmission line for 400MW of renewable capacity in Q4FY27 and potential reduction in Malegaon T&D losses could act as key near-term catalysts. We expect EBITDA CAGR of ~15% over FY26–29E, while EPS is projected to grow at ~6% CAGR, with renewable capacity ramp-up expected to contribute meaningfully to earnings from FY30E. We maintain BUY on the stock with an SOTP-based TP of INR 204.

Delhivery (DELHIVER IN) | CMP: INR430 | TP: INR541 | MCap: INR321.9bn

DELHIVERY IN remains a strong structural play in the third-party logistics (3PL) sector, supported by its market leadership in the B2C segment and a stable insourcing mix. Losses from new initiatives are expected to moderate to INR1,300-1,600mn in FY27E. Further, corporate overheads as a percentage of revenue are expected to decline to ~7% over the next two years, while capex intensity is likely to moderate gradually. On the growth front, B2C parcel volumes are trending ahead of the initial FY27E guidance of 20–30%, with October volumes surpassing internal expectations. Consequently, volume growth is now expected to be at the upper end of the guidance range. On the margin front, DELHIVERY IN has proactively undertaken repricing measures to mitigate near-term fuel and wage inflation. These measures are expected to be largely sticky, supporting margin resilience. With inflationary pressures being addressed and seasonality favouring the B2C and PTL businesses in 2HFY27E, we expect operating leverage benefits to play out in 2HFY27E. Led by healthy growth in volumes we expect sales CAGR of 18% over the next 3 years with EBITDA margin of 6.9%/9.4% in FY27E/FY28E. We maintain "BUY" with a TP of INR541 (30x Sep-28E pre-IND AS EBITDA).

Ingersoll-Rand (India) (INGR IN) | CMP: INR3,970 | TP: INR5,029 | MCap: INR125.3bn

Ingersoll Rand India is well-positioned to capitalise on strong domestic demand for compressors, backed by its leadership in centrifugal, air treatment and oil-free rotary compressors. The ~50% capacity expansion at Sanand, provides a key growth catalyst through higher volumes and operating leverage. Strong demand from power, renewables, semiconductors and industrial segments, coupled with increasing aftermarket traction, supports growth visibility. Continued innovation in energy-efficient and oil-free technologies, deeper penetration into Tier-2 markets and >90% localisation of rotary screw compressors should strengthen competitiveness and support margin resilience. Backed by Ingersoll Rand Inc.'s global R&D capabilities and technology leadership, INGR is also positioned to benefit from emerging applications. With capacity ramp-up, new product adoption and a healthy domestic demand outlook driving the next leg of growth, INGR offers an attractive long-term play on India's industrial capex and manufacturing expansion. We expect the company to report revenue/adj PAT CAGR of 16.5%/18.8% over FY26-29E.