Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	74,004	-1.0	-13.2
Nifty-50	23,119	-1.2	-11.5
Nifty-M 100	60,878	-2.1	0.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	7,586	-0.4	10.8
Nasdaq	25,982	-0.8	11.8
FTSE 100	10,658	-0.4	7.3
DAX	25,402	-0.2	3.7
Hang Seng	8,205	-1.0	-8.0
Nikkei 225	63,484	0.0	26.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	132	11.1	111.0
Gold ($/OZ)	4,292	-1.3	-0.6
Cu (US$/MT)	14,021	-1.5	12.6
Almn (US$/MT)	3,278	0.0	10.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	96.0	0.4	6.8
USD/EUR	1.2	-0.5	-1.7
USD/JPY	155.1	1.0	-1.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.06	0.5
Flows (USD b)	**15-Sep**	**MTD**	**CYTD**
FIIs	-0.31	-1.23	-25.0
DIIs	0.28	3.20	62.7
Volumes (INRb)	**15-Sep**	**MTD***	**YTD***
Cash	1,241	1247	1348
F&O	4,91,251	2,45,007	2,54,280

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Happy Forgings: Industrials and PVs to drive the next leg of growth

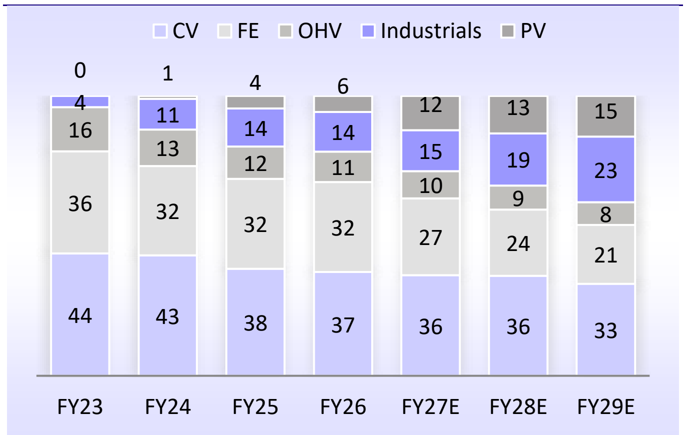
- The ~INR9.5b order book is expected to drive majority of topline growth over FY27-29, with PVs and industrials accounting for ~70% of the order book. While PVs and Industrials combined currently contribute 24% to revenue, management expects their contribution to rise to 45-50% over the medium term. These orders are secured at higher realizations and better margins, which, combined with the captive solar project, is expected to drive structural margin expansion over FY26-29.
- We expect margins to expand to 33% by FY29 from 31% currently. Driven by new order wins, higher realizations, an improving mix, operating leverage, and benefits of the captive solar plant that will come on stream in FY28, we expect HFL to record revenue/EBITDA/PAT CAGR of 25%/28%/30% over FY26-29.
- We reiterate our BUY rating on the stock with a TP of INR2,438 (based on 38x Sep'28E EPS).

Research covered

Cos/Sector	Key Highlights
Happy Forgings	Industrials and PVs to drive the next leg of growth
Avalon Technologies	Strategic shift toward higher-value electronics manufacturing
Economy | Macro-Cap	Strong exports drive moderation in trade deficit

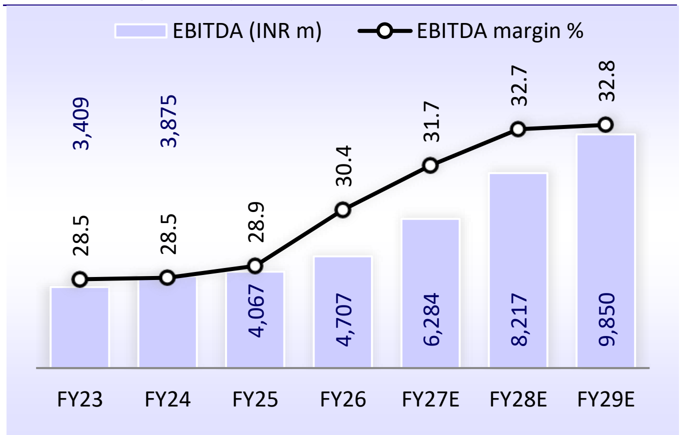
Chart of the Day: Happy Forgings (Industrials and PVs to drive the next leg of growth)

Revenue mix % – Share of industrials & PVs to rise



Source: Company, MOFSL

EBITDA margin to expand over FY26-29E



Source: Company, MOFSL

Research Team

In the news today

Kindly click on textbox for the detailed news link

1

AU Small Finance Bank bolsters leadership ahead of universal bank transition

AU Small Finance Bank appointed two new senior executives to its leadership team. Anil Agarwal and Amol Padhye joined the bank as part of its strategic expansion. These appointments precede the bank's planned transition into a universal bank.

2

RBI backs MDR on large-value UPI transactions, says could help expand UPI acceptance

The Reserve Bank of India supports Merchant Discount Rate on large UPI transactions. This move aims to ensure the long-term sustainability of India's digital payments ecosystem.

3

Diamond Power Infrastructure secures Rs 179.43 crore order from Adani Electricity Mumbai for underground power cables

Diamond Power Infrastructure announced securing a significant order valued at Rs 179.43 crore. This substantial purchase from Adani Electricity Mumbai involves supplying approximately 871 kilometers of underground power cables.

4

Centre rap pushes BHEL to diversify beyond thermal

Bharat Heavy Electricals Limited is pursuing coal gasification and coal-to-chemicals opportunities. The company expects progress in hydro power and pumped-storage projects this fiscal year. This strategic shift follows a recent assessment regarding its Maharatna company status.

5

Dr. Reddy's launches nivolumab biosimilar in India

Dr Reddy's Laboratories has taken a significant step in cancer care with the introduction of NIVORZ, a biosimilar of nivolumab. Designed to enhance immune response against a variety of cancers, this new treatment has received approval from the DCGI for twelve specific indications.

6

Car sales jump over 30% in August as festive demand builds

Passenger car sales increased by over a third in August, reaching 439,309 units. This growth followed a decline in the previous year due to GST rate changes. Three-wheeler and two-wheeler sales also saw significant rises during the month.

7

Embassy Developments to invest Rs 2,000 cr in 85-acre Bengaluru project phase 1

Embassy Developments plans a Rs 2,000 crore investment for its North Bengaluru residential project. This development will feature two RERA-approved projects with a combined GDV of Rs 4,500 crore. The first project includes 217 villas across 1.1 million square feet of saleable area.

Happy Forgings

BSE Sensex	S&P CNX
74,004	23,119

CMP: INR2,074 TP: INR2,438 (+18%) Buy

HAPPY FORGINGS LIMITED

Stock Info

Bloomberg	HAPPYFOR IN
Equity Shares (m)	94
M.Cap.(INRb)/(USDb)	195.8 / 2
52-Week Range (INR)	2484 / 889
1, 6, 12 Rel. Per (%)	4/70/132
12M Avg Val (INR M)	131
Free float (%)	22.0

Financial Snapshot (INR b)

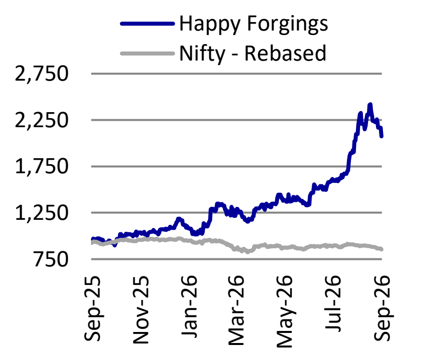
INR b	FY27E	FY28E	FY29E
Sales	19.8	25.1	30.0
EBITDA	6.3	8.2	9.8
Adj. PAT	4.0	5.5	6.6
EPS (INR)	42.6	57.9	70.4
EPS growth %	33.4	35.7	21.7
BV/Sh. (INR)	263	313	372
Ratios			
RoE (%)	17.5	20.1	20.6
RoCE (%)	15.2	17.4	18.6
Payout (%)	12.9	13.8	15.0
Valuations			
P/E (x)	48.7	35.9	29.5
P/BV (x)	7.9	6.6	5.6
EV/EBITDA (x)	31.5	24.0	19.8
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	78.5	78.5	78.5
DII	15.5	16.5	17.0
FII	1.9	1.7	2.2
Others	4.1	3.3	2.3

FII Includes depository receipts

Stock Performance (1-year)



Industrials and PVs to drive the next leg of growth

We met with Happy Forgings' (HFL) management, with discussions centered around incremental growth avenues, capacity ramp-up across forgings and machining to cater to the order book, and the steady outlook for the core CV and tractor segments. The ~INR9.5b order book is expected to drive majority of topline growth over FY27-29, with PVs and industrials accounting for ~70% of the order book. While PVs and Industrials combined currently contribute 24% to revenue, management expects their contribution to rise to 45-50% over the medium term. These orders are secured at higher realizations and better margins, which, combined with the captive solar project, is expected to drive structural margin expansion over FY26-29. We expect margins to expand to 33% by FY29 from 31% currently. Driven by new order wins, higher realizations, an improving mix, operating leverage, and benefits of the captive solar plant that will come on stream in FY28, we expect HFL to record revenue/EBITDA/PAT CAGR of 25%/28%/30% over FY26-29. We reiterate our BUY rating on the stock with a TP of INR2,438 (based on 38x Sep'28E EPS).

New order wins from Industrials and PV to drive growth

- HFL has secured an incremental order book of ~INR9.5b, executable over the next 2-3 years. The Industrials segment accounts for the largest share at ~42-45%, followed by PVs and CVs at ~25% each, with the balance coming from off-Highway applications. The order book is heavily export-oriented, with ~60-65% linked to exports and ~35-40% to domestic business.
- Commercial Vehicles remains the company's largest business segment, accounting for ~33% of 1QFY27 revenue, and has continued to demonstrate healthy growth momentum despite a mixed operating environment. The segment delivered single-digit growth on a consolidated basis, supported by strong domestic performance, which more than offset weakness in overseas markets.
- The domestic CV business was a key growth driver, registering ~18% YoY growth and significantly outperforming overall industry production trends. In contrast, the export business faced near-term headwinds, declining ~12% YoY. The weakness was not entirely demand-driven but was largely attributable to operational and logistical challenges. Longer transit times, elevated inventory levels in the distribution channel, and delays in revenue recognition impacted reported export performance during the quarter.
- The company expects export momentum to improve as supply chain constraints ease and channel inventory normalizes. For 2QFY27, management anticipates continued sequential improvement, supported by sustained domestic demand and a favorable low base effect.
- In the medium term, new order wins from leading domestic players, and growth from the underlying domestic industry, we expect the segment to record a 20% revenue CAGR over FY26-29.

- Farm Equipment was the second-largest business segment, contributing ~32% to 1QFY27 revenue. The segment continued to deliver strong performance, supported by robust volume growth in the domestic market as well as resilient export momentum despite challenging global demand conditions.
- The domestic farm equipment business witnessed healthy volume growth, benefiting from favorable industry trends and improving demand conditions. Growth in the underlying industry, supported by factors such as favorable agricultural activity, has improved rural sentiment and replacement-driven demand.
- The export business also maintained its growth trajectory despite a relatively weak demand environment across key international markets, particularly the US and Europe. The resilience in exports was primarily driven by incremental order wins from marquee global customer.
- Domestic industrials revenue grew 59% YoY in FY26, with the strong growth momentum sustaining into FY27. In 1QFY27, industrials revenue grew ~50% YoY across both domestic and export markets, with the segment now contributing ~16% of HFL's overall revenue.
- In the near term, the focus is expected to be on ramping up existing industrial orders, improving utilization of current capacities, and converting recent order wins into revenue. The segment has already expanded significantly from being a niche business to contributing a meaningful share of revenue. Management has indicated that the Industrials segment could reach ~18–20% of revenue contribution over the next two years, even without considering the full benefit of new heavy component capacity.
- HFL is investing INR6.5b to set up a heavyweight precision components facility, which will be among the largest in Asia, capable of producing 250-3,000kg forged and fully-machined parts. The new heavy-forging line is expected to primarily serve the energy, data center, mining, wind, and earthmoving equipment sectors, where realizations are expected to be in the range of INR800-1,000/kg, vs the average realization of INR253/kg recorded in 1QFY27, due to a higher machining mix.
- For the new facility, HFL has already received orders worth INR3.5b (part of INR9.5b order book), which are expected to start generating revenues from 2HFY28. The company is also in discussions with several other customers, with expectations of more order wins as the capacity comes onstream.
- Given the company's healthy new order wins, we expect overall revenue to record a 26% revenue CAGR over FY26-29, largely driven by 52%/70% CAGR from the Industrials/PV business over the same period.

Capacity ramp-up to service new orders

- The company is strategically expanding its capacity across high-growth segments, including passenger vehicles, industrial applications, heavy engines, wind energy, data center power infrastructure, and export-oriented opportunities.
- Upcoming capacity additions are expected to support the next phase of growth, with meaningful revenue contribution likely from FY28 onwards. Large industrial and heavy forging programs are expected to scale up further from FY29.

- Management plans to add 35K MT of forging capacity and 20K MT of machining capacity, taking the total forging capacity to ~180–190K MT and machining capacity to ~95K MT by FY28.
- Against the planned INR6.5b capex for heavy forgings, the company has already deployed INR2.5b, with an additional INR1.5b planned in FY28. This will complete Phase 1 of the capacity ramp-up. Further investments will be undertaken based on incremental order wins and customer requirements.
- On a steady-state basis, management expects annual capex of ~INR2.5b to support maintenance and incremental capacity enhancement. However, FY27-FY28 capex is expected to be higher at INR4–5b annually, driven by capacity ramp-up for heavy forgings and passenger vehicle programs.

Superior mix and solar plant to aid margin expansion and PAT

- Recent order wins are being secured at higher realizations, supported by a superior product mix, larger component sizes, higher machining content, and increased complexity. These factors are expected to drive a meaningful improvement in the company’s margin profile.
- New industrial programs are expected to deliver superior economics, with gross margins of ~80-85% for machined crankshafts and ~60-65% for forged crankshafts. With ~50% of gross profit potentially translating into EBITDA, these programs could generate EBITDA margin of over 40%, significantly higher than the company’s current margin profile of ~31%.
- The captive solar power project is progressing as per schedule, with commissioning targeted from Jan’27. Upon full ramp-up in FY28, the project is expected to contribute ~100bp of EBITDA margin expansion through lower power costs.
- Driven by above-mentioned triggers, we expect EBITDA margin for HFL to expand from the current level of 31% to 33% by FY29.
- This margin expansion, coupled with a strong 26% revenue CAGR, should help drive a 30% PAT CAGR over FY26-29E.

15 September 2026
Company Update | Sector: EMS

Avalon Technologies

BSE SENSEX	S&P CNX
74,004	23,119

Bloomberg	AVALON IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	144.5 / 1.5
52-Week Range (INR)	2424 / 777
1, 6, 12 Rel. Per (%)	16/145/134
12M Avg Val (INR M)	567

Financials & Valuations (INR b)

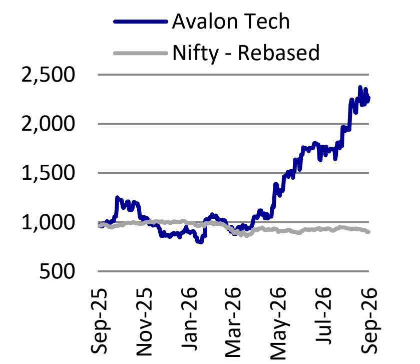
Y/E March	FY26	FY27E	FY28E
Sales	16.0	22.4	31.4
EBITDA	1.7	2.7	3.9
PAT	1.1	1.9	2.9
EBITDA %	10.8	12.1	12.5
EPS (INR)	17.1	29.3	44.5
EPS Gr. (%)	78.4	71.3	51.7
BV/Sh.(INR)	109.1	138.4	182.9
Ratios			
Net D:E	0.1	0.0	0.0
RoE (%)	17.0	23.7	27.7
RoCE (%)	14.4	20.2	24.8
Valuations			
P/E (x)	127.3	74.3	49.0
EV/EBITDA (x)	83.4	53.1	36.7

Shareholding pattern (%)

As on	Jun-26	Mar-26	Jun-25
Promoter	44.4	44.4	44.6
DII	24.7	26.2	22.0
FII	7.8	6.4	8.7
Others	23.1	23.0	24.7

Note: FII includes depository receipts

Stock's performance (one-year)



CMP: INR2,161 TP: INR2,740 (+27%) Buy

Strategic shift toward higher-value electronics manufacturing

Avalon Technologies (AVALON) is strategically shifting toward higher-value, engineering-intensive EMS segments, with semiconductor equipment and battery energy storage systems (BESS) emerging as key growth drivers. The semiconductor opportunity is supported by rising outsourcing by global OEMs, growing demand for AI/high bandwidth memory (HBM), advanced packaging, and ISM 2.0-led localization. Meanwhile, the energy storage systems (ESS) opportunity is underpinned by structural growth in BESS, renewable integration, and grid modernization. Supported by a healthy order book, AVALON is well positioned to deliver sustained growth across ESS, aerospace, rail, and satellite communication.

- AVALON's entry into semiconductor equipment marks a strategic shift toward a higher-value, higher-complexity segment, supported by rising investments in AI, HBM, graphic processing units (GPUs), and packaging. After around two years of development, the company has commenced commercial production of electronic power boxes for a leading global wafer-fabrication equipment supplier. It plans to establish semiconductor equipment as a standalone vertical within 18–24 months (could further expand into other components for semiconductor equipment). With dedicated Chennai infrastructure, increasing localization/outsourcing, and policy support from ISM 2.0, the segment offers potential for meaningful long-term revenue and profitability contribution.
- AVALON's clean-energy segment has expanded at a 21% CAGR over FY21-26, with BESS emerging as a key growth driver, particularly in the US. The global BESS market is expected to expand at a 16% CAGR through CY30, supported by rising renewable penetration and grid modernization. AVALON operates across power conversion systems, EMS, and system integration, with a focus on high-value, complex power, and energy management solutions. With the US as its primary market and increasing renewable and data center investments, BESS is expected to ramp up strongly and emerge as a key growth and profitability driver for AVALON's US operations.
- AVALON's order book grew 25% YoY to INR22b in FY26, including long-term contracts, providing strong revenue visibility. Production ramp-up across ESS, aerospace, Kavach, locomotive subsystems, and satellite communication is expected to support growth, while long-duration contracts, stringent certifications, mission-critical applications, and complex engineering requirements create high barriers to entry and strengthen customer stickiness. Further, the rising share of box-build solutions (47% in FY25 to 54% in FY26), alongside improving customer quality and expanding global presence, supports AVALON's growth outlook.
- We estimate AVALON to clock a CAGR of 40%/47%/56% in revenue/EBITDA/Adj. PAT over FY26-FY29. We reiterate our BUY rating on the stock with a TP of INR2,740 (50x Sep'28E EPS).

AI-led semiconductor expansion to drive equipment growth

- AVALON's entry into semiconductor equipment-related EMS marks an important strategic shift, providing access to a structurally higher-value and higher-complexity segment of the global electronics manufacturing ecosystem compared with its traditional industrial, railway, and clean-energy businesses.
- The global semiconductor equipment market is expected to rise to USD156b by CY27 from USD133b in CY25. This is largely led by accelerating investments in AI accelerators and GPUs, HBM, capacity additions, leading-edge logic (2 nano meters), advanced packaging technologies, and government-led semiconductor manufacturing initiatives across the globe.
- **Transitioning to advanced nodes requires significantly more complex manufacturing processes, including new transistor architectures and tighter process controls. This drives higher demand for advanced equipment. Further, the rise of AI chips requiring integration of GPUs, HBM, and multiple chiplets has made packaging more complex, creating demand for specialized equipment *(refer to Exhibit 1).***
- AVALON has entered the semiconductor equipment value chain after around two years of development, transitioning from NPI/prototyping to commercial production. Revenue contribution commenced in 1QFY27.
- **The company currently supplies electronic power boxes to multiple products for a leading global wafer-fabrication equipment supplier, with the business positioned as a high-ASP opportunity. It aims to establish semiconductor equipment as a standalone vertical within 18–24 months. Going forward, the company could potentially expand into other components of semiconductor equipment, enabling it to move further up the value chain.**
- **Overall, electronic components comprise 20-25% of semiconductor equipment.** To support this opportunity, AVALON is investing in dedicated manufacturing infrastructure in Chennai. As customer programs mature and production ramps up, semiconductor equipment is expected to become an increasingly meaningful contributor to revenue and profitability, while also benefiting from the broader trend of increasing outsourcing and localization in the semiconductor equipment ecosystem.
- **Moreover, with the introduction of ISM 2.0, AVALON is expected to benefit indirectly. Accordingly, the Indian semiconductor equipment market, which stood at USD2.6b in CY25, is expected to expand at a 9% CAGR to reach USD4.9b by CY32.**
- Given AVALON's presence in the semiconductor equipment supply chain, the company is well positioned to benefit from higher localization, increased outsourcing by global OEMs, and greater demand for engineering-led electronics manufacturing.
- **With commercial production already underway, dedicated capacity expansion, and favorable policy support under ISM 2.0, the semiconductor equipment business is expected to witness a gradual ramp-up and emerge as a meaningful contributor to the company's long-term growth and profitability.**

Rising BESS adoption to accelerate growth in clean energy

- AVALON's clean energy segment clocked a healthy CAGR of 21% over FY21-26, with ESS emerging as a key growth driver (especially in the US).

- This is supported by the global BESS market, which is expected to grow from USD50.8b in CY25 to USD105.9b by CY30 (CAGR of 16% over the period). **Growth is expected to be led by the increasing integration of renewable energy sources, such as solar and wind, which necessitates reliable energy storage solutions to manage grid intermittency.**
- The BESS value chain comprises six key layers: i) Cell manufacturing (Raw materials include battery chemicals, separators, etc.), ii) Battery pack, iii) Power conversion systems (PCS)/power electronics, iv) EMS, and v) System integration.
- **AVALON does not manufacture battery; instead, it operates across Layers III–VI, leveraging its expertise in precision manufacturing and clean-energy electronics. Currently, the company's BESS business is predominantly focused on the US market.**
- The BESS opportunity remains at an early stage, with the company currently focused on building its product and customer credentials in the US. The Indian BESS market is not yet active for AVALON, although the company is developing the necessary capabilities to participate as the domestic market scales.
- **Overall, BESS fits well with AVALON's broader strategy of entering mission-critical, high-complexity, low-to-medium volume businesses, where engineering capabilities, quality, and execution are the key differentiators.**
- As such, we expect the ESS business to witness a strong ramp-up, particularly in the US, where battery energy storage has emerged as the fastest-growing clean energy segment. Increasing investments in grid modernization, renewable energy integration, and data center infrastructure are expected to drive sustained demand, positioning ESS as a key growth driver and an important contributor to the profitability of AVALON's US operations.

Strong order book and ramp-up across high-value, long-duration programs

- AVALON reported a strong 25% YoY growth in the order book in FY26, taking the combined order book (including long-term contract) to INR22b, backed by sticky customer relationship and a healthy client mix.
- Going forward, AVALON also expects production ramp-up across ESS, aerospace assemblies, rail safety (Kavach), locomotive subsystems, and satellite communication control units over the coming year.
- Aerospace business serves tier-1 aerospace OEMs through 15-year contracts, while stringent certifications and complex electromechanical capabilities create high entry barriers. In Railways, AVALON has secured 10-year locomotive contracts and is also expanding in high voltage direct current (HVDC) applications, where high-specification power cabinets and mission-critical reliability requirements provide strong barriers to entry.
- **Aerospace and Railways offer long-duration programs, high customer stickiness, and superior visibility, supporting AVALON's shift toward higher-value box-build (from 47% of sales in FY25 to 54% in FY26) and system-integration opportunities.**
- Further, customer quality continues to improve with the addition of large global customers across industrial, defense, semiconductor equipment, and satellite communications, with its presence expanding across Europe and Southeast Asia.
- **Overall, a strong order book, improving customer quality, production ramp-up across key segments, and a rising share of higher-value box-build solutions provide strong revenue visibility and support AVALON's long-term growth outlook.**

Valuation and view

- AVALON's medium-term revenue trajectory is likely to remain strong, backed by: 1) its entry into the semiconductor equipment, 2) strong order book visibility across segments, 3) increasing demand for industrial automation, power electronics, and railway/aerospace electronics in the industrial segment, 4) rising deployment of BESS and grid modernization initiatives in the clean energy segment, and 5) India's emergence as a global manufacturing base, supported by structural reforms and favorable government policies.
- **We estimate AVALON to clock a CAGR of 40%/47%/56% in revenue/EBITDA/Adj PAT over FY26-FY29. We reiterate our BUY rating on the stock with a TP of INR2740 (50x Sep'28E EPS).**

Various terms driving growth in the semiconductor equipment industry

Term	What is it?	Why is it driving semiconductor equipment demand?	Key applications
GPU	❖ A specialized processor designed to perform thousands of calculations simultaneously. Originally developed for graphics rendering, GPUs are now the backbone of AI computing due to their ability to process large amounts of data in parallel.	❖ AI workloads require massive computing power, leading to strong demand for advanced GPU chips. Manufacturing these chips requires leading-edge semiconductor fabrication, advanced packaging, and testing equipment.	❖ AI model training, generative AI, data centres, cloud computing, autonomous vehicles, high-performance computing
HBM	❖ A high-performance memory technology that stacks multiple layers of DRAM chips vertically and connects them closely with GPUs through advanced packaging. It provides significantly higher data transfer speed compared with conventional memory.	❖ AI GPUs require extremely fast memory access. Rising demand for AI accelerators is driving expansion of HBM production capacity, requiring investments in memory fabrication, wafer stacking, bonding, testing, and packaging equipment.	❖ AI servers, GPUs, data centres, supercomputers, high-performance computing
Leading-edge logic (2nm)	❖ The most advanced generation of logic chip manufacturing. Smaller nodes enable higher transistor density, improved performance, and lower power consumption. The transition to 2nm involves new transistor architecture called **Gate-All-Around (GAA)**.	❖ Advanced nodes require significantly more complex manufacturing processes, increasing demand for EUV lithography, deposition, etching, CMP, and inspection equipment. Each advanced fab requires higher capital investment compared with previous generations.	❖ AI processors, GPUs, smartphone processors, server CPUs, autonomous driving chips
Advanced packaging technologies	❖ A method of combining multiple semiconductors dies (chips), memory stacks, and computing components into a single high-performance package instead of relying on one large chip.	❖ AI chips have become too complex and large to manufacture as single dies. Advanced packaging enables higher performance and efficiency, creating demand for packaging, bonding, assembly, and testing equipment.	❖ AI accelerators, GPUs, HBM-based processors, HPC systems
Government-led semiconductor manufacturing initiatives	❖ Policies designed to encourage domestic semiconductor manufacturing and reduce dependence on concentrated supply chains. Examples include subsidies, tax incentives, and funding for semiconductor fabs.	❖ New semiconductor fabs require billions of dollars of investment in wafer fabrication equipment, packaging equipment, and testing infrastructure, creating long-term demand for semiconductor equipment suppliers.	❖ Semiconductor manufacturing in US, Europe, India, Japan, Taiwan, South Korea

Semiconductor equipment value chain

Tier	Segment	Key Players
Tier 1	❖ Fabs & Integrated Device Manufacturers (IDMs)	❖ Taiwan Semiconductor Manufacturing Company (TSMC), Samsung Electronics, Micron Technology, Intel
Tier 2	❖ Semiconductor Equipment OEMs	❖ Applied Materials, Lam Research, KLA, ASML, Tokyo Electron
Tier 3	❖ Subsystem & Module Suppliers	❖ Ichor Holdings, Ultra Clean Holdings, MKS Instruments
Tier 4	❖ **Component & Contract Manufacturing Suppliers**	❖ **EMS providers and precision manufacturing companies**

Economy | Macro-Cap

Strong exports drive moderation in trade deficit

Trade deficit narrows in Aug'26

- India's merchandise trade deficit narrowed to USD26.9b in Aug'26 from USD32.0b in Jul'26, as a sharp acceleration in exports outpaced import growth. Merchandise exports rose 26.1% YoY to USD43.8b, while imports increased 14.1% YoY to USD70.7b. On a cumulative basis, however, the merchandise trade deficit widened to USD147.1b during Apr-Aug'26 from USD123.9b in the corresponding period last year.
- The improvement in August was also visible in the broader external trade balance. Total exports, including services, rose 25.4% YoY to USD82.7b, while total imports increased 18.8% to USD92.1b, narrowing the overall trade deficit to USD9.4b from USD11.6b last year. Cumulatively, the trade deficit stood at USD60.4b during Apr-Aug'26, compared with USD43.9b last year.

Exports remain strong

- India's goods export growth accelerated to 26.1% YoY in Aug'26 to USD43.8b, from 19.6% in Jul'26, marking a broad-based improvement in export momentum. The key drivers were electronics (+89.8%), petroleum products (+63.3%), engineering goods (+24.9%) and chemicals (+16.4%). In FYTD27, merchandise exports rose 17.9% YoY to USD215.9b.
- Electronics exports stood out in Aug'26, surging 89.8% YoY to USD5.6b, while engineering goods exports rose 24.9% to USD12.3b. Petroleum product exports increased 63.3% to USD6.8b, boosting the headline number. The underlying export performance remained strong. Non-petroleum exports rose 21.0% YoY to USD37.0b, while non-petroleum-non-gems & jewelry exports increased 22.7% to USD34.7b.
- Export growth also strengthened across key destinations. Exports to the US rose 21.8% YoY in Aug'26, while exports to Singapore, Spain and China increased 161.0%, 196.5% and 52.4%, respectively. In Apr-Aug'26, exports to Singapore and China were up 96.6% and 38.7%, respectively, while exports to the US increased 6.2%.

Services provide stronger cushion

- Services exports accelerated sharply, rising 24.6% YoY to USD38.9b in Aug'26, compared with 6.4% growth in Jul'26. Services imports rose 37.4% to USD21.4b, resulting in a monthly services surplus of USD17.5b. During Apr-Aug'26, services exports increased 13.0% to USD183.4b, generating a services surplus of USD86.7b vs. USD79.9b last year.
- The strong improvement in services exports, alongside strong merchandise exports, helped narrow the overall monthly trade deficit to USD9.4b.

Import growth led by electronics and capital goods

- Goods imports rose 14.1% YoY to USD70.7b in Aug'26, moderating from 17.5% growth in Jul'26. The moderation was partly supported by a sharp contraction in gold imports, which declined 57.8% YoY. Imports of several industrial commodities also fell, including iron & steel (-11.7%) and chemicals (-0.5%).
- However, the underlying import picture was firm. Non-petroleum imports increased 10.9% YoY to USD54.0b in Aug'26, while non-petroleum-non-gold imports rose 19.5%. Thus, excluding gold and petroleum, import demand remained relatively strong, consistent with steady domestic economic activity and investment demand.
- Electronics imports (40.5% YoY in Aug'26) remained an important driver, alongside the surge in electronics exports. The continued strength in electronics trade reflects the rapid expansion of India's electronics manufacturing ecosystem, but also highlights its high import intensity, particularly for components and intermediate inputs.
- Capital goods (13.5% YoY in Aug'26) and machinery imports also remained firm, pointing to stable investment demand rather than a purely consumption-led import cycle. In the near term, strong investment-related imports will keep the merchandise trade deficit elevated.

Expect CAD at 1.4% of GDP in FY27

- Aug'26 trade data reinforces the resilience of India's external sector, with merchandise exports rising 26.1% YoY, supported by both oil and non-oil exports. Export diversification across products and markets is encouraging, while the strong services surplus and remittance inflows should continue to provide a meaningful cushion.
- However, after the recent escalation, crude oil prices remain the key monitorable item. Brent has jumped from around USD98/bbl at the beginning of last week to above USD108/bbl currently, driven by renewed concerns over Middle-East supply disruptions. With our FY27 crude oil assumption now at USD90/bbl, we estimate CAD/GDP at 1.4% (USD56b), which we believe is broadly manageable despite the wider merchandise deficit. The strength in electronics and capital goods imports also suggests that part of the import momentum is led by investments, although the high import intensity of electronics manufacturing could limit the improvement in the merchandise balance.
- If crude prices remain above USD90/bbl for the major part of FY27, CAD could widen toward 1.7% of GDP (USD71b), primarily through a higher oil import bill. Capital inflows could also moderate amid lower net FPI inflows and tighter global financial conditions. Nevertheless, the external position should remain better than FY26, supported by FCNR(B) inflows, a resilient services surplus and remittances. Even under a higher oil price scenario, we believe CAD is well within manageable levels.
- INR outlook: The external environment remains challenging amid elevated crude prices, higher global bond yields and a firm USD against INR. However, resilient merchandise exports, a strong services surplus and FCNR(B) inflows should continue to provide support to the currency. We, therefore, expect further INR appreciation to remain capped, with any gains likely to be short-lived as oil price sustaining above USD90/bbl would worsen the trade balance and CAD. We retain our FY27 USD-INR forecast at 95, with risks increasingly skewed toward a weaker INR if crude remains elevated and global yields stay higher for longer.

Exhibit 1: Electronics exports and engineering goods continue to post strong double-digit growth

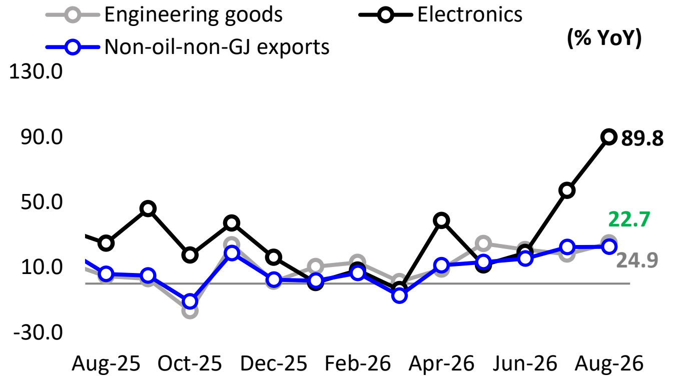
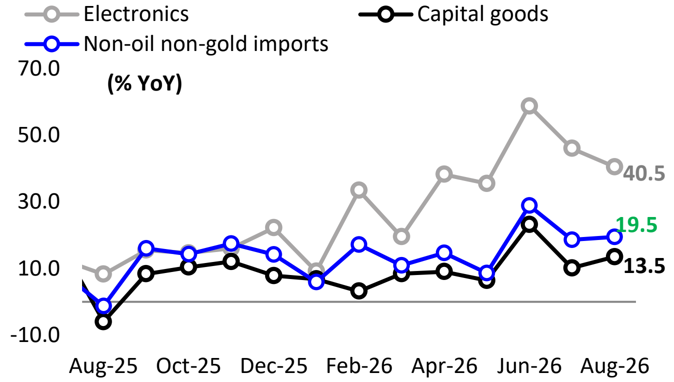


Exhibit 2: Capital goods imports edge up, electronics goods imports remain robust



Source: CEIC, MOFSL

Exhibit 3: India's exports increase 26.1% in Aug'26

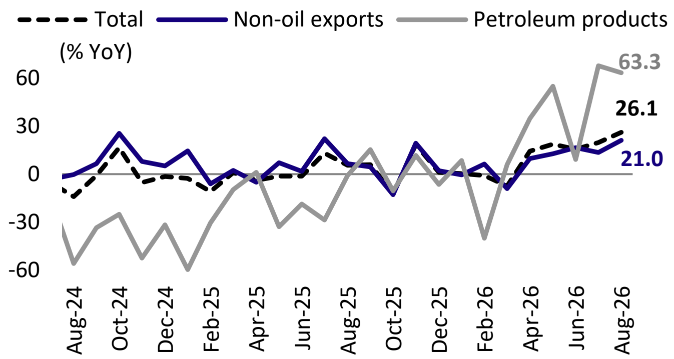
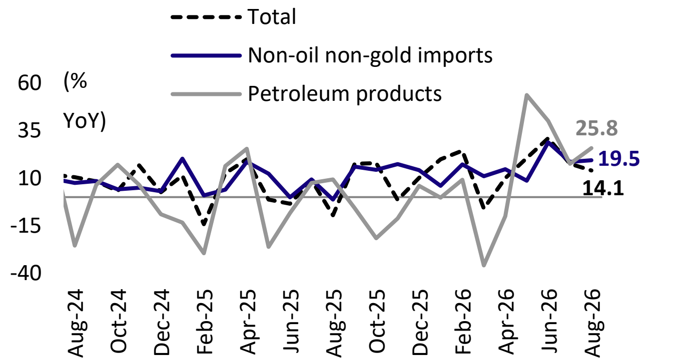


Exhibit 4: Imports see healthy growth of 14.1% in Aug'26



Source: CEIC, MOFSL

Exhibit 5: Gold imports stand at USD2.3b in Aug'26

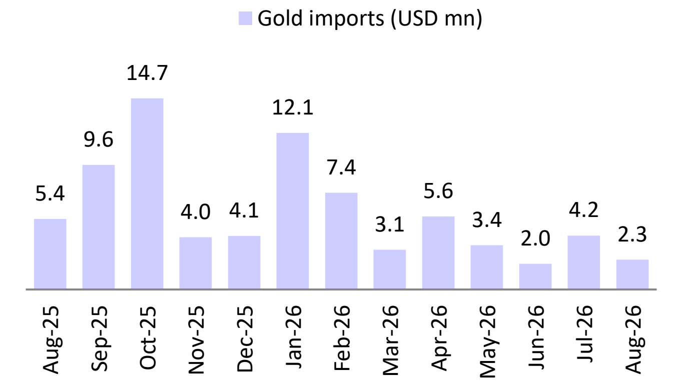
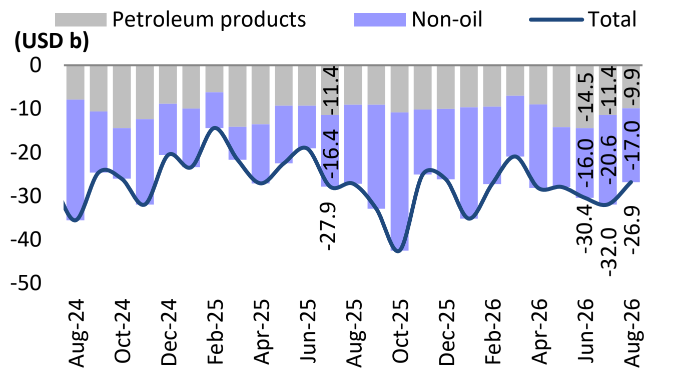


Exhibit 6: Trade deficit at USD26.9b vs. USD32b in Jul'26



Source: CEIC, MOFSL

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- Omnia generates about $110m cash every year
- Debt will be taken on the books of both companies

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- The current order book stands at approximately ₹2,500 crore, with 60% driven by the power sector and 35% by oil & gas. About 50% of the total orders are from overseas clients
- Entered the data centre cooling and power piping segment, securing its first order from a private customer
- Aims to double its topline revenue to over ₹2,500 crore by 2030 (up from ~₹1,200 crore in FY26), utilizing existing facilities that can support up to ₹2,500–3,000 crore in overall revenue

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- Trend of falling credit cost will continue

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- Expect 20%+ Global Growth Expected In Q2

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