Choice
Institutional Equities

Convex Choices

The Stars Are Aligning



Edition VIII

November 20, 2026

India Equity Strategy

CIE Model Portfolio: High Conviction Investment Ideas

The Macro Equation: Relief Meets Resistance

In our previous edition (read here), we identified **three prerequisites for a sustained recovery in foreign portfolio flows, thus leading the way out from sub-optimal market returns: i) meaningful earnings upgrades, ii) INR stability and iii) favourable policy treatment for foreign capital**. We also highlighted a potential rotation away from crowded global AI-led trades as an additional tailwind. **Since then, the macro equation has begun to shift.** Improving crude supply conditions and prospects of INR stabilisation could ease imported inflation, current account pressures and corporate input costs. Domestic growth has remained resilient, with September industrial production expanding **6.7% YoY** and **capital goods output rising 15% in H1FY27**.

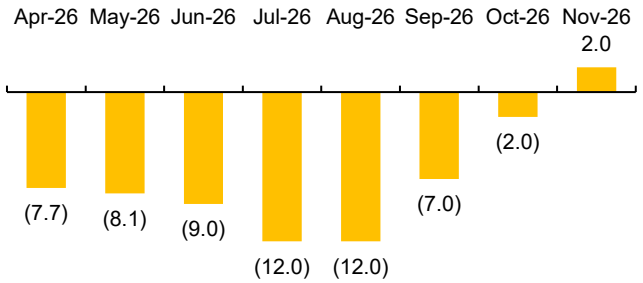
The challenges, however, remain significant. October CPI climbed to **6.1%, breaching the RBI's tolerance band, while WPI reached 12.3%, signalling persistent cost pressures.** The fiscal deficit widened 24.7% YoY to INR 7.14 Tn in H1FY27, **as revenue receipts grew only 3.6% against expenditure growth of 10.7%.**

Market View

India's macro risks are becoming more manageable, even if headline indicators have yet to improve. Easing external pressures could create room to address domestic inflation and fiscal challenges through calibrated monetary policy, supply-side interventions and expenditure discipline, while resilient industrial activity provides a growth cushion. **Crucially, a stabilising macro backdrop could help deliver the second pillar of our foreign-flow recovery thesis—INR stability—while sustained earnings upgrades and policy support remain essential**. The opportunity is a transition from externally driven vulnerability towards greater domestic policy control, improving earnings visibility and a more constructive risk-reward for Indian equities. **Our preference remains for fundamentally strong companies backed by structural policy support, favourable industry dynamics and visible earning upgrades.**

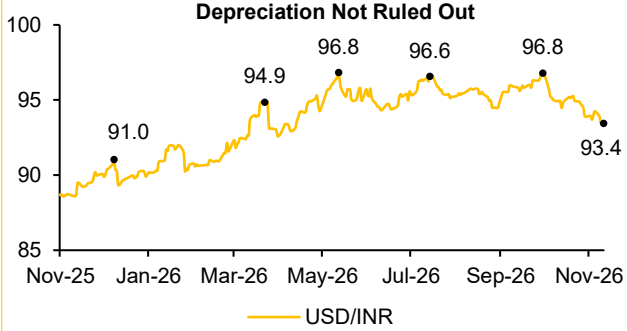
High Conviction Portfolio Performance: Our equal-weighted Flexi Cap quarterly rebalancing strategy has delivered 60.4% since inception (March 2025) — reinforcing our preference for disciplined stock selection over broad market beta. Refer to page 5 and 6 for details.

Global Oil Physical Surplus (mb/d) Releases Upside Pressure



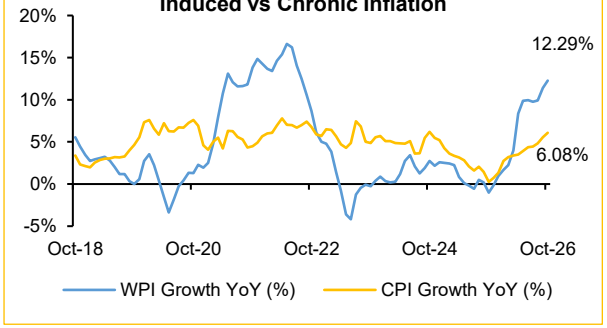
Source: Bloomberg, Choice Institutional Equities

USD/INR Volatility Arrested; Gradual Depreciation Not Ruled Out



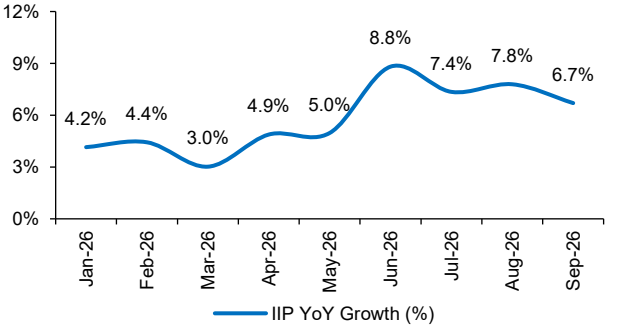
Source: FactSet, Choice Institutional Equities

Inflationary Times Ahead, Monitor Crude Induced vs Chronic Inflation



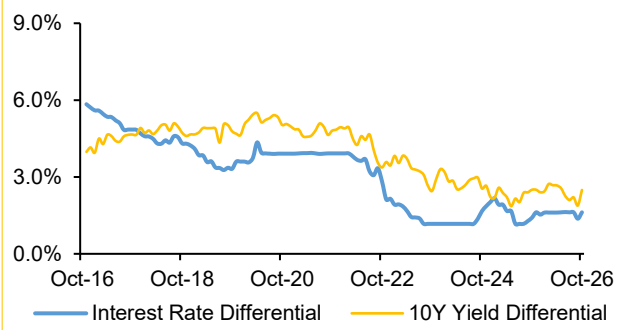
Source: Mo, RBI, Choice Institutional Equities

Resilient IIP Points to Strong Industrial Growth



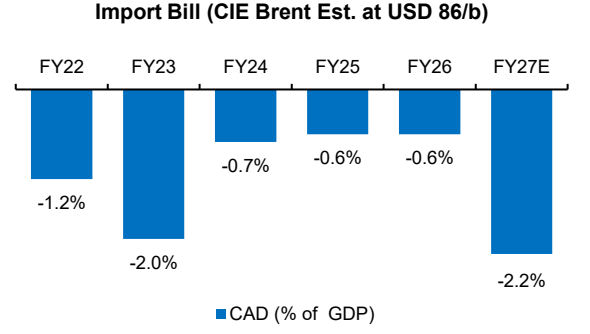
Source: CMIE, Choice Institutional Equities

Yield Differential to Test FPI Flow Persistence



Source: FactSet, Choice Institutional Equities; Note: Differentials computed for central bank rates and 10Y yields between India and the US

India's CAD to Remain Affected in FY27E led by Higher Import Bill (CIE Brent Est. at USD 86/b)



Source: RBI, Choice Institutional Equities

Convex Choices

Read Convex Choice Edition IV | Read Convex Choice Edition V | Read Convex Choice Edition VI | Read Convex Choice Edition VII

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Foreign Flows: The Return Of India's Relative Appeal

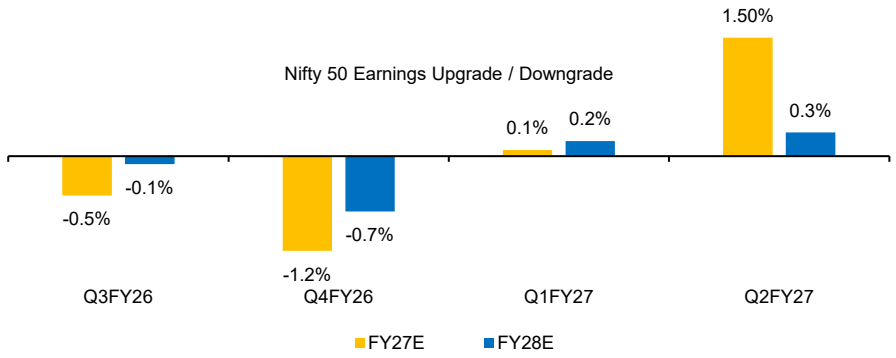
After nearly two years of sustained selling, **foreign capital is returning to Indian equities**. FPI flows deteriorated from a INR 376 Bn outflow in FY23 to **INR 1,270 Bn of outflows in FY25**, followed by **INR 1,640 Bn of selling during April–October 2026**. November has delivered a sharp reversal, with **INR 1,062 Bn of inflows through November 18**, reducing FY27 net outflows to approximately INR 578 Bn.

The earnings recovery is also gathering momentum. Nifty 50 (ex-financials) companies reported **27.6% YoY profit growth in Q2FY27, the strongest in 17 quarters**, while broader corporate earnings grew 32% against expectations of 21%. Overall earnings upgrades outpaced downgrades; lifting Nifty EPS estimates by 1.5% for FY27E and 0.3% for FY28E. This marks an important **shift from earnings resilience to actual upgrades**.

Meanwhile, as investors reassess crowded global AI exposures, India offers **DIVERSIFICATION THROUGH DEEP EQUITY-MARKET LIQUIDITY, IMPROVING EARNINGS PROSPECTS AND POTENTIAL INR STABILITY**. The November MSCI review reinforces this positioning, with India's Emerging Markets IMI Index weight set to increase from **12.9% to 13.2%.** On the other hand, India weight in MSCI EM Index declined from nearly 20% in 2024 to around 11.7% in October, 2026. We expect an upward revision soon.

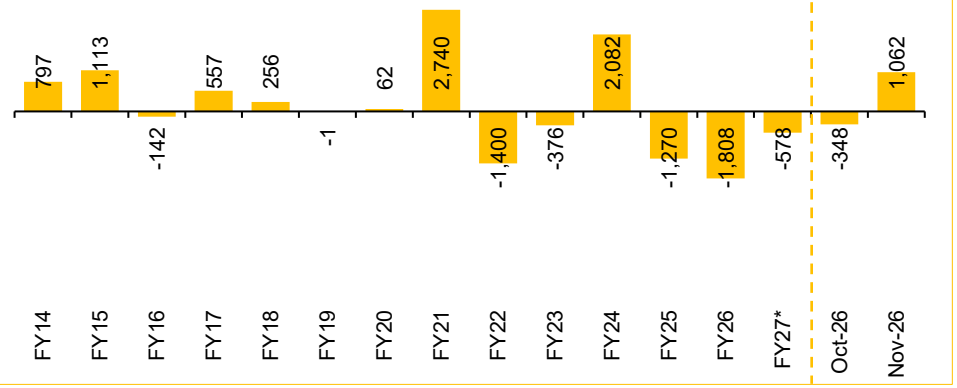
Our View: Renewed FPI inflows, earnings upgrades and improving benchmark representation suggest that India's investment appeal is recovering. Of the three catalysts identified in our previous edition, **earnings upgrades are** materialising and prospects of INR stability are improving, while favourable policy treatment for foreign capital remains important. A rotation away from AI-led trades could provide an additional tailwind, strengthening the case for a **sustained recovery in foreign allocations**.

Nifty 50 Earnings Upgrade Gather Pace, FY27E Raised 1.5% in Q2FY27



Source: FactSet, Choice Institutional Equities

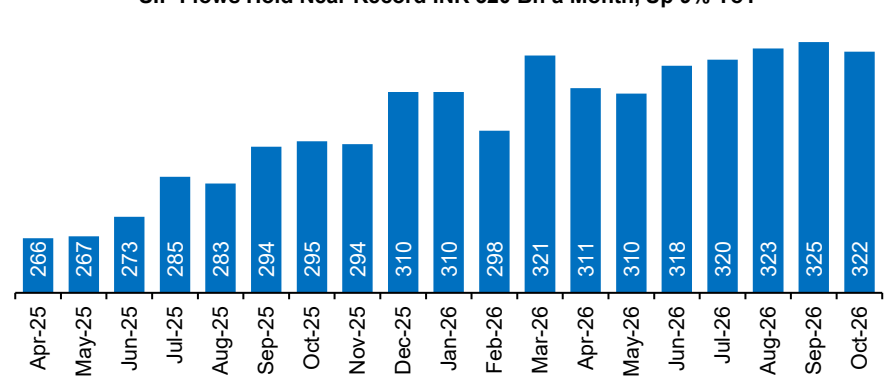
November 2026 Records Record FPI Inflows (INR Bn)



Note: FY27 data till November 18, 2026

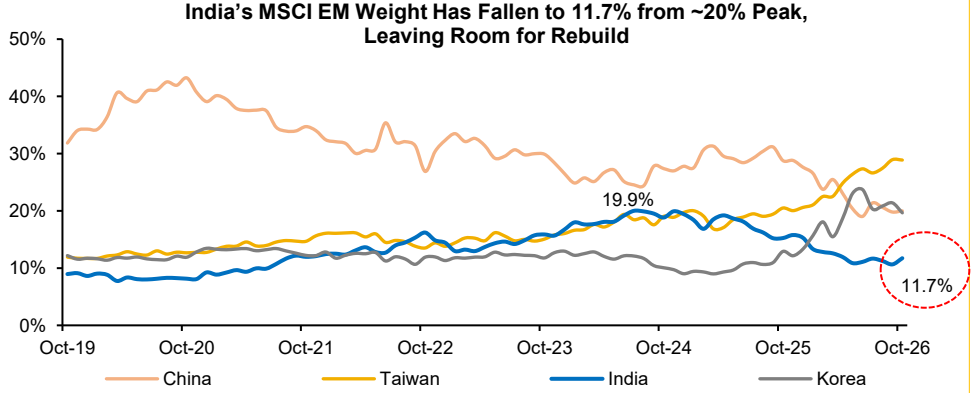
Source: NSDL, Choice Institutional Equities

SIP Flows Hold Near Record INR 320 Bn a Month, Up 9% YoY



Source: AMFI, Choice Institutional Equities

India's MSCI EM Weight Has Fallen to 11.7% from ~20% Peak, Leaving Room for Rebuild



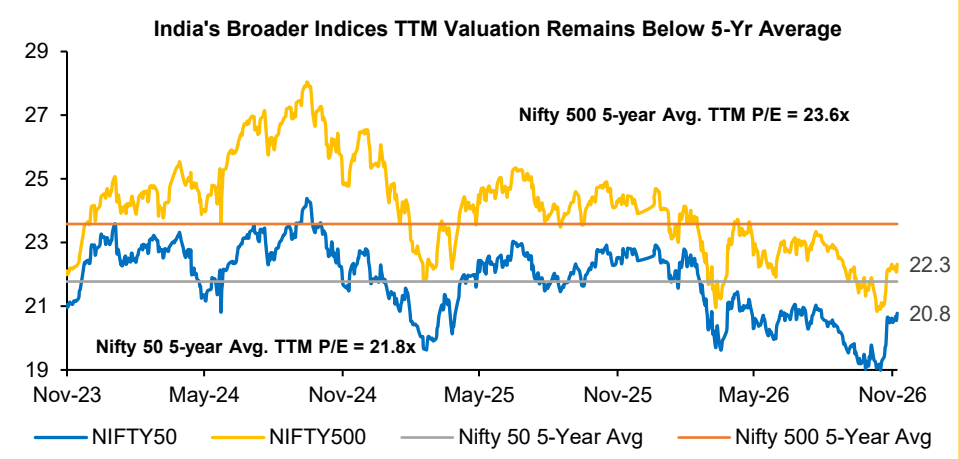
Source: MSCI, Choice Institutional Equities

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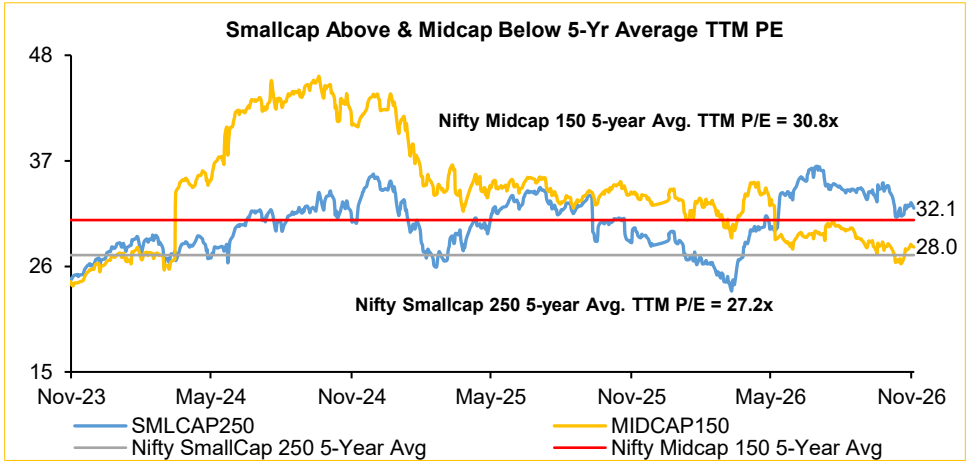
Valuation Discount Narrows, Earnings and Stock Selection Take Centre Stage

The valuation equation for Indian equities is turning favourable. After significant underperformance relative to AI-led markets, the recent reversal in the global AI trade has rapidly **narrowed India's relative valuation disadvantage,** although the adjustment remains incomplete. India's Nifty 50 TTM P/E had declined to below 20x in October, from a peak of nearly ~24.4x in 2024. This compares with **13.7x for MSCI Emerging Markets and 19.6x for Taiwan's TAIEX** at the October reference point, indicating that India continues to command a substantial premium. The recent recovery in Indian equities, alongside improving earnings expectations, has reduced the valuation opportunity available from the earlier correction. However, **some scope for multiple expansion remains**, particularly as foreign allocations recover and earnings upgrades strengthen. With Nifty 50 (ex-financials) **profits growing 27.6% YoY in Q2FY27** and FY27E/FY28E EPS estimates revised upwards, **earnings are increasingly providing fundamental support to valuations**.

Our View: India's relative valuation gap has narrowed faster than anticipated, but **the re-rating opportunity is not exhausted**. The **scope for further multiple expansion is diminishing**, making **earnings growth, valuation discipline and bottom-up stock selection** the principal drivers of future returns. We strongly favour Pharmaceuticals, Banks, NBFCs, Industrials, Chemicals, Auto & Auto Anc and select Consumer Discretionary & New-Age Tech, focusing on companies with sustainable earnings upgrades, strong balance sheets and reasonable valuations. The next phase of market outperformance will be **driven less by broad valuation catch-up** and more by **research-led stock picking**.



Source: NSE, Choice Institutional Equities



Source: NSE, Choice Institutional Equities

Earnings Upgrades Make India Forward Valuations Attractive

Sectoral NSE Index TTM PE (x)	FY24	FY25	FY26	FY27 YTD
Auto	27.3x	23.6x	27.1x	31.0x
Consumer Durables	63.6x	82.1x	66.5x	62.6x
Financial Services	18.0x	16.6x	17.5x	16.2x
FMCG	43.7x	46.1x	40.8x	33.3x
Healthcare	37.1x	40.9x	37.4x	41.8x
IT	27.4x	31.9x	26.0x	19.4x
Metals	23.7x	27.8x	19.4x	17.6x
Oil & Gas	10.6x	11.7x	12.0x	9.9x
Pharma	32.6x	35.9x	32.7x	39.4x

Source: NSE, Choice Institutional Equities

Compelling PEG – Liquidity, Investment Diversity & Earnings Upgrade Align

Country	TTM P/E Valuation	10-Year Average TTM P/E	EPS CAGR CY26E-28E	PEG	+1 S.D. TTM P/E	-1 S.D. TTM P/E
India	20.8x	23.5x	14.7%	1.4	26.2x	20.9x
Japan	21.7x	22.3x	12.1%	1.8	27.8x	16.7x
Korea	6.7x	15.3x	29.1%	0.2	19.7x	10.9x
Taiwan	19.6x	18.7x	27.8%	0.7	23.3x	14.1x
US	20.8x	23.1x	15.2%	1.4	26.8x	19.4x
Vietnam	10.9x	16.7x	12.9%	0.8	19.6x	13.8x

Source: Bloomberg, Choice Institutional Equities

Note: For valuation Nifty 50 considered for India, Nikkei 225 for Japan, Kospi for Korea, TAIEX for Taiwan, S&P 500 for US and VN Index for Vietnam

Convex Choices

Choice High Conviction Ideas Portfolio

Choice Institutional Equities

Re-Alignment Notes for Convex Choices Edition VIII
We increase weightage for Technology, Manufacturing (Cement/Chemicals) and NBFC

Company	Sector	Market Cap (INR Bn)	CMP (INR) (As of Nov 19, 2026)	Target Price (INR)	Potential Upside (%)
Apollo Hospitals Enterprise	Hospitals	1,268	8,745	9,600	9.8%
Aptus Value Housing Finance	NBFCs	95	191	330	72.4%
Bajaj Consumer Care	FMCG	52	408	715	75.3%
Bharat Dynamics	Defence & Aerospace	371	1,032	1,600	55.0%
Capri Global Capital	NBFCs	231	240	320	33.4%
Chennai Petroleum Corporation	Oil & Gas	211	1,426	1,885	32.2%
Coforge	Technology	908	2,055	2,320	12.9%
Fiem Industries	Automobile & Auto Ancillaries	56	2,183	2,700	23.7%
Fractal Analytics	Technology	138	820	1,080	31.8%
Garden Reach Shipbuilder & Engg.	Defence & Aerospace	237	2,087	3,500	67.7%
Granules India	Pharmaceuticals	218	804	1,010	25.6%
ITC Hotels	Hotels	369	184	210	14.4%
JK Cement	Cement	398	5,327	6,570	23.3%
Lloyds Metals & Energy	Metals & Mining	977	1,734	2,390	37.8%
Minda Corporation	Automobile & Auto Ancillaries	168	755	860	13.9%
Sambhv Steel Tubes	Metals & Mining	47	161	210	30.4%
Sun Pharmaceutical Industries	Pharmaceuticals	4,490	1,903	2,300	20.9%
Tanfac Industries	Chemicals	73	3,352	4,120	22.9%
Yash Highvoltage	Power	37	1,269	1,500	18.2%
Yatharth Hospital	Hospitals	105	1,100	1,350	22.7%

New Ideas in Edition VIII	Exclusions from Edition VII
Apollo Hospitals Enterprise	Allied Blender & Distilleries
Aptus Value Housing Finance	Jeena Sikho Lifecare
Coforge	Lumax Auto Technologies
Fiem Industries	Mahindra & Mahindra
ITC Hotels	Meesho
JK Cement	Mangalore Refinery and Petrochemicals
Sambhv Steel Tubes	Smartworks
Tanfac Industries	Man Industries

CIE Sector View

Positive: Autos & Auto Anc., Aerospace & Defence, AlcoBev, Alternative Energy, AMCs, Banking, Cement, Chemicals, Hospitals, Insurance, NBFCs, New Age Tech, Non-Ferrous Metals, Oil & Gas – Downstream, Pharmaceuticals, Power, Retail, Steel, Wires and Cables

Neutral: Building Materials, ER&D Services, Hotels, IT Services, Mining, Oil & Gas – Upstream, FMCG

Negative: Solar Pumps

Source: Choice Institutional Equities

Convex Choices

CIE Model Portfolio Performance Outshines Benchmark Indices

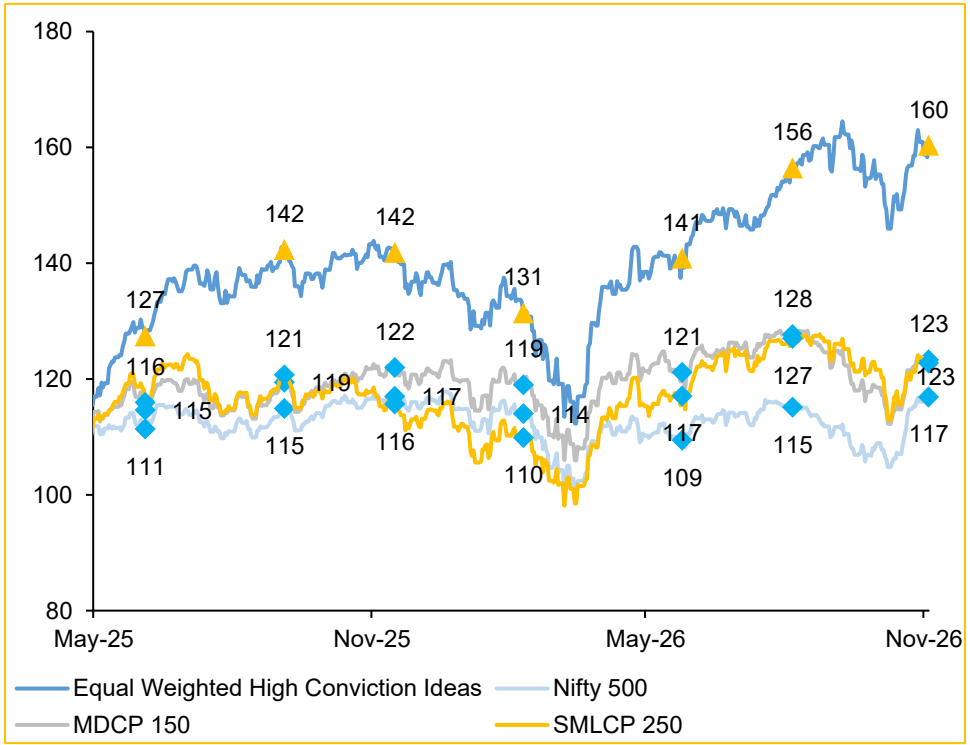
Choice Institutional Equities

Methodology, Performance & Risk

Our model portfolio is a concentrated, conviction-led portfolio of 20 stocks, equally weighted and rebalanced every quarter following the earnings season. The portfolio is built exclusively from stocks under our research coverage, with stock selection driven by detailed earnings analysis, quality of growth, structural industry drivers and valuation comfort. Sector overweights and underweights are purposeful outcomes of our bottom-up stock selection rather than top-down allocation calls. Position sizes are not altered between rebalances, ensuring discipline and limiting short-term noise.

Since inception in March 2025, the portfolio has delivered a 60.4% return, significantly outperforming the 16.6% return for the Nifty 500, 23.1% for the Nifty Midcap 150 and 22.6% for the Nifty Smallcap 250. Despite its strong alpha generation, risk has remained controlled. The portfolio's maximum drawdown since inception has been 21.9% as compared to 14.8% for the Nifty 500. The portfolio is deliberately skewed towards small and mid-cap companies where we see superior earnings visibility, structural growth drivers and attractive valuation**. The combination of rigorous earnings-led stock selection, concentrated positioning and disciplined quarterly rebalancing has been the key driver of sustained outperformance.**

Performance of CIE Model Portfolio



▲◆ *denotes day of Rebalancing*

Source: FactSet, Choice Institutional Equities

Re-balancing	CIE return (%)	Nifty 500 Return (%)	Nifty 50 Return (%)	Nifty Midcap 150 Return (%)	Nifty Smallcap 250 Return (%)
1	27.4%	11.3%	7.6%	14.6%	15.9%
2	11.7%	3.2%	2.2%	4.2%	4.1%
3	(0.3%)	1.9%	3.4%	2.2%	(4.2%)
4	(7.4%)	(2.6%)	(2.9%)	(2.5%)	(5.0%)
5	7.2%	(4.0%)	(8.6%)	1.8%	6.6%
6	11.1%	5.2%	4.3%	5.4%	8.5%
7	2.5%	1.6%	5.2%	(3.4%)	(3.3%)
Total	**60.4%**	**16.9%**	**10.7%**	**23.3%**	**22.7%**

Source: FactSet, Choice Institutional Equities

Convex Choices

Table of Contents

I. Convex Choices Edition VII: Update on our Previous Recommendations 8

II. Choice Sector View 12

High-conviction Investment Ideas & Key Investor Questions Answered

I. Apollo Hospitals Enterprise Limited 24

II. Aptus Value Housing Finance Limited 26

III. Bajaj Consumer Care Limited 28

IV. Bharat Dynamics Limited 30

V. Capri Global Capital Limited 32

VI. Chennai Petroleum Corporation Limited 34

VII. Coforge Limited 36

VIII. FIEM Industries Limited 38

IX. Fractal Analytics Limited 40

X. Garden Reach Shipbuilders & Engineers Limited 42

XI. Granules India Limited 44

XII. ITC Hotels Limited 46

XIII. JK Cement Limited 48

XIV. Lloyds Metals & Energy Limited 51

XV. Minda Corporation Limited 53

XVI. Sambhv Steel Tubes Limited 55

XVII. Sun Pharmaceutical Industries Limited 57

XVIII. Tanfac Industries Limited 59

XIX. Yash Highvoltage Limited 61

XX. Yatharth Hospital & Trauma Care Services Limited 63

Convex Choices Edition VII : Update on our Previous Recommendations

Company	CMP *	Target Price	Current Rating	Returns Since Inclusion (%)	Investment Case	Edition VIII Inclusion
Allied Blender & Distilleries	806	850	BUY	46.5%	We are removing Allied Blender & Distilleries given the excellent recent run-up in the stock price. Our Q2FY27 review lifts the target to INR 850 from INR 740, but at INR 806 the stock offers only about 5% to target. At 40.7x FY28E earnings, with much of the margin upside dependent on capacity coming online over FY28E and FY29E, we await further growth opportunities.	✗
Bajaj Consumer	408	715	BUY	-16.9%	We remain constructive on Bajaj Consumer Care's long-term growth strategy, driven by the sustained growth in ADHO, scaling up of the non-ADHO growth portfolio, premiumisation and Project Aarohan-led distribution expansion strategy. Sustained double digit growth and operating leverage are expected to drive Revenue/EBITDA/PAT CAGR of 15%/22%/21%, respectively, over FY26–29E.	✓
Bharat Dynamics	1,032	1,600	BUY	-35.9%	We retain BDL as a high-conviction idea, supported by successful trials across next-generation ATGMs, upgraded SAMs, VL-SRSAM, LR-LACM and underwater weapon systems. The expected ~INR 200 Bn order inflows over the next 2–3 years, with several programmes nearing finalisation, provide strong growth visibility. Strategic JVs with global defence players further strengthen its technology and export opportunities.	✓
Capri Global Capital	240	320	BUY	6.6%	CGCL's Q2FY27 print reinforces our conviction in its branch-led, gold-loan-driven growth model. PAT rose 77.3% YoY to INR 4.2 Bn (11.6% above our estimate) on 62.3% AUM growth, led by Gold Loans (+101.8% YoY). Cost-to-income improved to 44.0% from 51.9% as the network scaled to 1,609 branches, with 400-450 more Gold Loan branches planned over the next two quarters. The Stage-2 rise in Gold Loans is technical and should ease by Q3FY27. We see RoE improving from 16.5% in FY26 to 22.3% by FY29E.	✓
Chennai Petroleum Corporation	1,426	1,885	BUY	2.5%	We remain bullish on CPCL, driven by our expectation of sustained strength in middle-distillate cracks. ICE gasoil cracks averaged ~10% higher in Q3FY27 (through the second week of November) compared with Q2FY27, reinforcing our positive refining margin outlook. CPCL's distillate-centric product slate (~53% diesel) provides significant earnings leverage to elevated cracks, supporting our projected PAT CAGR of 20.7% over FY26–FY29E.	✓
Fractal Analytics	820	1,080	BUY	-16.9%	We retain Fractal as our high-conviction idea, as Q2FY27 reinforces its differentiated positioning in enterprise AI and the resilience of its underlying growth engine. Revenue grew 20% YoY, led by HLS (+79%) and BFSI (+30%), while TMT showed early signs of recovery (+6% QoQ). Healthy client mining (NRR: 115%) and product traction strengthens growth visibility. While elevated AI investments weigh on gross margins, we expect H2FY27 recovery and strong operating leverage, supported by improving utilisation and scaling product monetisation to drive earnings growth.	✓

** CMP as on November 19, 2026*

Convex Choices Edition VII : Update on our Previous Recommendations

Company	CMP*	Target Price	Current Rating	Returns Since Inclusion (%)	Investment Case	Edition VIII Inclusion
Garden Reach Shipbuilders	2,087	3,500	BUY	-22.0%	We maintain GRSE as a high-conviction idea, backed by India's naval modernisation and a strong pipeline of indigenous warship programmes. The addition of the NGC mega order, alongside execution across existing naval and Coast Guard projects, significantly strengthens its order visibility. Expanding shipbuilding capabilities and export opportunities provide further growth levers.	✓
Granules	804	1,010	BUY	-4.8%	GRAN remains one of our high-conviction ideas, supported by a strong US launch pipeline, with five launches expected in H2FY27E, including 2–3 controlled substances. The company has retained its #3 position in the US controlled substances market. Complex generics have also increased their contribution to consolidated revenue from 1% in FY20 to 34% in FY26. We expect the planned oncology launches in FY28E to provide an additional growth driver. We project revenue, EBITDA and PAT CAGRs of 22%, 27% and 34%, respectively, in FY26–FY29E.	✓
Jeena Sikho Lifecare	304	440	BUY	-63.0%	We remove JSLL due to weakening earnings visibility and execution challenges. Despite 23.9% revenue growth in Q2FY27, EBITDA declined 21.8%, margins contracted by 1,786 bps. Further, management has reduced FY27 revenue and margin guidance, reflecting delays in growth initiatives and weaker-than-expected execution. Significant downward revisions to FY27–FY28 earnings estimates reinforce concerns around near-term performance and forecast reliability.	✗
Lloyds Metal & Energy	1,734	2,390	BUY	1.0%	Q2FY27 was soft on volumes, as expected, with the monsoon cutting iron ore sales to 2.12 MnT from 5.46 MnT in Q1. Even so, standalone EBITDA grew 83% YoY and margin expanded 419 bps YoY to 37.2%, as pellets and DRI made up for lower ore tonnes; steel and VAP now contribute 67% of standalone EBIT. Net debt rose to INR 93.2 Bn on peak-year capex, but should start easing from FY28E. With the 1.2 MnT steel plant due in Q4FY27, the 195-km pipeline adding INR 800–1,000/t of freight savings and Chemaf's copper cathodes from early FY28 (not in our TP), we retain LLOYDSME in our portfolio.	✓
Lumax Auto Technologies	2,342	2,560	BUY	112.9%	We remove Lumax Auto Technologies from our top picks following the significant stock price run-up, which has limited upside potential to our target price, despite strong fundamentals and healthy long-term growth prospects.	✗
Mahindra & Mahindra	3,510	4,000	BUY	28.0%	We remove M&M from our preferred investment ideas, given near-term uncertainty in the Farm business following the weak monsoon outlook and moderation in tractor demand. While its leadership in farm equipment and strong positioning across LCV and MUV categories remain intact, subdued Farm growth, commodity pressures and intense MUV competition temper near-term earnings visibility. We retain our positive long-term view.	✗

** CMP as on November 19, 2026*

Convex Choices Edition VII : Update on our Previous Recommendations

Company	CMP*	Target Price	Current Rating	Returns Since Inclusion (%)	Investment Case	Edition VIII Inclusion
Man Industries	765	1,030	BUY	108.5%	We remove MAN from our top picks following the significant stock price run-up, while maintaining our constructive view on its strong fundamentals and healthy long-term growth prospects.	✗
Meesho	254	265	BUY	51.8%	We remove Meesho from our preferred investment ideas following a sharp ~30% rally in last 3 months, which has compressed upside potential and weakened the risk-reward at CMP. While its asset-light model, strong user growth and improving contribution margins support the long-term opportunity, valuations increasingly reflect the expected growth and profitability improvement. We see limited near-term upside amid execution risks around monetisation, margin expansion and intensifying competition. We remain constructive on the business but adopt a more measured stance on near-term return potential.	✗
Minda Corporation	755	860	BUY	1.3%	We continue to prefer Minda Corporation, given its diversified product portfolio, technology capabilities and leadership in high-growth automotive electronics. Robust Q2FY27 performance, with revenue growth of 42.6% and improving margins, reinforces execution strength. Rising EV content, premiumisation, increasing PV exposure, localisation and new programme wins provide growth levers, supporting sustained above-industry growth and stronger earnings visibility over the medium term.	✓
Mangalore Refinery and Petrochemicals	176	215	BUY	1.7%	We remove MRPL from our high-conviction list as part of our quarterly realignment; this reflects portfolio positioning, not a change in our positive view on the company. We continue to prefer MRPL, given its high refinery complexity, superior crude-sourcing flexibility and middle distillate-centric product slate (~41% diesel and ~20% ATF). Structurally elevated diesel and jet fuel cracks, discounted crude procurement and VLCC-enabled logistics support stronger refining margins. Increasing petrochemical integration, HiQ retail expansion and emerging SAF opportunities provide incremental growth levers, supporting sustained earnings momentum and improved profitability over FY26–FY29E.	✗
Smartworks	516	630	BUY	20.3%	We remove SMARTWORK from our top picks following a significant run-up in the stock price, while maintaining our constructive view on its strong fundamentals and healthy long-term growth prospects.	✗

** CMP as on November 19, 2026*

Convex Choices Edition VII : Update on our Previous Recommendations

Company	CMP *	Target Price	Current Rating	Returns Since Inclusion (%)	Investment Case	Edition VIII Inclusion
Sun Pharmaceuticals	1,903	2,300	BUY	7.0%	SUNP remains our preferred pick, supported by a strong launch pipeline across biosimilars, peptides and innovative products. We believe Organon's acquisition further enhances the company's value proposition, with revenues expected to double to ~USD 12 Bn while sustaining an EBITDA margin of ~30%. We believe the company is well positioned to emerge as one of the top 25 global pharma players.	✓
Yash Highvoltage	1,269	1,500	BUY	69.6%	We remain positive on YASHHV due to its strong competitive moat. Being the only pure-play condenser-graded transformer bushings manufacturer (new suppliers require 8–10 years of qualification cycle) in the country during one of the largest power infrastructure capex phase in India, we expect the revenue to grow at a CAGR of 49% over FY26–FY29E along with an improvement in margin profile.	✓
Yatharth Hospital & Trauma Care Services	1,100	1,350	BUY	186.5%	YATHARTH remains our preferred pick, as it delivered strongest quarter yet, with record revenue, sharp EBITDA growth, its highest-ever realisation per occupied bed and rising occupancy. Advent International's strategic investment funds acquisitions of established, EBITDA-positive hospital chains in North India, lifting the bed target to 7,000–8,000 from 5,000. Newer hospitals are ramping up quickly, with Faridabad Sector 20 reaching breakeven in record time, while dependence on government payors is falling and the mix is shifting toward cash and private insurance patients.	✓

** CMP as on November 19, 2026*

Choice Sector View – 1/12

Healthy Momentum For Building Materials, Constructive on Cement Demand

Industry	Sector	Outlook	Choice Sector View
Basic Materials	Construction Materials	Neutral	**Building Materials (Tiles, Bathware, PVC Pipes, Plywood, MDF, Wood Coating and SAW Pipes)** **Premiumisation and Market-Share Gains to Drive Growth** We remain **Neutral on Building Materials**, as Q2FY27 earnings highlighted broad-based demand strength while profitability remained mixed across sub-segments. **Plastic pipes and SAW pipes emerged as key growth drivers**, supported by healthy volumes, favourable product mix and operating leverage. **Tiles and Bathware reported double-digit revenue growth whereas volumes remained flat due to subdued** demand and intense competition. **Plastic pipes** companies reported double-digit volume growth, driven by channel restocking, PVC price stability (albeit at higher levels) and witnessed margin recovery, supported by a favourable product mix. **Wood coatings** remained relatively resilient driven by premiumisation and distribution expansion. We prefer **organised players with strong brands, premium product portfolios, distribution expansion and a demonstrated ability to gain market share**. We anticipate the next leg of sector growth to be increasingly driven by **volume-led market-share gains, premiumisation and operating leverage**, rather than broad-based pricing growth. Accordingly, we remain more constructive on **Plywood/MDF, SAW pipes and select wood-coating and plastic-pipe players**, while remaining cautious on categories where demand and pricing remain under pressure. We forecast companies in our coverage to maintain healthy momentum over FY27E–FY29E drawing on **6–20% volume CAGR and 1–4% realisation CAGR**, translating into healthy revenue growth, while better product mix, premiumisation and operating leverage support a gradual recovery in profitability.
		Positive	**Cement** **Demand Recovery and Pricing Discipline to Drive Gradual Margin Improvement** We remain positive on the Indian cement sector, **expecting 8–9% volume growth in FY27E to 520–525 MT** (vs. ~480 MT in FY26), driven by infrastructure spending, steady housing demand and a gradual recovery in rural and I&C activity. **Demand growth is expected to outpace ~6% capacity additions (~40 MTPA), improving utilisation by 1.5–2 pp to 71–72%.** Pan-India cement prices increased by **~INR 9/bag MoM in Oct'26**, led by **East (+INR 13), South (+INR 11), West and North (+INR 8) and Central (+INR 4).** October price hikes have largely sustained, indicating healthy absorption. **Demand remained stronger in North and South, with improving traction in East and West, while Central witnessed a gradual recovery**. We expect **further INR 5–10/bag price hikes in Nov-Dec'26**, supported by post-festive demand recovery. Cement volumes are **expected to improve 10–15% QoQ in Q3FY27E**, although **operating cost may rise by ~INR 100/t**. Improved realisations should enable partial cost pass-through, **supporting gradual H2FY27E margin recovery**. Regional pricing disparities and fuel-cost volatility remain key monitorable.

Choice Sector View – 2/12

Buoyancy in Commodity Cycle Drives Positive Skew on Metals

Industry	Sector	Outlook	Choice Sector View
Basic Materials	Steel & Non-Ferrous Metals	Positive	**Firm Steel Demand and Four-Year High Prices Lift Producer Margins** **Steel:** India's steel sector continues to benefit from infrastructure, automotive and capital-goods demand. In H1FY27, **crude steel production rose 2.9% YoY to 85.1 MT**, while **finished steel consumption rose 7.5% YoY to 84.9 MT**, outpacing finished steel production (+3.7% YoY to 81.8 MT). Demand running ahead of domestic output has kept India a net importer, with **finished steel imports up 23.8% YoY to 4.14 MT**, while exports rose 26.2% YoY to 3.55 MT. Prices were firm through the quarter. After a marginal cut in July, **mills raised HRC prices by ~INR 4,000/tonne between August and early September to a four-year high**, helped by tight spot availability, lean distributor inventory and higher coking-coal costs. Prices have since consolidated into the festive slowdown, with Mumbai HRC at ~INR 62,475/tonne (ex-GST) on November 12. Rising imports (China supplied ~31% of the total) and the **anti-dumping investigation into HRC from China, Japan and Russia**, launched in June, remain the key swing factors for pricing power. Producer earnings reflect the strong quarter, with **leading integrated players reporting Q2FY27 India EBITDA/tonne of ~INR 17,790 (~25% margin)** on 16% QoQ volume growth, while consolidated EBITDA rose 14% QoQ. We see the best risk-reward in downstream steel, where **mix upgrade, backward integration and capacity ramp-ups** drive EBITDA/tonne independent of the steel cycle. **Record Aluminium and Copper Earnings; Secondary Sourcing Gains Traction** **Non-Ferrous Metals (Aluminium, Copper):** **Q2FY27 was a record quarter for non-ferrous producers**, with **domestic primary upstream EBITDA up 55% YoY (USD 2,125/tonne, 52% margin) and copper EBITDA up 164% YoY, supported** by **elevated LME prices**, higher by-product realisations, and one-time gains. Across major integrated operations, **primary aluminium output reached a record 649 kt (+5% YoY)** with **segment EBITDA up 83% YoY**, supported by **net debt/EBITDA improving to 0.7x**. However, procurement dynamics have increasingly shifted toward circular efficiency: **secondary (recycled) aluminium supply is ample** and has become **highly productive to source** due to improved scrap-sorting technologies, enhanced melt-loss efficiencies, and closed-loop measures. A parallel trend is visible in **copper**, where higher refined metal prices have driven greater use of secondary and scrap sources among electrical and cable manufacturers. The near-term risk remains **price normalisation**: **LME aluminium prices eased ~10% QoQ** as smelters that had curtailed output returned to production, and producers expect prices to keep easing. **Structural demand from power grids, renewables, EVs, infrastructure, and electrical equipment**—combined with ongoing domestic and global capacity ramp-ups and **optimised secondary scrap procurement**—should keep volumes and value-added mix supportive. Key risks include **weaker LME prices, higher alumina/energy costs, and a slowdown in global industrial activity**.

Convex Choices

Choice Sector View – 3/12

Chemicals on the Path to Recovery; Mining Volumes Ahead of Dispatches

Industry	Sector	Outlook	Choice Sector View
Basic Materials	Chemicals	Positive	**Price-Led Revenue Growth, While Inventory Gains Fade** **Q2FY27 revenue growth was realisation-led,** as companies passed through crude-linked feedstock and freight inflation, while Q1FY27 inventory gains reversed. We expect margin to normalise in FY28E as lagged pass-through catches up. **Specialty proved more resilient than basic chemicals**, supported by richer product mix and long-term CDMO contracts. Sunrise sectors, notably battery and semiconductor chemicals, are moving to commercialisation, aided by US non-Foreign Entity of Concern (FEOC) sourcing rules. **Fluorochemicals remained the strongest pocket,** on healthy demand and firm refrigerant spreads. India is expected to benefit from capacity freezes and cuts in Japan, USA and China. CY2027 is a free production year for India. In basic chemicals, **phenolics spreads benefited** from higher landed cost of imports and the restored import duty. **Agri-inputs saw demand hit by El-Niño in India and Brazil as well as European heatwaves.** Agrochemical revenue was broadly flat YoY, though generic exporters held margins through pricing discipline. **Fertiliser revenue rose on subsidy-linked realisations;** urea held margins, while NBS grades absorbed sulphur and phosphoric acid inflation. The **47% average hike in NBS subsidy rates (DAP and NPK) will offset inflationary pressure in sulphur and phosphoric acids for the Rabi season (H2FY27E).** **We remain positive on a medium-term basis as the industry is expected to grow at ~8.4% CAGR to ~USD 351 Bn by FY31E**, supported by import substitution, European capacity closures and China's anti-involution drive. Forward Integration, Long-tenure CDMO contracts and the battery and semiconductor chemicals scale-up should drive the next leg of growth from FY28E.
	Mining	Neutral	**Output Surges, but Dispatches Lag; We Stay Neutral** Iron ore miners kept ramping up output in H1FY27, but offtake has not kept pace. **Major domestic production rose 22.8% YoY to 27.27 MT in April–September 2026, while sales were flat at 22.33 MT**. In September alone, production rose 7.7% YoY to 4.04 MT, but **sales fell 9.5% YoY to 3.51 MT**. The widening gap between output and dispatches suggests inventory build-up and underlines that demand, not supply, is the near-term constraint. Pricing has been choppy. After cuts in July and August, **producers raised lump ore (65.5% Fe) by INR 150 to INR 5,400/tonne effective September 9, while keeping fines (64% Fe) unchanged at INR 4,500/tonne**. Softer post-festive steel prices limit further upside to realisations in the near term. Medium-term growth remains intact. Miners continue to pursue **aggressive capacity expansion**, while the domestic steel build-out (**~222 MTPA capacity heading to 300 MTPA by FY31E**) secures demand for high-grade ore (~64% Fe). Balance sheets remain **virtually net debt-free**, insulating earnings from seaborne price swings. With volumes running ahead of dispatches and realisations capped, we remain Neutral on the sector and prefer downstream, value-added steel exposure.

Convex Choices

Choice Sector View – 4/12

Higher Cracks Strengthen Pure-play Refiners Outlook; Solar Consolidation Favours Integrated Players

Industry	Sector	Outlook	Choice Sector View
Energy	Oil & Gas-Upstream	Neutral	India's domestic crude and gas production declined ~3.5% and ~4.4% YoY, respectively, in H1FY27. **We expect low-single-digit upstream volume growth through FY29E amid ageing fields, reservoir complexities and infrastructure bottlenecks.** Exploration activity is gaining momentum under Samudra Manthan, with ONGC targeting up to 13 deepwater wells in FY28 and Oil India scaling drilling activity to 100 wells in FY27. While sector fundamentals are improving, execution risks persist. **We retain a neutral outlook on the upstream sector and remain selective, favoring companies with stronger growth visibility. We also prefer select oilfield-services companies with strong balance sheets, positioned to benefit from a recovery in upstream spending amid elevated oil prices.**
	Oil & Gas-Downstream	Positive	India's transportation fuel demand remains resilient, with petrol and diesel consumption growing 8.5% and 7.5% YoY, respectively, in Q2FY27. Medium-term annual demand growth is projected at 5–6% for petrol and 3.5–4% for diesel. **While elevated crude prices and LPG under-recoveries weigh on marketing profitability, strong middle-distillate cracks supported OMCs' post-SAED GRMs, driving a sharp earnings recovery**. Meanwhile, CGD volumes continue to gain momentum, supported by the LPG-to-PNG transition and expanding distribution infrastructure. Although Special Additional Excise Duty has been hiked recently in the current quarter for Diesel and ATF, **pure-play refiners continue to earn >USD25/b of diesel crack net of SAED, resulting in core GRM of >USD 20/b for pure-play Indian refiners.** Consequently, we expect EBITDA and PAT to grow by at least 50% and 130% YoY, respectively, in Q3FY27.
	Alternative Energy	Positive	India's solar cell industry is undergoing a structural shift **following ALMM List-II implementation in June 2026**. In our opinion, **selective exemptions beyond December 2026 remain possible**. **Domestic cell capacity of ~37–40 GW significantly trails module capacity exceeding 200 GW**, with limited high-efficiency TOPCon availability supporting utilisation. Although **domestic cell capacity could approach 80-100 GW by end-CY2027**, **commissioning delays and yield stabilisation may prolong supply constraints**. Separately, China's proposed export controls, which cover advanced cell, ingot-wafer and polysilicon technologies may increase equipment procurement costs and delay upstream integration, posing implementation risks for ALMM List-III, currently scheduled for June 2028. We **expect rising capital intensity and backward integration requirements to drive industry consolidation**, favoring **scaled integrated manufacturers with high cell utilisation**, **secured equipment pipelines**, **strong DCR order books**.

Choice Sector View – 5/12

AlcoBev Powered by Premiumisation, Auto Ancillaries H2 Moderates on a Higher Base

Industry	Sector	Outlook	Choice Sector View
Consumer Discretionary	AlcoBev	Positive	**Growth will be K shaped: Premiumisation and Policy Tailwinds Support Volume Growth** Premiumisation remains the **key structural growth driver** for the sector, with **P&A portfolios outperforming mass-market segments**. **State Excise policies** have largely turned favourable for both beer as well as spirits. **Karnataka's policy revamp** is favoruing volume growth in the Beer segment. Further, two large states, namely, **Bihar and Tamil Nadu are expected to open up**, offering further opportunity for national players. The **India–UK FTA** offers potential cost benefits for domestic blenders using bulk Scotch; however, **DRI scrutiny** over the classification of bulk Scotch imports has created uncertainty around the applicability and timing of concessional duties, industry expects this to be resolved soon. Elevated packaging and input cost are posing **near-term margin headwinds;** however, these are **partly offset by premium mix improvement, pricing actions and backward integration**. **We remain positive on the sector**, supported by sustained premiumisation, improving demand momentum and favourable policy developments, however, input cost inflation is likely to affect the **smallest players first**.
	Automobile & Auto Ancillaries	Positive	**Higher Base Limits Growth; Margin Recovery Remains Gradual** We expect India's automobile sector to expand at a **7.0% CAGR over FY26–29E**, supported by rising disposable incomes, replacement demand, premiumisation and accelerating electrification. For H2FY27E, we expect sales growth **to moderate, primarily due to an elevated base, following strong demand recovery and GST-led volume acceleration in H2FY26**. November festive demand, new launches and improved vehicle affordability should provide some support, although the benefit may be partly offset by base effects and post-festive normalisation. Price **hikes and easing commodity costs should support gradual margin recovery** from Q3FY27E and Q4FY27. However, **West Asia-related supply disruptions, higher financing costs and El Niño-related rural risks** remain key concerns. The PV segment is expected to remain resilient, driven by sustained SUV demand, premium launches and rising hybrid and EV adoption. **Q2FY27 PV sales grew 30.7% YoY**, supported by GST-led affordability and strong utility vehicle demand. However, **elevated dealer inventory of 43–45 days and the risk of post-festive moderation warrant close monitoring**. The 2W segment is poised for steady growth, led by **premium motorcycles, scooters and EVs**. However, rural demand remains relatively vulnerable, with below-normal monsoon conditions and higher financing costs potentially weighing on entry-level demand. The CV segment is likely to outperform, **supported by infrastructure spending, fleet replacement, freight activity and improving transporter economics**. However, higher fuel and financing costs could moderate replacement demand. Rising fuel prices are expected to improve EV economics, while expanding model portfolios, localisation and charging infrastructure should support adoption of EVs, hybrids and other alternative powertrains. We remain constructive on Auto Ancillaries, aided by healthy vehicle volumes, premiumisation, new launches, exports and rising content per vehicle. However, **commodity inflation, West Asia-related freight and energy costs, CAFE III compliance, semiconductor availability and weaker-than-expected demand remain key risks.**

Choice Sector View – 6/12

Hotels and Retail Hold Up; FMCG Margins Face Raw-Material Inflation

Industry	Sector	Outlook	Choice Sector View
Consumer Discretionary	Hotels	Neutral	Q2FY27 was strong for a seasonally weak quarter, with **industry RevPAR up 16% YoY, driven by ARR growth of 8–10% and a 200-bps gain in occupancy** on resilient domestic demand and a robust events calendar. We expect H2 to be healthy as demand improves on the back **of festive season, holidays and more wedding dates**. Cost pressure is also expected to ease as GST 2.0 enters the base and gas-fired equipment is replaced with electric. New supply begins to come through from FY28E, with most listed players targeting a doubling of room inventory by FY31E. This should sustain revenue growth even as RevPAR plateaus toward the later stage of the upcycle. We see a sector re-rating as contingent on three triggers: two consecutive quarters of occupancy-led RevPAR growth, margin recovery, and normalisation of air connectivity.
	Retail & Jewellery	Positive	**Structural Tailwinds from Organised Retail Expansion and Rising Consumer Affluence** B2B jewellers and luxury retail continued to outperform the broader retail segment in Q2FY27, driven by sustained demand momentum. We remain positive on the jewellery and luxury retail sectors over the medium to long term. However, the **recent decline in gold prices could result in near-term margin pressure due to inventory losses and potential postponement of jewellery purchases by consumers.** **Jewellery: Organised Retail Expansion to Benefit B2B Manufacturers** The Indian jewellery market is witnessing a structural shift towards organised players, with their share increasing from **5% in CY05 to 35% in CY23** and expected to reach **~60% by CY29E**. Mandatory hallmarking, expansion into Tier 2 & 3 cities and rising consumer preference for trusted brands are key growth drivers. We believe this transition will benefit organised B2B manufacturers through higher demand visibility and sustained formalisation. Players with strong design capabilities, automation led production, flexibility across karat categories and robust compliance standards are likely to emerge as preferred partners. **Luxury Retail: Rising Affluence to Drive Luxury Consumption** India's affluent population is expanding rapidly, supporting long-term luxury consumption. According to Knight Frank's The Wealth Report 2026, India's UHNWI population grew **63.4% over five years to 19,877 in 2026**, making it the sixth-largest market globally, and is expected to grow another **27% to 25,217 by 2031**. The billionaire population is also projected to increase 51% to 313 by 2031. **Ethos is well positioned to capitalise on this opportunity**, driven by its established presence in luxury watches, expanding retail footprint and increasing demand for premium products.
Consumer Staples	FMCG	Neutral	**Raw Material Inflation could Impact near term Margins** The FMCG sector continues to witness resilient consumer demand, with most companies indicating that underlying consumption trend remains healthy. **Rural demand continues to outpace** urban markets. At the same time, premiumisation remains intact, as consumers continue to **trade up across categories**. Quick commerce has emerged as the fastest-growing channel, gaining increasing relevance in urban markets and driving incremental consumption, particularly in premium and convenience-led categories, in line with long-term structural growth trends. However, in the near term, continued volatility in **key raw material prices** is projected to trigger uncertainty around margin. Palm oil, crude and crude derivatives including **packaging materials remained inflationary** and companies are likely to take **calibrated price increases**, but the ability to fully **pass on higher cost without impacting volumes remains a key monitorable**. Going forward, El-Nino, raw material inflation and festive season will be key things to watch out in the sector.

Choice Sector View – 7/12

Financialisation Supports AMCs, Credit Growth and Repo Hike Aids Earnings for Banks

Industry	Sector	Outlook	Choice Sector View
Financials	AMCs	Positive	**Core revenue growth remains healthy; MTM losses weigh on other income** The AMC industry continued to demonstrate strong growth momentum in Q2FY27, with all listed players reporting core revenue growth in the range of 5-21**%. Further, blended yields either expanded or remained stable QoQ across all listed AMCs.** Industry QAAUM grew 13% YoY and 5% QoQ to INR 87.2 Tn, while equity QAAUM outpaced overall growth, increasing 16% YoY and 7% QoQ to INR 50.8 Tn**. Sequential SIP growth declined or remained flat for most listed players, while industry SIP growth moderated to 3% QoQ amid weak market conditions since FY26, albeit remaining positive.** Meanwhile, treasury and other income declined across companies due to negative MTM losses. Expenses remained disciplined for most of the AMCs. Consequently, listed AMCs delivered strong operating performance, with operating metrics growing 4% QoQ. **Concerns over equity revenue yield compression under the new TER framework appear manageable across all AMCs.** **We expect the AMC industry to sustain high-teens AUM growth (16-18% AAUM growth) over the medium term, although quarterly growth is likely to remain volatile, driven by equity market movements and flows in debt/liquid products.** The key structural growth drivers remain intact, including continued financialisation of savings, rising equity allocation, and increasing penetration of passive products such as ETFs and index funds. Alternatives such as PMS, AIFs, SIFs and private credit should provide higher-yielding diversification opportunities, while digital distribution is expected to further expand reach and reduce servicing friction.
	Banks	Positive	**Sustained Credit Growth and Potential Rate Hikes to Aid Strong Core Earnings Growth** NIMs for most of the large private banks witnessed a compression in Q2FY27, driven by significant FCNR (B) flows and decline in share of CASA deposits. Weighted Average Lending Rate (WALR) for Fresh Loans and for Outstanding loans **witnessed a reduction of 89 bps and 84 bps**, respectively, from **Feb-25 to Sep-26**, which reflects a satisfactory transmission considering the current inflationary environment and sharp up move in 10-year G-sec yields (one of the highest levels witnessed in last 3-years). On the liability side, the Weighted Average Term Deposits Rate (WATDR) on Fresh Deposits and Outstanding Deposits **saw reduction of 94 bps and 55 bps**, respectively, over the same period. WATDR on Fresh Deposits have observed significant **down move by 94 bps as of Sep-26 compared to 48 bps as of Mar-26, reflecting FCNR (B) deposits have eased banking sector's** difficulty **in mobilising deposits** at lower rates. However, launch of FCNR (B) programme by RBI to attract foreign flows, has supported systemic deposit growth **(+7.7% YTD FY27**) in FY27E. The current West Asia Conflict has meaningfully impacted India's CPI inflation trajectory, and **we anticipate RBI to progress further towards policy tightening in FY27E**. Against this backdrop, we forecast marginal improvement in NIMs of both private and PSU banks over FY27E, led by a repricing of cost of deposits and increase in lending rates driven by repo rate hikes. Further, we **expect the systemic banking credit growth** to slow down from 16.1% observed in FY26 **to a range of 13.0–14.0% in FY27E**, as the higher base effect is anticipated to kick in over H2FY27E. Elevated global bond yields, rising energy costs and broader input price pressures underpin our forecast of **two 25 bps rate hikes** in FY27E. Banking **earning growth in FY27E is expected to be supported by sustained credit offtake** across MSME and retail loans, and **potential improvement in NIMs**.

Choice Sector View – 8/12

Protection a Key Growth Driver for Insurance, NBFCs Expected to Outperform Banks

Industry	Sector	Outlook	Choice Sector View
Financials	Insurance	Positive	**Healthy APE growth and VNB Margin in Q2FY27; IRDAI's Consultation Paper on Distribution Reforms Remains a Key Watchpoint Ahead** Listed life insurers reported mixed APE growth, with private players clocking APE growth of 11-18% YoY while LICI posted a relatively modest 4% YoY APE growth. **VNB margins expanded by 40-250 bps YoY, supported by better product mix, offsetting the GST ITC unavailability impact.** Robust growth in protection also aided the VNB margins of the companies. **Looking ahead, the life insurance industry is expected to maintain healthy long-term growth momentum of ~10–12%.** In terms of the IRDAI consultation paper, most of the companies believe that the proposals remain at an early stage, with the impact on product pricing and economics uncertain. Meanwhile, some players believe ongoing cost-control initiatives and improving cost-to-premium ratios position them well to adapt to the proposed changes. **At the industry level, protection is emerging as a key growth engine, non-par is becoming an increasingly important product-mix lever, the GST-related impact is gradually fading, and distribution is emerging as a key competitive battleground**.
	NBFCs	Positive	**Credit Stress to Remain High in CV Segment, while Credit Growth to outperform Banks in FY27E** **NBFCs credit growth stood at 15.4% YoY as of Sep-26**, which was driven by resilient growth momentum witnessed across **Retail (+21.9% YoY), Agriculture (+17.8% YoY) and Services (+17.3% YoY).** Moreover, retail credit offtake was led by Gold Loan (+66.1% YoY), Consumer Durable (+54.4% YoY) and Vehicle Financing (+16.1% YoY). We **anticipate the NBFC credit growth to remain in the range of 15.0%–17.0% CAGR over FY26–FY28E**. We believe that NBFCs are expected to gain market share from banks, driven by stronger loan origination, shorter TAT and niche focus on selected product categories. **CV segment has underperformed the overall credit growth,** and we continue to **expect it underperform in the short term**, impacted by the ongoing West Asia Conflict. CV **Financiers have already witnessed inch up in NPAs**, while going forward they are expected to **remain stable as the fleet operators are observing lower utilisation**. On the contrary **the MSME segment has witnessed buoyant credit growth** on account of higher need for working capital loans. Gold financers **may observe a reduction in growth momentum** given **decline in gold prices and higher base**, partially **offset by expansion of physical branch network**. We **forecast stable yields and marginal inch up in stress** for Gold Loan Financiers.

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Choice Sector View – 9/12

CGHS Rate Revision and New Bed Ramp-Up Drive Structural Growth in Hospitals, Pharma Supported by CDMO

Industry	Sector	Outlook	Choice Sector View
Healthcare	Hospitals	Positive	**A Multi-year Healthcare Cycle: Capacity Expansion and Operating Leverage to Drive Returns** The Indian hospital industry remains in a structurally strong, multi-year growth phase, supported by rising healthcare demand, **an ageing population, increasing chronic disease burden, improving affordability, higher insurance penetration and growing medical tourism**. India's healthcare delivery market was valued at INR 6.3–6.5 Tn in FY25 and is expected to **grow at a ~10–12% CAGR to reach ~INR 12 Tn by FY30**, while the hospital market is projected to expand from USD 99 Bn in 2023 to ~USD 194 Bn by 2032. The sector continues to witness strong revenue growth, **driven by capacity additions, improving occupancy, higher ARPOB and increasing penetration of high-acuity specialties**. Leading players are pursuing aggressive brownfield and greenfield expansions, largely funded through internal accruals. EBITDA margin is expected to improve as new hospitals scale up and achieve breakeven, while growth in international patients, diagnostics and pharmacy further supports profitability. Recent regulatory developments, including the NPPA's **30% trade margin cap** on 137 anti-cancer drugs and proposed restrictions on hospital room rentals and related procedure charges, could improve patient affordability but create profitability headwinds for organised hospital chains. The impact could be more **pronounced for premium hospitals with higher oncology**, in-house pharmacy and private-room revenue exposure. Capacity expansion is gaining momentum, with private hospitals expected to **add over 34,000 beds by FY30, involving investments of ~INR 400 Bn**. The October 2025 CGHS rate revision, rising insurance coverage and increasing penetration into Tier-II/III cities are likely to provide further growth catalysts. Overall, these factors underpin a favourable multi-year growth outlook for the sector, with sustained revenue expansion and improving margins supported by operating leverage.
	Pharmaceuticals	Positive	**Pharma's Structural Growth Story Intact Amid Strong IPM Growth and Emerging Specialty Opportunities** **Sector outlook remains positive**, with Q2FY27 performance reinforcing healthy underlying demand. While company-level earnings were mixed due to product-specific competition and other company-specific factors, the overall industry growth outlook remains intact. Domestic demand remained strong, with **IPM growing ~14.7% YoY in Q2FY27**, led by chronic therapies, improving volumes and new launches. We are also witnessing **increased traction in biosimilar launches**, with molecules such as Nivolumab and Aflibercept expanding the opportunity. **Peptides continue to gain traction**, with brands such as Cipla's Yurpeak (Tirzepatide) and Sun Pharma's Noveltreat (Semaglutide) leading the market. We **expect the CDMO opportunity in India to remain strong at an expected CAGR of 15.0% over FY26-30E**, supported by increasing global outsourcing and a shift towards diversified manufacturing supply chains. On the regulatory front, the **recent NPPA move to cap trade margins at 30%** for 137 non-scheduled anti-cancer drugs is **unlikely to have any material impact on pharmaceutical manufacturers**, as underlying demand is expected to remain intact, with price adjustments primarily impacting trade margins. Additionally, **US generic pricing pressure continues to remain in single digit**, although upcoming LOEs are expected to have company-specific implications. Overall, we **expect IPM to deliver ~9–11% CAGR in the medium term** and remain positive on the sector, supported by domestic growth, specialty therapies, biosimilars and CDMO momentum.

Convex Choices

Choice Sector View – 10/12

Execution Momentum to Pick Up for Defence

Industry	Sector	Outlook	Choice Sector View
Industrials	Defence & Aerospace	Positive	**Execution Accelerates; Programme Deliveries to Drive the Next Growth Cycle** India's defence and aerospace sector continues to benefit from a structural shift towards indigenous manufacturing, supported by sustained government spending, rising domestic procurement and increasing private-sector participation. The FY27 defence budget of **INR 7.85 Tn (+15.2% YoY)**, including **INR 1.39 Tn earmarked for domestic procurement**, reinforces the sector's multi-year growth visibility. Defence production reached a record **INR 1.78 Tn in FY26**, while exports touched **INR 384 Bn**, highlighting the growing scale and competitiveness of the domestic manufacturing ecosystem. The government's targets of **INR 3.0 Tn in defence production and INR 500 Bn in exports by FY29** further underline the long-term opportunity. Importantly, the sector is gradually moving beyond the investment phase, with execution and production ramp-up emerging as key growth drivers. Several programmes across missiles, air defence, combat aircraft, radars, electronic warfare, UAVs and naval platforms are progressing towards production and deliveries. Q2FY27 results indicate improving execution across select companies, although revenue recognition remains uneven due to programme milestones and delivery schedules. Over the next 3–5 years, conversion of the sizeable procurement pipeline into production revenues could drive sustained growth for domestic defence manufacturers. However, earnings growth is likely to remain differentiated, depending on programme exposure, execution capabilities and margin sustainability. **We remain positive on the sector, with a preference for companies having strong programme visibility, proven execution capabilities and exposure to critical indigenous technologies, where order-book conversion can translate into sustainable earnings growth.**
	Solar Pumps	Negative	**Delayed Policy Catalyst Drives Diversification and Margin Pressure** The solar pump segment saw limited execution from state-led schemes. A lack of orders has led to aggressive bidding and lower realisation. Higher raw material cost (steel and copper) coupled with lower realisation led to a contraction in margin in Q2FY27. A renewed KUSUM 2.0 with higher realisation and fresh execution is expected to revive the sector. Meanwhile, companies have pivoted towards PM-Surya Ghar Yojana as an alternative to lack of orders.

Choice Sector View – 11/12

Strong T&D Capex Visibility; Execution Remains the Key Monitorable

Industry	Sector	Outlook	Choice Sector View
Industrials	Power	Positive	**Transmission Pipeline Widens; Execution and Right-of-Way Are Key Monitorable** **The outlook for the power sector remains favourable, supported by sustained investment across the transmission and distribution (T&D) value chain. India plans to invest approximately INR 9 Tn in transmission infrastructure by FY32**. Installed power capacity is expected to increase **from 533 GW in FY26** to **874 GW by FY32**. The government's target of 500 GW of non-fossil fuel capacity by 2030 will necessitate grid strengthening and transmission expansion. The approval of Green Energy Corridor-III (**INR 1.4 Tn** of intra-state transmission infrastructure to integrate 135 GW of renewable energy) and **INR 500 Bn of BESS projects** further strengthens an already large TBCB bidding pipeline. The Q2FY27 earnings commentary remains broadly supportive, with healthy demand, **strong order visibility** and sustained tendering activity despite industry capacity additions. Manufacturers are increasingly prioritising **400/765 kV orders** and booking new business with price-variation clauses. These trends are likely to support demand for extra-high-voltage (EHV) power transformers, reactors, bushings, winding wires and other T&D equipment. However, **execution remains the key near-term monitorable**. Right-of-way delays have led to a reduction in FY27 capitalisation guidance at the central transmission utility, highlighting potential delays in project commissioning. **Execution capabilities, capacity ramp-up and working capital management** will determine the pace at which strong order books translate into revenue growth and earnings. The medium-term earnings outlook remains supported by **higher capacity utilisation, a rising 400 kV+ product mix and operating leverage**, although manufacturers remain exposed to copper and CRGO steel price volatility. Overall, rising power demand, renewable energy integration, capacity additions and sustained grid investments provide a favourable medium-term growth outlook for T&D equipment manufacturers.
	Wires & Cables	Positive	**Grid Capex and Data Centres Drive Demand** The outlook for the wires and cables sector **remains favourable**, supported by sustained investments in power T&D, renewable energy, infrastructure, real estate and industrial capex. According to Fortune Business Insights, the global wires and cables market is projected to reach **USD 411 Bn by 2034**, implying a **6.6% CAGR**. Rising electricity demand and grid expansion are likely to provide **structural growth opportunities**, while investments in railways, metro projects and data centres are expected to further support demand. Q2FY27 earnings commentary across wires and cables manufacturers remained constructive, supported by **healthy order books and broadly resilient margins**. However, revenue growth partly benefited from higher commodity realisations, while volume trends remained mixed. Some conductor customers, particularly **TBCB awardees, deferred offtake** amid commodity price volatility and project-related delays, although managements expect volumes to pick up in H2. The recent **sharp correction in copper and aluminium prices** could moderate near-term revenue realisations and create inventory-related margin pressures. Several manufacturers are operating at **optimal capacity utilisation**, while planned additions over FY27–FY30 are increasingly focused on **HTLS conductors, EHV and data centre cables**. **Timely commissioning and capacity ramp-up remain key monitorables**, alongside inventory management, demand recovery and intensifying competition from new entrants.

Choice Sector View – 12/12

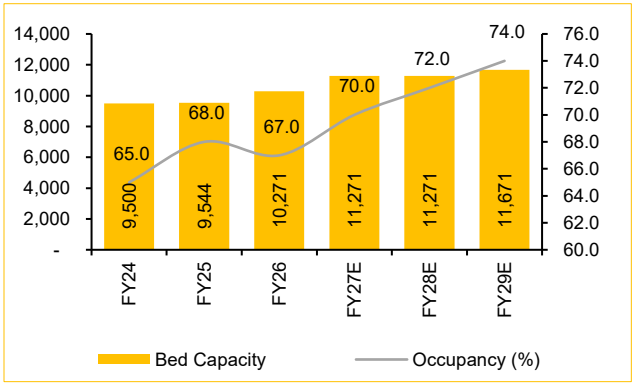
Prefer structural New-Age Tech; Remain selective on IT/ER&D Services

Industry	Sector	Outlook	Choice Sector View
Technology	IT Services	Neutral	**Recovery Remains Gradual; Risk-Reward Turns Balanced** **We expect FY27–28 to remain a transition period for Indian IT services with Tier I growing at 2.9%/3.85% respectively, with AI-led productivity and pricing deflation likely to constrain traditional services growth despite rising AI revenues.** A more meaningful growth inflection is likely from FY29, as AI revenues scale towards 17–20% of the portfolio. **Average revenue growth across our coverage universe improved to 3% QoQ USD in 2QFY27 vs. 1.3% in 1QFY27. Tier-2 players outperformed Tier-1s at 5.4% vs. 1.1% QoQ CC**, led by stronger deal conversion and faster ramp-ups, reinforcing ongoing market-share gains. Margin have improved across the coverage universe, supported by cost discipline, utilisation and favourable mix. Healthy bookings remain a key positive, but declining deal sizes/tenure ramps, soft discretionary spending and AI-led productivity pass-throughs continue to constrain revenue conversion. FY27E guidance remains mixed, with Infosys cutting guidance, while HCLTech maintains and TECHM expects growth ahead of the industry. Within Tier-2, Coforge and MPHL's industry leading and low-double-digit growth aspiration provide stronger FY27 visibility. **We expect Tier-1/Tier-2 FY27E growth to remain in the 2.9/16.0% range, with a more meaningful recovery skewed towards 2HFY27E as deal ramps accelerate; however, AI monetisation and productivity-led deflation are likely to keep growth muted in the near term.**
	New Age Tech	Positive	**Structural Growth Intact; Execution and Monetisation Drive Differentiation** **We remain constructive on the New-Age Tech sector, with revenue across our coverage universe expected to grow at 9.4–44.1% CAGR over FY26–29E (excluding ESDS), driven by digital adoption, platform expansion and deeper monetisation.** Q2FY27 reflected resilient demand, with sustained organic growth across travel-tech, improving engagement across consumer platforms and healthy enterprise deal momentum. AI adoption is accelerating across enterprise modernisation and agentic AI, although monetisation remains gradual. We expect improving order conversion, platform monetisation and acquisition synergies to support growth momentum over the medium term. Operating leverage, improving business mix and cost discipline should drive 80–630 bps EBITDA-margin expansion across select businesses over FY26–29E, supporting earnings growth and cash generation. **We expect valuation dispersion to widen, favouring businesses delivering 20%+ growth alongside margin expansion, positive FCF and visible monetisation, as the sector transitions from scale-led growth to profitable, cash-generative growth.**
	ER&D	Neutral	**Early Signs of Recovery; H2FY27 Holds the Key** Pure-play ER&D companies delivered ~2.8% QoQ CC growth in Q2FY27, versus a 0.3% decline in Q1, signalling early stabilisation. **Recovery remains uneven, with North American automotive and non-passenger vehicle segments holding up better, while European OEM weakness and client-specific delays persist.** Deal momentum remains healthy, with demand increasingly driven by Sustainability, SDV, ADAS, Aerospace, Rail, Off-highway and semiconductor engineering. However, timely conversion of bookings and programme ramp-ups remain critical to sustaining growth. **Margins expanded sequentially across all players, supported by cost discipline and operating leverage. While management expects H2FY27 to outperform H1, FY27 growth is likely to remain subdued at 4.1% in USD terms. A sustained recovery hinges on deal wins; European auto stabilisation and operating leverage.**

Apollo Hospitals Enterprise I Rating – ADD I CMP: INR 8,745 I TP: INR 9,600

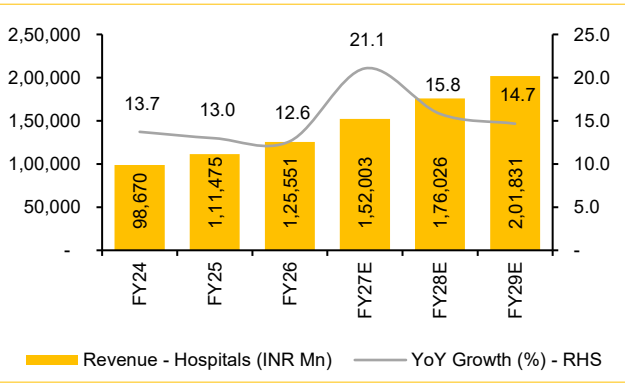
Choice Institutional Equities

Bed capacity to cross 11,500 by FY29



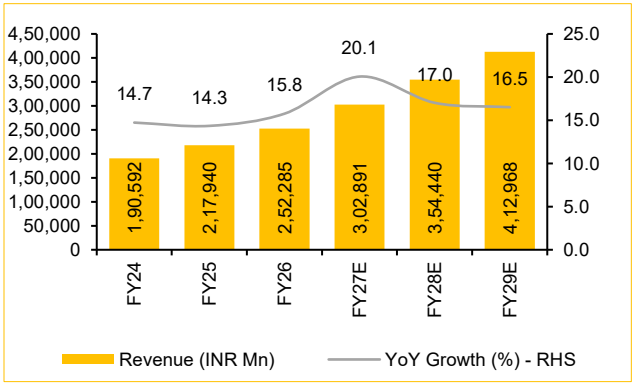
Source: APHS, Choice Institutional Equities

Hospitals revenue to expand at 17.1% CAGR over FY26–FY29E



Source: APHS, Choice Institutional Equities

Revenue to expand at 17.9% CAGR over FY26–FY29E



Source: APHS, Choice Institutional Equities

Business Overview: APHS is one of India's leading integrated healthcare providers, with a **strong presence across hospitals, diagnostics, pharmacy and digital healthcare.** Its hospital network had 8,522 operational beds in Q2FY27, with occupancy at 73% and ARPP reaching a record INR 1,86,880. The company is pursuing a significant capacity expansion, with ~1,000 beds planned in FY27, followed by another ~400 beds over FY28-FY29. Supported by its strong clinical capabilities, high-acuity specialties and integrated healthcare ecosystem, management remains focused on **driving sustainable growth, improving operating leverage and enhancing profitability across business verticals.**

Can APHS's integrated healthcare ecosystem drive sustained long-term growth?

APHS's growth strategy is anchored around three complementary verticals: healthcare services, HealthCo and AHLL. The **hospital business will benefit from capacity expansion, higher occupancy**, increasing clinical complexity and a growing share of international patients. Meanwhile, **HealthCo is targeting 20-30% growth** in digital daily orders, supported by improving unit economics and stronger online-offline synergies. **Diagnostics is expected to grow at ~17%,** driven by cross-selling across APHS's extensive pharmacy network. The proposed **demerger of the omnichannel pharmacy and digital health business, expected in Q4FY27**, could further unlock value.

Can APHS sustain its strong revenue growth and profitability momentum?

Q2FY27 was another strong quarter, with consolidated revenue growing 23% YoY to INR 76,149 Mn and EBITDA increasing 28.8% to INR 11,908 Mn, taking EBITDA margin to 15.6%. Adjusted PAT grew 30% YoY to INR 6,287 Mn. Healthcare services revenue increased 23%, while HealthCo and AHLL also delivered healthy growth. Notably, established hospitals reported 22% EBITDA growth with margin improving 61 bps to 25.8%. **All three business verticals reported double-digit revenue growth and improving profitability, reinforcing the strength of APHS's diversified operating model.**

Can AHLL and diagnostics strengthen Apollo's integrated healthcare proposition?

AHLL is emerging as an increasingly important contributor to Apollo's diversified earnings profile. In Q2FY27, AHLL revenue grew 20% YoY to INR 4,294 Mn, while EBITDA increased 79% to INR 615 Mn, with margin improving to 14.3%. PAT turned positive at INR 260 Mn in the quarter. Additionally, **diagnostics is expected to grow at ~17%,** supported by cross-selling opportunities across Apollo's extensive pharmacy and hospital network. Deeper integration, higher test volumes and improved network utilisation should support sustained growth and profitability across the integrated healthcare platform.

Can improving payor mix and clinical complexity support stronger earnings?

High-acuity specialties grew 22% YoY and contributed 61% of inpatient revenues, showing APHS's increasing focus on complex and specialised treatments. **Insurance and self-pay patients together contributed 82% of inpatient revenues**, while international patient revenues grew 37% YoY. A higher share of complex procedures, improving asset utilisation and growing international patient flows should support better realisations and sustained profitability.

Why invest in APHS?

APHS offers a differentiated combination of scale, clinical leadership and diversified healthcare growth opportunities. Its expanding hospital network, established clinical capabilities and improving occupancy provide visibility on sustained growth, while HealthCo's improving unit economics and AHLL's growing profitability add complementary earnings drivers. APHS is well-positioned to deliver sustained earnings growth, with **consolidated EBITDA and PAT expected to compound at 21.3% and 27.9%, respectively, through FY29E.**

Recommendation: We currently have **an 'ADD' rating** on the stock with **a target price of INR 9,600.**

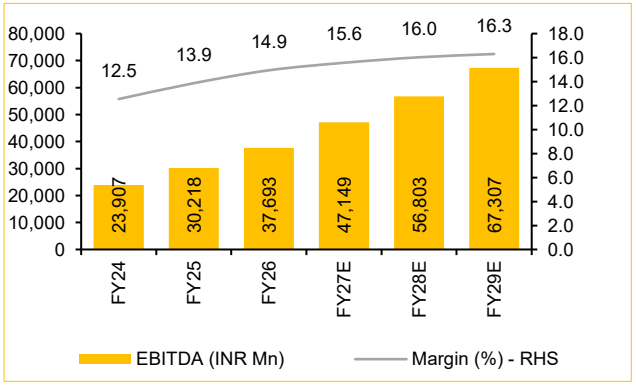
Key Risks:

- **Regulatory Risks:** Potential changes in medicine pricing and hospital service pricing regulations could impact pharmacy, distribution and hospital profitability. The impact of revised medicine MRPs remains to be quantified.
- **Execution and Ramp-up Risks:** Delays in commissioning planned beds, slower-than-expected occupancy ramp-up or prolonged losses at newer hospitals could weigh on margins and returns.

Recent Report Link : Apollo Hospitals Enterprise_Q2FY27 Result Update

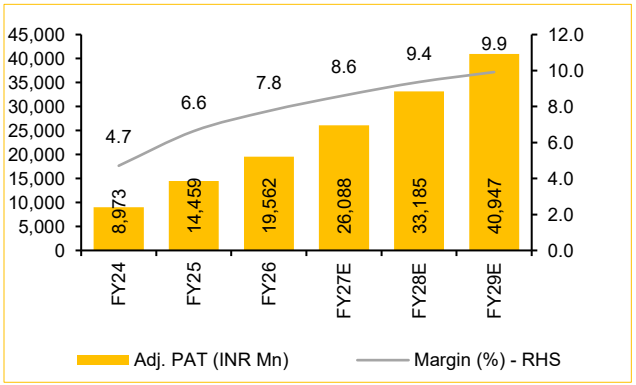
Convex Choices

EBITDA margin to improve marginally every year



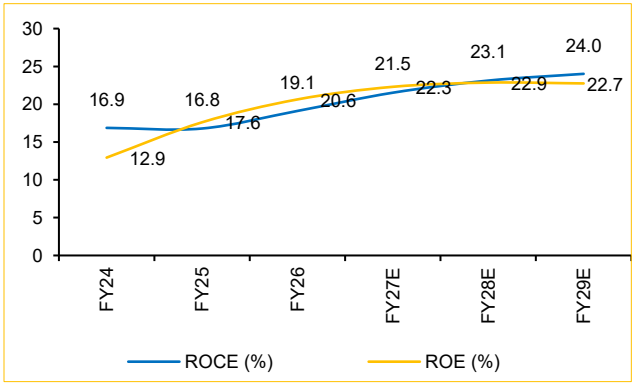
Source: APHS, Choice Institutional Equities

PAT poised for growth with improving margin



Source: APHS, Choice Institutional Equities

ROE & ROCE trend



Source: APHS, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	217,940	252,285	302,891	354,440	412,968
Gross profit	104,840	121,529	147,090	172,123	200,546
EBITDA	30,218	37,693	47,149	56,803	67,307
Depreciation	7,575	8,761	9,946	10,472	10,999
EBIT	22,643	28,932	37,204	46,331	56,308
Other Income	2,003	1,916	2,423	2,836	3,304
Interest Expense	4,585	4,496	4,440	4,385	4,329
PBT	20,391	26,609	35,636	45,230	55,732
PAT	14,459	19,562	26,088	33,185	40,947
EPS (INR)	100.5	136.0	181.4	230.8	284.8

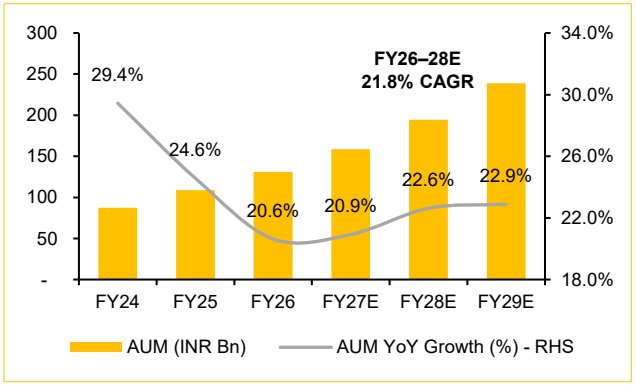
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	14.3	15.8	20.1	17.0	16.5
EBITDA	26.4	24.7	25.1	20.5	18.5
PBT	47.7	30.5	33.9	26.9	23.2
PAT	61.1	35.3	33.4	27.2	23.4
Margins (%)					
Gross Profit Margin	48.1	48.2	48.6	48.6	48.6
EBITDA Margin	13.9	14.9	15.6	16.0	16.3
EBIT Margin	10.4	11.5	12.3	13.1	13.6
PBT Margin	9.4	10.5	11.8	12.8	13.5
PAT Margin	6.6	7.8	8.6	9.4	9.9
Profitability (%)					
ROE	17.6	20.6	22.3	22.9	22.7
ROIC	13.8	15.5	17.4	18.6	19.2
ROCE	16.8	19.1	21.5	23.1	24.0
Financial Leverage (x)					
OCF/EBITDA	0.7	0.8	0.6	0.4	0.3
OCF/Net Profit	0.1	0.1	0.1	0.1	0.0
Debt to Equity	0.6	0.6	0.5	0.4	0.3
Interest Coverage	4.9	6.4	8.4	10.6	13.0
Working Capital					
Inventory Days	16	15	16	16	16
Debtor Days	51	50	50	50	50
Payable Days	38	33	33	33	33
Cash Conversion Cycle	29	33	33	33	33
Valuation Metrics					
No of Shares (Mn)	143.8	143.8	143.8	143.8	143.8
EPS (INR)	100.5	136.0	181.4	230.8	284.8
BVPS (INR)	571.1	659.3	813.5	1,009.6	1,251.7
Market Cap (INR Mn)	1,202,456	1,202,456	1,202,456	1,202,456	1,202,456
PE	83.2	61.9	46.1	36.2	29.4
P/BV	14.6	12.7	10.3	8.3	6.7
EV/EBITDA	41.1	33.1	26.4	21.9	18.5
EV/Sales	5.7	4.9	4.1	3.5	3.0

Source: APHS, Choice Institutional Equities

Aptus Value Housing Finance I Rating – BUY I CMP : INR 191 I TP: INR 330

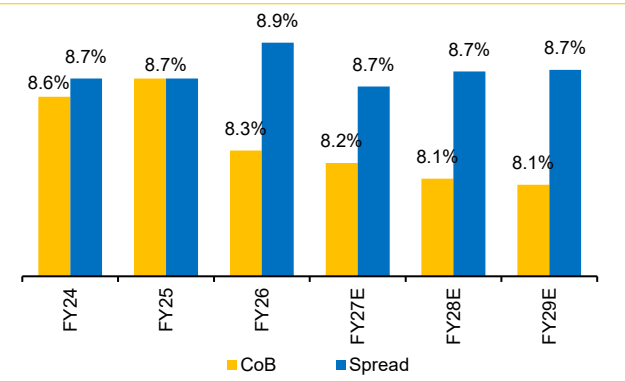
Choice Institutional Equities

AUM Expected to Compound at 21.8% CAGR over FY26–28E



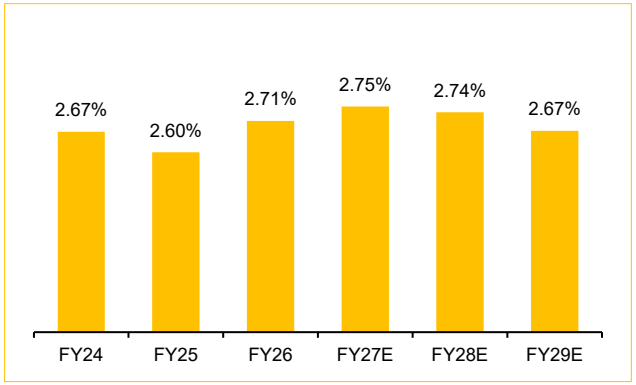
Source: APTUS, Choice Institutional Equities

Spreads to Hold at ~8.7% despite Yield Calibration



Source: APTUS, Choice Institutional Equities

Opex-to-AUM to Remain Steady in Range of 2.6–2.8%



Source: APTUS, Choice Institutional Equities

Business Overview:

Aptus Value Housing Finance India Ltd. (APTUS) is an RBI-regulated affordable housing financier serving self-employed, low- and middle-income customers in semi-urban and rural South India. Its product suite spans home loans, quasi home loans and small business loans, with sourcing, underwriting and collections handled entirely in-house. As of Q2FY27, it operates 397 branches across 7 states and UTs with AUM of ~INR 142 Bn. Its core presence is in Tamil Nadu, Andhra Pradesh, Telangana and Karnataka, and it is now expanding into Maharashtra and Odisha.

What is APTUS' medium- to long-term growth outlook?

APTUS has grown AUM by 20%+ every year since FY18, including through COVID-19, and we believe this pace is repeatable. It finances **self-employed, first-time home buyers in INR 0.7–2.5 Mn tickets, a segment banks continue to vacate** (banks' share of sub-INR 1.5 Mn housing loans fell from 64.1% in FY21 to 53.9% by Sep '25). Run-off stays low as balance-transfer leakage is only ~2.5% of AUM, while ticket sizes rise by INR 50k–100k a year.

Growth is anchored in a **branch vintage flywheel**: branches older than three years carry ~INR 523 Mn of AUM, ~13x a first-year branch, and ~37% of the network is still maturing. With ~60 branch additions a year and Q2FY27 disbursements up 20% YoY, **we forecast AUM of INR 194.4 Bn by FY28E, a 21.8% CAGR over FY26–28E.**

What makes APTUS a strong investment opportunity?

APTUS earns the **highest yield among listed AHFCs while keeping costs among the lowest**. Its in-house, tech-led model has held opex-to-AUM at 2.6–2.8% even as technology spend rose ~10x since FY21. A tight credit funnel (only ~65% of branch leads convert after 50+ data-point checks), fully owned collections and ~40% LTV kept credit cost at 0.3–0.5% over FY23–26.

Returns are built on the asset side, not on leverage. **The widest spread in the peer set (8.9% in Q2FY27)** and a ~7.7% RoA support **RoE of 20.4% / 20.3% in FY27E / FY28E at only ~2.6x leverage**, the highest among both affordable and prime housing peers. The AA rating upgrade has lowered incremental cost of funds to ~8.0%, and CRAR of ~71% funds growth through FY28E without fresh equity. APTUS trades at **1.5x FY28E ABV against a 5-year average of 3.6x**, which in our view does not price in its superior return profile.

Near-term catalysts: 1) Disbursements scaling to ~INR 50 Bn in FY27E (~25% YoY) as front-loaded branch additions ramp up, 2) Stable spreads on lower incremental cost of funds post the AA upgrade, and 3) GNPA stabilising at 1.4–1.5% on improving collections in the SBL and Karnataka books.

Valuation: At present, we have a "BUY" rating on the stock with a Target Price of INR 330, valuing APTUS at 2.5x FY28E ABV

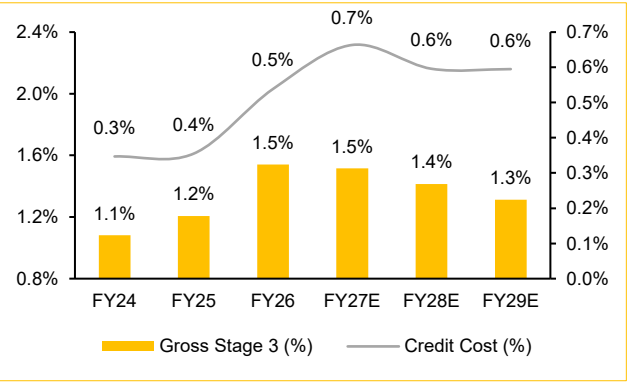
Key Risks: 1) Slower-than-expected branch ramp-up, 2) Higher delinquencies in the SBL and Karnataka books, 3)

Yield pressure from rising competition and 4) Lower assignment income . All these could weigh on earnings and valuation.

Recent Report Link : Q2FY27 Result Update

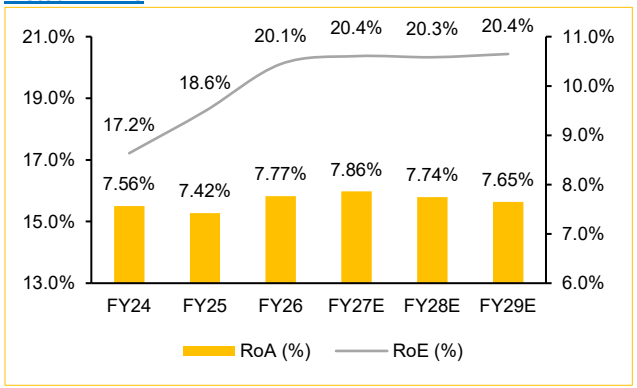
Convex Choices

Credit Cost Expected to be Contained at ~0.6%



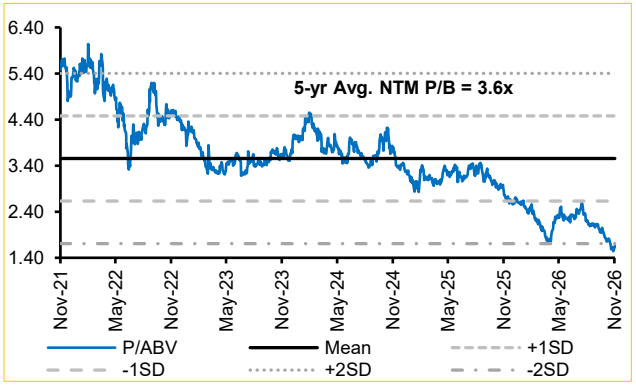
Source: APTUS, Choice Institutional Equities

RoE to Sustain over 20%+ Despite Lowest Leverage Among Listed AHFCs



Source: APTUS, Choice Institutional Equities

1-year Forward P/BV Chart



Source: APTUS, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	16,696	19,438	22,239	26,262	31,737
Interest Expense	5,405	6,484	7,016	8,254	9,966
Net Interest Income	**11,290**	**12,954**	**15,223**	**18,008**	**21,771**
Non-Interest Income	1,345	3,017	3,636	3,984	4,377
Total Operating Income	**12,636**	**15,970**	**18,860**	**21,992**	**26,147**
Operating Expenses	2,547	3,244	3,988	4,826	5,791
PPoP	**10,088**	**12,727**	**14,872**	**17,167**	**20,356**
Provisions	340	615	874	927	1,120
Profit Before Tax	**9,748**	**12,112**	**13,998**	**16,240**	**19,236**
Tax Expense	2,236	2,682	2,944	3,410	4,040
Profit After Tax	**7,512**	**9,429**	**11,053**	**12,829**	**15,197**
EPS (INR)	**15.0**	**18.8**	**22.1**	**25.6**	**30.3**

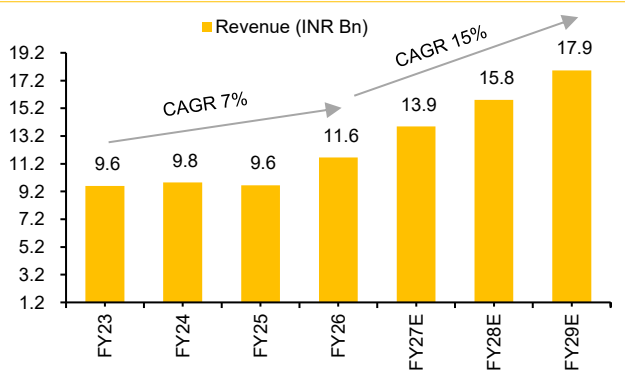
Balance Sheet (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	1,000	1,000	1,000	1,000	1,000
Reserves & surplus	42,170	49,600	56,936	67,261	79,453
Shareholder's Fund	**43,170**	**50,600**	**57,936**	**68,261**	**80,453**
Borrowings	68,470	78,740	91,746	110,966	134,835
Other liabilities and Provisions	800	1,110	1,125	1,316	1,539
Total Equity and Liabilities	**112,440**	**130,430**	**150,806**	**180,543**	**216,827**
Loans	106,300	122,070	141,314	169,770	206,736
Other Financial Assets	5,150	7,590	8,147	9,138	8,103
Non-Financial Assets	990	780	1,345	1,635	1,987
Total Assets	**112,440**	**130,430**	**150,806**	**180,543**	**216,827**

Key Ratios1	FY25	FY26	FY27E	FY28E	FY29E
Spread (%)	8.5	8.2	8.7	8.7	8.7
NIM - IEA (%)	11.2	10.7	10.9	11.0	11.1
RoE (%)	18.6	20.1	20.4	20.3	20.4
RoA (%)	7.4	7.8	7.9	7.7	7.6
CRAR	71.3	71.0	69.0	67.7	65.5
Gross Stage 3 (%)	1.2	1.5	1.5	1.4	1.3
Net Stage 3 (%)	0.9	1.2	1.1	1.1	1.0
Stage 3 ECL Provisions (%)	25.0	25.0	25.0	25.0	25.0
Credit Costs (bps)	35.5	53.9	66.4	59.6	59.5
P/ABV	3.5	2.0	1.7	1.4	1.2
P/E	19.6	10.3	8.6	7.4	6.2

Convex Choices

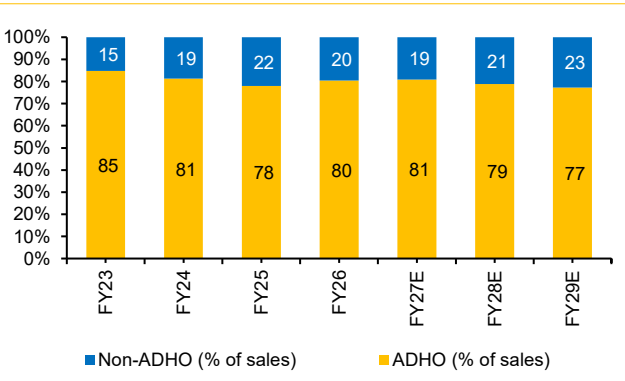
Bajaj Consumer Care I Rating – BUY I CMP: INR 408 I TP: INR 715

Driven by Sustained ADHO & Non-ADHO Growth, Rev. Expected to Expand at 15% CAGR over FY26–29E



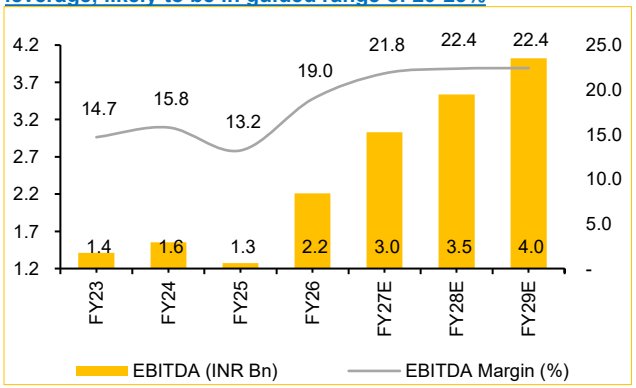
Source: BAJAJCON, Choice Institutional Equities

Non-ADHO Portfolio Likely to See Gradual Rise in Share



Source: BAJAJCON, Choice Institutional Equities

EBITDA margin, led by improved product & operating leverage, likely to be in guided range of 20-23%



Source: BAJAJCON, Choice Institutional Equities

Business Overview: BAJAJ CONSUMER CARE (BAJAJCON), a part of the Shishir Bajaj Group, is a leading player in India's hair oil market; **Bajaj Almond Drops Hair Oil (ADHO) holds ~63% share in the Light Hair Oil category**. The company has built a broader personal care portfolio comprising **Bajaj Coconut Hair Oil, Bajaj Amla, Bajaj Sarso, Nomarks and the recently-acquired Banjara's.** Distribution of Bajaj Consumer products is spread across **43 lakh+ outlets and over 30 countries**. Historically reliant on ADHO, the company is now transforming into a more diversified personal care platform through portfolio expansion, premiumisation and distribution-led growth.

What are the key growth levers which could drive Bajaj Consumer's growth over the next few years?

BAJAJCON has entered into a new phase of growth, supported by the **turnaround in its core ADHO franchise, scaling up of the non-ADHO portfolio and structural improvement in distribution through Project Aarohan**. After a prolonged period of volume erosion, market share loss and margin pressure, ADHO witnessed a strong turnaround in FY26, growing at ~25%, aided by the revival of sachets and INR 10/20 packs, stronger distribution, higher brand investments, calibrated pricing and portfolio mix optimisation.

Going forward, the management expects **organic revenue growth to remain in double digit to mid-teens range**, while our estimate projects revenue to increase from **INR 11.6 Bn in FY26 to INR 17.9 Bn by FY29E, implying a ~15% CAGR**. ADHO is expected to deliver ~14% CAGR over FY26–29E, while the faster-growing non-ADHO portfolio is expected to expand at ~22% CAGR.

The key incremental growth opportunity lies in the **non-ADHO "Growth Portfolio,"** which includes Coconut Oil, Banjara's and other emerging brands. The management targets scaling up this portfolio, from **INR 2.25 Bn in FY26 to INR 5 Bn, over the next few years**, supported by brand-building, distribution expansion, innovation and premiumisation.

What are the key growth levers which Bajaj Consumer is pursuing to strengthen its portfolio and improve profitability?

Beyond ADHO, BAJAJCON is building multiple growth engines. **Project Aarohan 1.0** has expanded direct reach to ~6 lakh outlets, with Project Aarohan 2.0 it plans to expand direct distribution by 10% in urban markets and more than 10% in rural markets. The programme will cover all 27 states, with expansion intended to become a recurring annual growth lever. The **Coconut Oil portfolio** is shifting towards a brand-led, profitability-focussed strategy, supported by premiumisation and innovation, while **Banjara's acquisition** strengthens BAJAJCON's presence in South India and the herbal personal care segment. These initiatives, along with calibrated pricing, grammage optimisation and favourable mix, should support **sustainable EBITDA margin in the low-to-mid 20% range**.

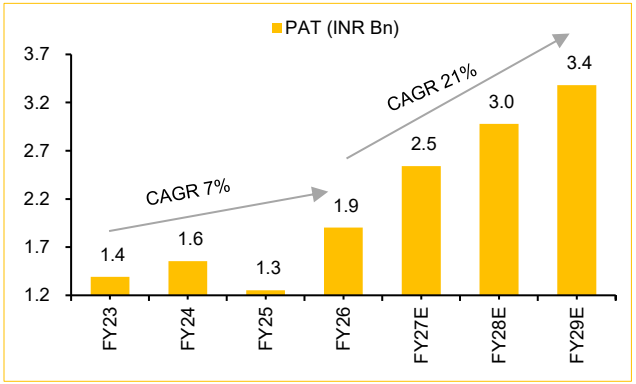
View & Valuation: We value BAJAJ CONSUMER CARE using the **DCF approach with a target price of INR 715**, implying an implied **P/E of ~29x FY28E EPS and PEG ratio of 2.2x.**

Risks:

- **Raw material inflation:** LLP, copra, almond oil, mustard oil and packaging cost remain key inputs, with continued commodity inflation posing a risk to gross margin and requiring further pricing/grammage intervention.
- **High dependence on ADHO:** Despite diversification, ADHO still contributes ~80% of the portfolio, making overall performance sensitive to category growth, competition intensity and market share movements.
- **Execution risk:** The success of Project Aarohan Phase 3 and Banjara's integration remains critical, particularly as Phase 3 expands into five new states, representing nearly one-third of the business.

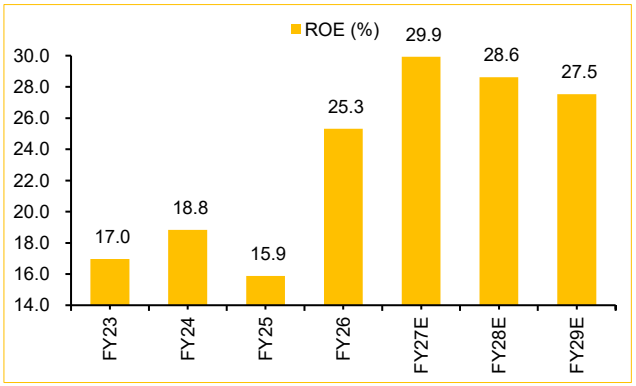
Recent Report Link: Q2FY27_Bajaj Consumer Result Update

PAT projected to expand 21% CAGR over FY26-29E



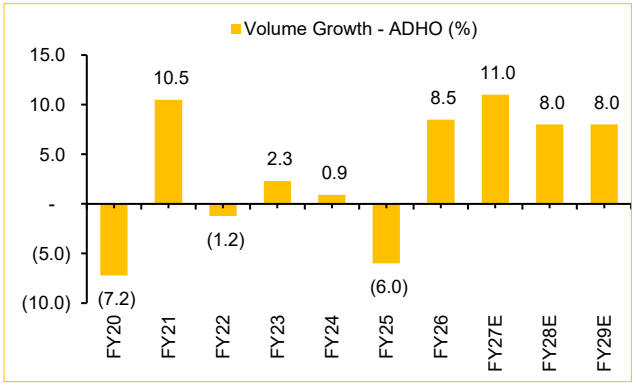
Source: BAJAJCON, Choice Institutional Equities

Sharp Improvement in Operating Performance Leads to Increase in FY27 ROE



Source: BAJAJCON, Choice Institutional Equities

Vol. Growth Back on Track on Strength of 'Aarohan'



Source: BAJAJCON, Choice Institutional Equities

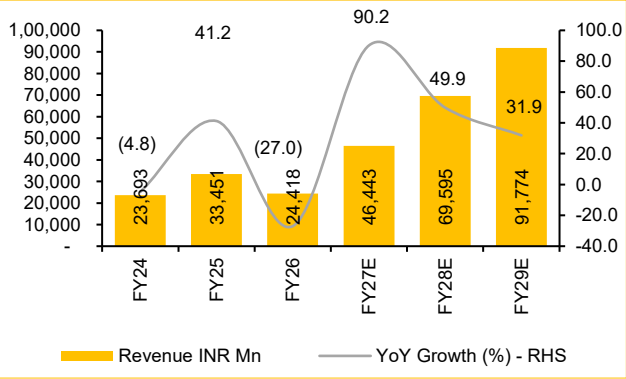
Income Statement (INR Mn)	FY26	FY27E	FY28E	FY29E
Net Sales	**11,647**	**13,879**	**15,810**	**17,940**
Gross Profit	**7,050**	**8,411**	**9,723**	**11,033**
EBITDA	**2,209**	**3,030**	**3,536**	**4,023**
Depreciation	(153)	(161)	(144)	(150)
EBIT	**2,056**	**2,869**	**3,392**	**3,873**
Interest paid	(16)	(16)	(16)	(16)
Other Income	271	285	302	317
Net Profit	**1,899**	**2,542**	**2,979**	**3,381**
EPS	14.5	19.5	22.8	25.9

Ratio Analysis	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)				
Revenue	20.7	19.2	13.9	13.5
EBITDA	73.4	37.2	16.7	13.8
EBIT	75.3	39.6	18.2	14.2
PAT	51.8	33.6	17.2	13.5
Margins (%)				
Gross Margin	59.6	59.7	60.7	60.8
EBITDA Margin	19.0	21.8	22.4	22.4
PAT Margin	16.3	18.3	18.8	18.8
Profitability (%)				
ROE	25.3	29.9	28.6	27.5
ROCE	27.2	30.4	29.8	29.4
Turnover ratios				
Asset Turnover (x)	5.2	4.6	5.2	5.8
Receivable Days	23.9	23.9	23.9	23.9
Inventory Days	20.9	20.9	20.9	20.9
Payable Days	13.4	13.4	13.4	13.4
Working Capital Days	31.4	31.4	31.4	31.4
Liquidity ratios				
Current ratio (x)	3.6	4.5	5.4	6.1
Quick ratio (x)	3.2	4.1	4.9	5.6
Total Debt/Equity (%)	-	-	-	-
Valuation				
PER (x)	25.5	19.0	16.2	14.3
EV/EBITDA (x)	20.0	14.1	11.6	9.8
EV/EBIT (x)	21.5	14.9	12.1	10.2

Bharat Dynamics I Rating – BUY I CMP : INR 1,032 I TP: INR 1,600

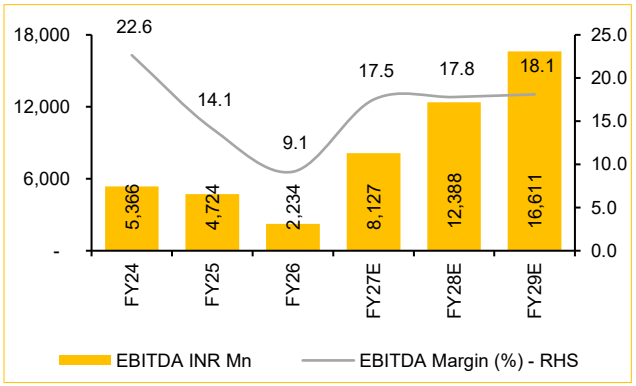
Choice Institutional Equities

Revenue expected to expand 55.5% CAGR over FY26–29E



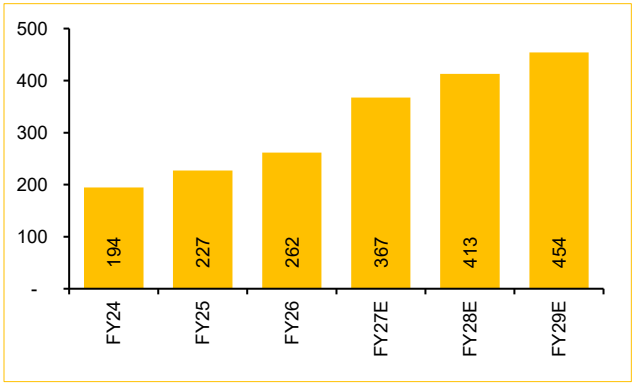
Source: BDL, Choice Institutional Equities

EBITDA margin anticipated to improve



Source: BDL, Choice Institutional Equities

Strong order book position (INR Bn)



Source: BDL, Choice Institutional Equities

Business Overview:

Bharat Dynamics Ltd. (BDL), established in 1970, is a Government of India enterprise under the Ministry of Defence and a leading manufacturer of strategic defence systems, including surface-to-air missiles (SAMs), air-to-air missiles (AAMs), anti-tank guided missiles (ATGMs), torpedoes and allied defence equipment. Headquartered in Hyderabad, BDL operates three manufacturing units in Telangana and Andhra Pradesh, with new facilities under development in Maharashtra, Telangana and Uttar Pradesh. The company has also expanded into defence exports and forged strategic partnerships with public and private sector companies, strengthening its position as a key contributor to India's defence ecosystem.

India's Evolving Air Defence Requirements Strengthen BDL's Growth Outlook

In our view, BDL is uniquely positioned in India's defence ecosystem, with its strongest competitive advantage in the missile and air defence domain. Following Operation Sindoor, the importance of a robust, multi-layered air defence shield has gained further prominence, particularly to counter incoming aerial threats, including ballistic and cruise missiles. **We believe the growing emphasis on strengthening India's air defence architecture provides a structural demand for BDL's core missile portfolio**.

BDL remains a key production partner and system integrator for India's frontline missile platforms, including **Akash Missile Systems, MR-SAM, LR-SAM and the upcoming Akash-NG.** These platforms form an integral part of India's layered air defence architecture. Beyond air defence, its portfolio extends to Anti-Tank Guided Missiles (ATGMs), air-to-air missiles and strategic underwater weapons, providing diversified programme opportunities across the armed forces.

The next phase of growth is likely to be driven by the execution and volume ramp-up of multiple programmes, particularly Akash, ATGMs, MRSAM/LRSAM and Astra. **The transition of these programmes towards higher-volume production, alongside the development of QRSAM, provides multiple avenues for sustained growth over FY27–FY29E.**

Strong Order Book, Diversified Pipeline & Expanding Export Opportunities

We believe BDL stands out as a compelling play on India's defence indigenisation and missile modernisation themes. A significant **90–95% of its product portfolio is indigenised**, reducing import dependence and aligning the company with the government's Aatmanirbhar Bharat vision. More importantly, its robust unexecuted **order book stood at INR 262 Bn (10.7x FY26 revenue)**, providing strong multi-year revenue visibility and execution opportunities over the next 5–6 years.

Recent order additions, including **INR 8.1 Bn for SAT-SAAW and INR 13.1 Bn for heavyweight torpedoes**, further strengthen its programme diversification and medium-term revenue visibility. Additionally, the company has a sizeable development pipeline, with QRSAM representing a key potential growth opportunity. We also see exports emerging as an incremental growth driver, with Akash gaining traction in international markets, including Armenia, Tajikistan and Turkmenistan. **The combination of a sizeable order book, diversified missile programmes and expanding export opportunities provides strong visibility for multi-year growth.** In our view, timely execution, conversion of the development pipeline into firm orders, could drive a meaningful earnings recovery over FY27–FY29E.

Near-term catalysts: 1) Ramp-up of Akash, ATGM, MRSAM/LRSAM and Astra programmes 2) QRSAM approvals and subsequent production opportunity 3) Further export orders and conversion of the development pipeline into firm orders.

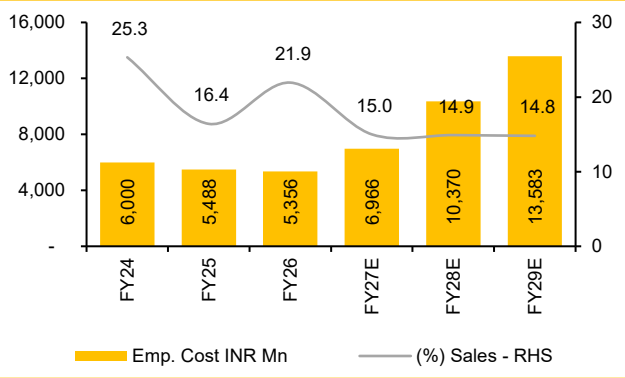
Valuation: We maintain our **'BUY' rating** on the stock with a **Target Price of INR 1,600**, valuing the company at 40x average of FY28E–FY29E EPS.

Key Risks: Delays in platform integration, dependence on other platform manufacturers, delays in development approvals and slower conversion of the order pipeline into firm orders could affect revenue execution and earnings visibility. Additionally, sustained pressure on operating margins could constrain earnings recovery.

Recent Report Link : Q2FY27 Result Update

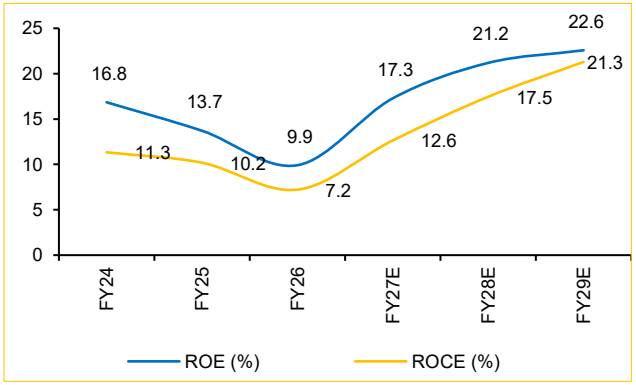
Convex Choices

Employee cost trend



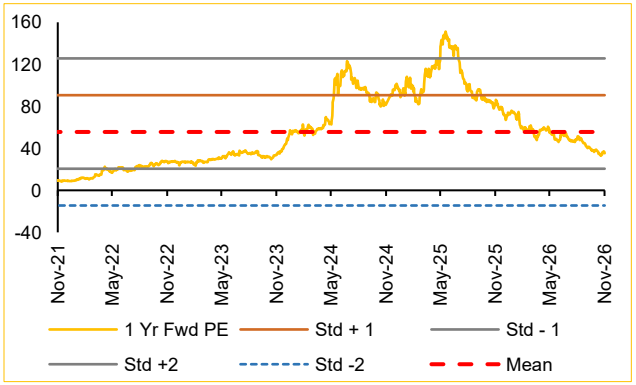
Source: BDL, Choice Institutional Equities

ROE & ROCE trend



Source: BDL, Choice Institutional Equities

One-year forward PE band



Source: BDL, Choice Institutional Equities

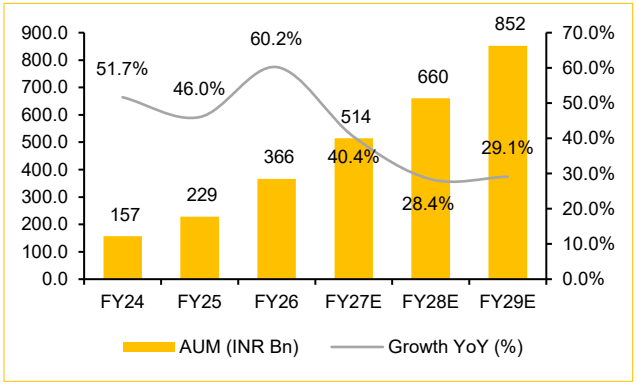
Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	33,451	24,418	46,443	69,595	91,774
Gross Profit	16,672	12,193	21,131	31,735	41,941
EBITDA	**4,724**	**2,234**	**8,127**	**12,388**	**16,611**
Other Income	3,504	4,238	4,180	5,568	6,883
Depreciation	707	759	840	923	1,005
EBIT	7,521	5,712	11,467	17,033	22,489
Interest Expense	33	34	46	63	73
PBT	7,488	5,678	11,420	16,970	22,415
Reported PAT	5,496	4,203	8,451	12,558	16,587
EPS	**15.0**	**11.5**	**23.1**	**34.3**	**45.2**

Financial Ratio's	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	41.2	(27.0)	90.2	49.9	31.9
EBITDA (%)	(12.0)	(52.7)	263.9	52.4	34.1
PAT (%)	(10.3)	(23.5)	101.1	48.6	32.1
Margin Ratios					
EBITDA margin (%)	14.1	9.1	17.5	17.8	18.1
PAT margin (%)	16.4	17.2	18.2	18.0	18.1
Performance Ratios					
ROE (%)	13.7	9.9	17.3	21.2	22.6
ROCE (%)	10.2	7.2	12.6	17.5	21.3
Turnover Ratio (Days)					
Inventory (Days)	289	691	330	310	290
Debtors (Days)	90	63	65	65	65
Payables (Days)	164	424	170	160	150
DuPont Analysis					
Tax Burden	73.4%	74.0%	74.0%	74.0%	74.0%
Interest Burden	99.6%	99.4%	99.6%	99.6%	99.7%
EBIT Margin	22.5%	23.4%	24.7%	24.5%	24.5%
Asset Turnover	0.3	0.2	0.3	0.3	0.4
Equity Multiplier	2.9	3.4	3.5	3.6	3.3
ROE	**13.7%**	**9.9%**	**17.3%**	**21.2%**	**22.6%**

Capri Global Capital Limited I Rating – BUY I CMP: INR 240 I TP: INR 320

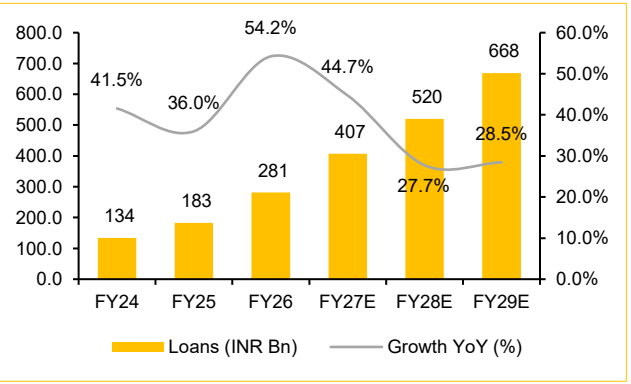
Choice Institutional Equities

AUM expected to expand 32.5% CAGR over FY26–29E



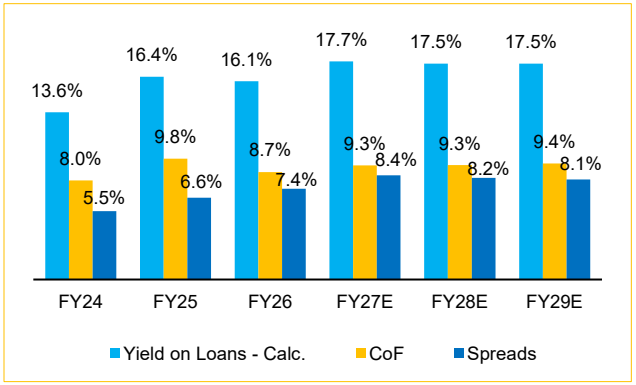
Source: CGCL, Choice Institutional Equities

Loans forecast to grow at 33.4% CAGR over FY26–29E



Source: CGCL, Choice Institutional Equities

Pricing Interventions to Drive Increase in Spreads



Source: CGCL, Choice Institutional Equities

Business Overview:

CGCL is a non-deposit taking, diversified and secured, tech-enabled non-banking financial company (NBFC) serving underserved retail and MSME customers across India. Its core product suite spans Gold Loans, MSME Loans, Construction Finance, and Micro LAP, complemented by distribution of insurance products and car loan sourcing. The company operates a total branch network of 1,609 branches across 18 states & UTs, with a primary focus on North, Central, and West India. Gold loans has emerged as CGCL's largest and fastest-growing segment, supported by steady expansion in MSME and construction finance. Growth was further reinforced by co-lending partnerships with leading banks, which extend credit access while optimising capital efficiency.

What is CGCL's medium- to long-term growth outlook?

CGCL is well placed to capitalise on India's structural under-penetration in secured retail, with Gold Loan emerging as the company's strongest growth engine. Stable gold prices, growing financialisaton of informal collateral, and rapid branch expansion will remain the primary driver of the group's balance sheet growth. We believe the momentum along with steady ramp up of MSME loans, Construction Finance and Micro LAP, has structurally improved the company's growth trajectory over the medium term.

We **forecast its loan book to expand** from INR 281.5 Bn in FY26 to INR 668.3 Bn by FY29E, implying **a 33.4% CAGR**. We expect **profitability to scale even faster**, with PAT **compounding at 41.9% CAGR** from INR 9.5 Bn in FY26 to INR 27.1 Bn in FY29E, aided **by improvement in operating leverage led by moderation in cost-to-income ratio.** Further, Capri Global is transitioning from a niche MSME-focused lender into a diversified, retail-anchored NBFC platform with multiple growth levers. **We anticipate its RoE to improve from 16.5% in FY26 to 22.3% by FY29E and RoA rising from 3.5% to 3.9% over the same period**. **We expect the franchise to deliver a sustained, high-quality earnings over the next 3-5 years, underpinned by its deep branch penetration across North, Central and West India**.

What makes CGCL a strong investment opportunity?

Capri Global stands out due to its secured, tech-enabled lending model across Gold Loans, MSME Loans, Construction Finance and Micro LAP, **providing a diversified revenue base. Moreover, insurance distribution and car loan sourcing, further adds recurring fee-based income stream**. We believe this diversification, combined with a granular, secured loan book, meaningfully de-risks the earnings profile relative to more concentrated NBFC peers. Importantly, Capri Global's capital position remains robust, with Tier-I capital and CRAR comfortably above regulatory requirements throughout our forecast period (CRAR of 25.8% in FY26, moderating gradually to 20.3% by FY29E). Asset quality remains healthy, with Net Stage 3 assets contained below 1% across our forecast horizon, even as the book scales meaningfully, reflecting the benefit of secured, collateral-backed lending. In our view, **Capri Global remains strategically well-positioned to be a key beneficiary of India's deepening retail and MSME credit cycle**, and we expect it **to deliver consistent, high-quality compounding growth over the medium to long term**.

Near-term catalysts: 1) **Expansion of physical network further by 300–350 branches in FY27E** 2) **Stronger AUM growth** led resilient demand for Gold Loan, Housing Loans and Construction Finance.

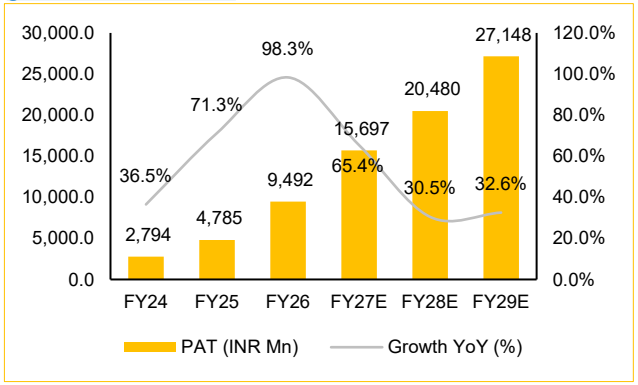
Valuation: We have a '**BUY' rating** on the stock with a **Target Price of INR 320.**

Key Risks: 1) Higher competition in Gold Loan product from other financiers causing decline in blended yield realisations 2) Decline in gold price impacting AUM growth

Recent Report Link : Q2FY27 Result Update

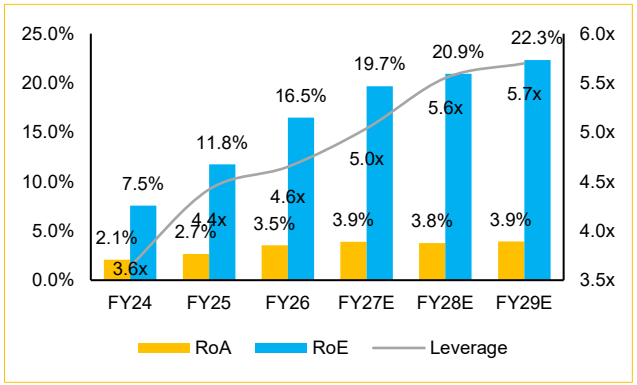
Convex Choices

Improvement in Cost-to-Income to drive 41.9% CAGR PAT growth over FY26–29E



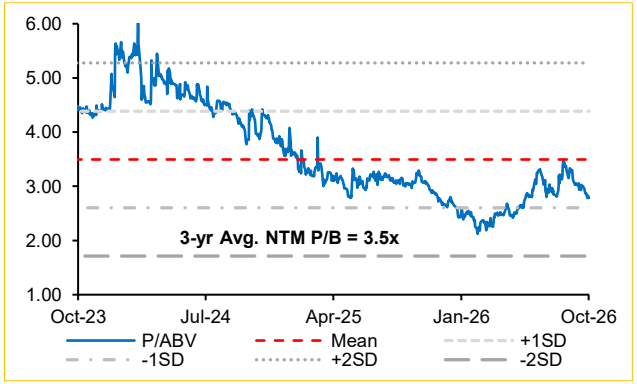
Source: CGCL, Choice Institutional Equities

RoE to Improve from 16.5% in FY26 to 22.3% by FY29E



Source: CGCL, Choice Institutional Equities

CGCL's 1-yr NTM P/B Trades below its 3-yr Average



Source: CGCL, Choice Institutional Equities

Consolidated Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	26,051	37,308	60,961	81,282	104,090
Interest Expense	12,736	17,298	27,695	38,106	49,991
Net Interest Income	**13,315**	**20,010**	**33,265**	**43,176**	**54,099**
Non-Interest Income	**6,458**	**10,111**	**12,572**	**16,039**	**19,933**
Total Income	**19,772**	**30,122**	**45,837**	**59,215**	**74,032**
Operating Expenses	12,432	15,652	22,141	29,371	34,292
PPoP	**7,340**	**14,470**	**23,696**	**29,844**	**39,739**
Provisions	1,007	1,895	2,729	2,537	3,543
Profit Before Tax	6,333	12,574	20,967	27,307	36,197
Profit After Tax	**4,785**	**9,492**	**15,697**	**20,480**	**27,148**
EPS (INR)	**5.8**	**9.9**	**16.3**	**21.3**	**28.2**

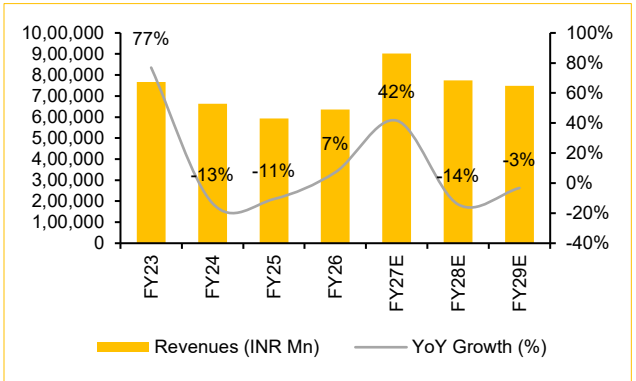
Consolidated Balance Sheet (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Share Capital	825	962	962	962	962
Reserves & Surplus	42,216	71,073	86,594	107,074	134,222
Shareholder Funds	**43,041**	**72,035**	**87,557**	**108,037**	**135,184**
Borrowings	155,769	241,121	357,270	463,891	599,542
Other Liabilities and Provisions	9,504	13,604	32,653	36,316	43,093
Total Liabilities	**208,313**	**326,760**	**477,480**	**608,244**	**777,820**
Cash & Bank Balances	15,312	21,229	33,220	42,534	54,205
Investments	1,604	12,361	22,256	28,898	37,698
Loans	182,515	281,499	407,307	520,263	668,287
Fixed and Other Assets	8,882	11,671	14,697	16,549	17,630
Total Assets	**208,313**	**326,760**	**477,480**	**608,244**	**777,820**

Key Ratios	FY25	FY26	FY27E	FY28E	FY29E
Profitability Ratio (%)					
Yield on Loans – Calc	16.4	16.1	17.7	17.5	17.5
Cost of Funds	9.8	8.7	9.3	9.3	9.4
Spreads	6.6	7.4	8.4	8.2	8.1
RoE	11.8	16.5	19.7	20.9	22.3
RoA	2.7	3.5	3.9	3.8	3.9
Capital Adequacy (%)					
Tier-I Capital	22.4	25.5	21.3	20.6	20.2
Tier-II Capital	0.4	0.3	0.2	0.1	0.1
CRAR	22.8	25.8	21.4	20.7	20.3
Asset Quality Ratios					
Gross Stage 3 (%)	1.5	0.9	0.9	1.3	1.7
Net Stage 3 (%)	0.9	0.5	0.2	0.3	0.3
Stage 3 ECL Provisions (%)	41.7	41.2	74.8	76.5	80.0
Credit Costs (bps)	63.6	81.7	79.2	54.7	59.6
Valuation Ratios					
P/ABV (x)	3.4	3.2	2.6	2.1	1.7
P/E (x)	29.4	23.5	14.2	10.9	8.2

Chennai Petroleum Corporation Ltd. I Rating – BUY I CMP: INR 1,426 I TP: INR 1,885

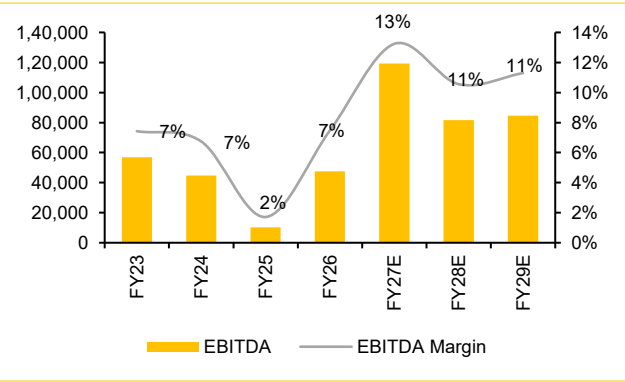
Choice Institutional Equities

Revenue to decline on the back of lower product prices through FY26–FY29E



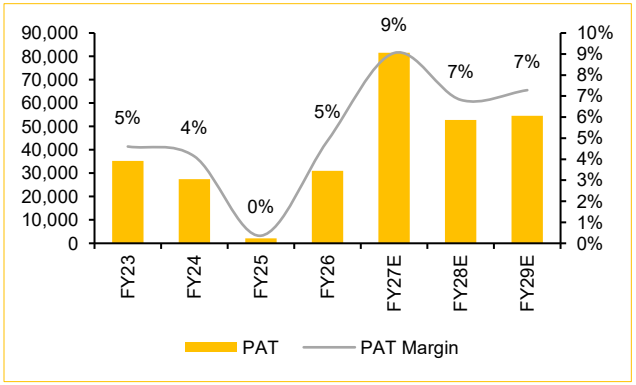
Source: CPCL, Choice Institutional Equities

EBITDA margin recovers from FY25 low and expands to 11% over FY26–FY29E



Source: CPCL, Choice Institutional Equities

Net profit expected to grow ~21% CAGR over FY26-FY29E



Source: CPCL, Choice Institutional Equities

Business Overview:

CPCL (Chennai Petroleum Corporation Limited), formerly known as Madras Refineries Limited (MRL), is a Government of India enterprise and a subsidiary of Indian Oil Corporation Limited (IOCL), which holds a controlling equity stake (51.89%). Its core product suite spans High-Speed Diesel (HSD), Motor Spirit (MS), Aviation Turbine Fuel (ATF), and Liquefied Petroleum Gas (LPG), complemented by high-value lubricating oils (LOBS), wax, and petrochemical feedstocks. The company operates a high-complexity refinery at Manali, Chennai (alongside operations in the Cauvery Basin at Nagapattinam), supported by an asset-light IOCL distribution and marketing model that optimizes distribution costs and capital-efficiency. Strategic growth and future expansion are further reinforced by the development of the Cauvery Basin Refinery and Petrochemicals Limited (CBRPL) joint venture grassroot refinery project at Nagapattinam to enhance regional market penetration and vertical integration.

What is CPCL's medium- to long-term growth outlook? CPCL's medium- to long-term (FY26–FY29E) growth outlook is underpinned by structurally elevated global diesel cracks and strategic operational upgrades. Key growth drivers include: (a) A **middle distillate-centric product slate**, with diesel accounting for 53% of turnover, positioning CPCL to benefit from Western refinery closures; (b) **High refinery complexity**, enabling conversion of heavy bottoms into high-value distillates, alongside a hydrocracker revamp to produce premium lube base oils (~USD 50/bbl margins), supporting superior refining economics and returns; and (c) **Successful SAF trials**, positioning CPCL to capitalise on a premium, mandate-driven market and unlock policy-backed earnings growth. We estimate Revenue/EBITDA/PAT CAGR of 6%/21%/21%, respectively, over FY26–FY29E.

What makes CPCL a strong investment opportunity?

CPCL presents a highly compelling investment opportunity driven by following:

(a) Severe Global Supply Squeezes; Geopolitical Bottlenecks Persist: Global middle distillate fundamentals are tightening as persistent structural deficits in Europe are compounded by lagging Middle East throughput and drone-induced outages on Russian refineries. While US refiners maintain near-record output, aggressive export demand is drawing massive volumes out of the domestic market, depleting critical storage buffers in Europe and Singapore down to minimum operational thresholds.

(b) Structural Supply Constraints & Operational Fragility: Consolidation and capacity swaps among China's independent teapot refiners have structurally curtailed Asia's key source of flexible supply, shifting production towards chemical feedstocks at the expense of diesel. Meanwhile, ageing global refining infrastructure and increasingly frequent unplanned outages further constrain product availability, limiting inventory replenishment ahead of seasonal pre-winter maintenance.

(c) Inelastic Demand Anchoring CPCL's Investment Case: Middle-distillate demand across transportation, freight, agriculture and industrial sectors remains largely price-inelastic, supporting structurally elevated crack spreads through FY27. CPCL's diesel-centric product slate positions it favourably to capitalise on sustained global pricing premiums, translating tight supply-demand dynamics into superior refining margins and unit economics.

Near-term catalysts: 1) Refinery Maintenance period during Feb to March 2027 2) Lower level of distillate inventory across Europe, Middle East and Asia

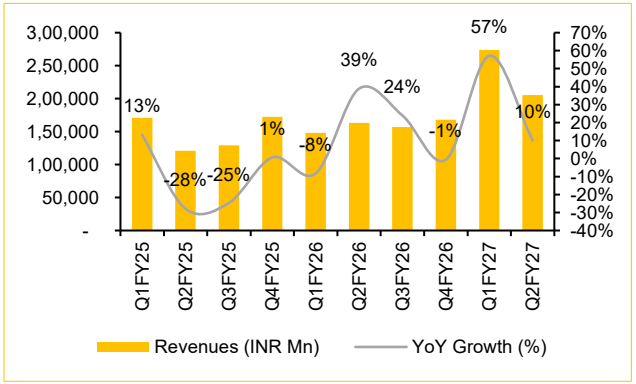
Valuation: We have a '**BUY' rating** on the stock with a **Target Price of INR 1,885.**

Key Risks: 1) Blending of Ethanol in Diesel, particularly in Europe 2) Probable excessive increase in Special Additional Excise Duty by the government, which seems less likely, in line with recent development in the market.

Recent Report Link : Q2FY27_Result Update

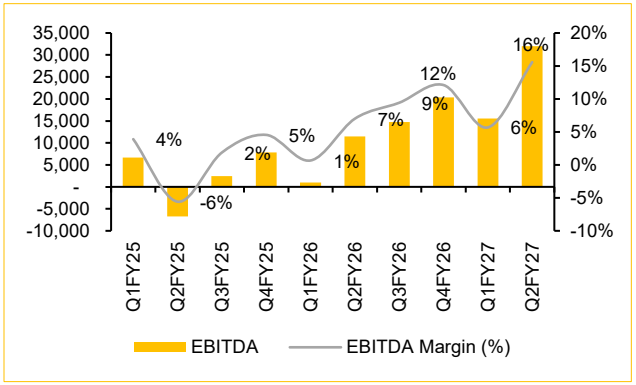
Convex Choices

Quarterly strong YoY growth with improving growth momentum



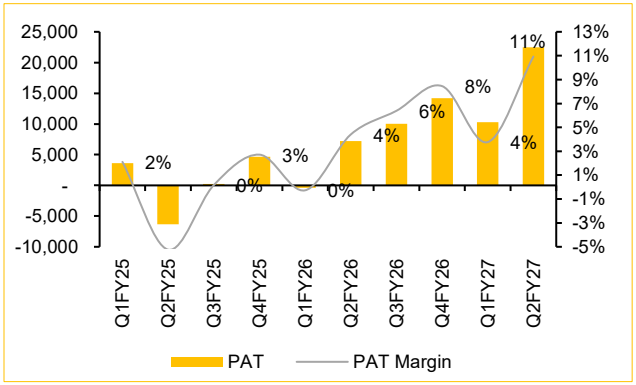
Source: CPCL, Choice Institutional Equities

Quarterly EBITDA margin supported on the back inventory gains in Q2FY27



Source: CPCL, Choice Institutional Equities

Net Profit margin to improve going forward



Source: CPCL, Choice Institutional Equities

Consolidated Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	593,560	636,393	901,373	773,794	748,912
Gross Profit	29,457	73,502	141,591	100,132	102,472
EBITDA	**10,158**	**47,564**	**119,356**	**81,654**	**84,588**
Depreciation	6,067	6,100	9,953	10,583	11,155
EBIT	**4,091**	**41,464**	**109,403**	**71,071**	**73,432**
Other Income	252	654	714	648	628
Interest Expense	2,445	1,201	1,358	1,349	1,340
PBT					
PAT	2,141	31,020	81,569	52,778	54,540
EPS (INR)	**14**	**208**	**548**	**354**	**366**

Consolidated Balance Sheet (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Tangible fixed assets	72,891	71,376	69,076	65,440	63,249
CWIP	2,080	3,455	3,455	3,455	3,455
Investments	2,801	4,059	4,059	4,059	4,059
Other non-current assets	17,161	18,909	18,909	18,909	18,909
Cash & Cash Equivalents	1,840	9,050	49,702	1,10,089	1,63,705
Inventories	64,931	81,486	78,776	85,373	78,623
Trade receivables	1,948	2,350	19,628	2,666	2,497
Other current assets	6,998	9,661	9,661	9,661	9,661
Total assets	**170,650**	**200,346**	**253,266**	**299,652**	**344,158**
Shareholder's funds	82,067	1,11,092	1,80,426	2,25,287	2,71,646
Minority Interest	0	0	0	0	0
Borrowings	31,004	19,512	22,063	21,918	21,774
Other liabilities	25,936	30,846	30,846	30,847	30,846
Trade Payables	31,643	38,896	19,931	21,600	19,892
Total equity & liabilities	**170,650**	**200,346**	**253,266**	**299,652**	**344,158**

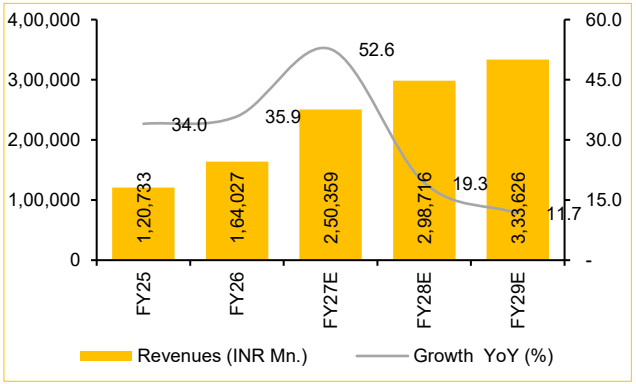
Cash Flow (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	13,524	29,441	58,634	76,095	71,619
Cash Flows from Investing	-6,495	-9,298	-6,932	-6,298	-8,337
Cash Flows from Financing	-5,191	-12,941	-11,042	-9,410	-9,665

Dupont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden (%)	112.8	75.8	75.0	75.0	75.0
Interest Burden (%)	46.4	98.7	99.4	99.0	99.0
EBIT Margin (%)	0.7	6.5	12.1	9.2	9.8
Asset Turnover	3.4	3.4	4.0	2.8	2.3
Equity Multiplier	2.1	1.9	1.6	1.4	1.3
ROE (%)	2.5	32.1	56.0	26.0	22.0

Coforge I Rating – BUY I CMP: INR 2,055 I TP: INR 2,320

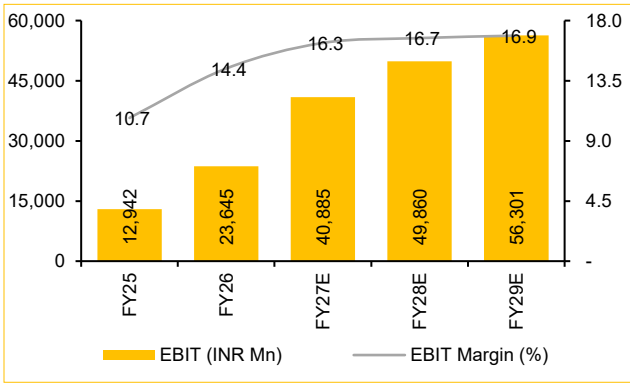
Choice Institutional Equities

Revenue to expand at 26.7% CAGR over FY26–29E



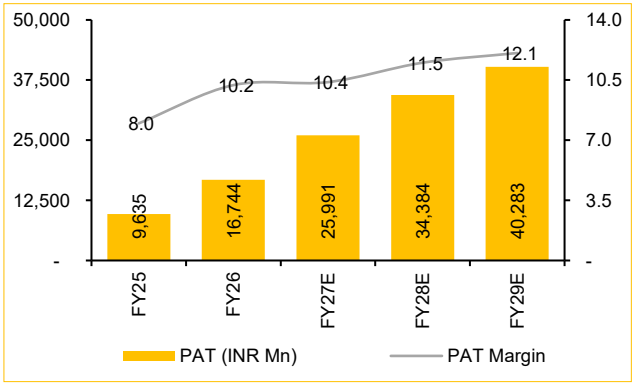
Source: COFORGE, Choice Institutional Equities

EBIT expected to expand at 33.5% CAGR over FY26–29E



Source: COFORGE, Choice Institutional Equities

PAT anticipated to expand at 34.0% CAGR over FY26–29E



Source: COFORGE, Choice Institutional Equities

Business Overview: COFORGE is a global digital services and solutions provider, ranked among the top 20 Indian software exporters, serving global clients, such as, British Airways, ING Group, SEI Investments, Sabre and SITA. Over the years, COFORGE has set up subsidiaries in the US, Singapore, Australia, UK, Germany and Thailand, mainly to market and mobilise projects for the software division. The company has business partnerships with large IT companies across the world.

How is COFORGE set to outgrow peers despite macro challenges?

COFORGE is well-positioned to lead industry growth due to several key strengths:

- COFORGE's disciplined execution and focus on large, solution-led managed services deals position it to sustain industry-leading growth. Its strategy of expanding wallet share within existing clients is reflected in Q2FY27's record eight large-deal wins, USD-1.04 Bn order intake and 12-month executable order book of USD 2.38 Bn (+45.4% YoY).
- Strong client retention and deep domain expertise further reinforce its competitive positioning, supporting growth visibility despite macro uncertainty and AI-led pricing pressures.

Why Invest in COFORGE?

COFORGE's execution intensity, underpinned by weekly large-deal pursuits and disciplined focus on strategic opportunities, continues to differentiate it from peers:

(1) Hyper-specialisation across Travel, BFSI and Healthcare.

(2) Deep domain expertise and

(3) Engineering capabilities, supported by AI-led development and platforms, such as, Forge-X

This strengthens its positioning in complex transformation, application modernisation and managed services. Q2FY27 saw record order intake of USD 1.04 Bn, with eight large-deal wins, while the 12-month executable order book rose 45.4% YoY to USD 2.38 Bn. Revenue grew 10.9% QoQ CC, including 3.8% organic growth, with all verticals reporting sequential expansion. The management raised FY27 EBIT margin guidance to 16%, reflecting improving operating leverage and integration benefits from Encora. Strong deal momentum, deep industry expertise and execution capabilities support sustained growth, with large-deal ramp-ups and Encora integration remaining key monitorables. Given these factors, **we expect Revenue/EBIT/PAT to expand at 26.7%/33.5%/34.0% CAGR over FY26—FY29E, reflecting sustained deal momentum and improving operating leverage valuing Coforge at 28x FY28E/FY29E average EPS and raise our TP to INR 2,320 (from INR 2,135) and maintain 'BUY'.**

Valuation: We currently have a **'BUY'** rating on the stock with a target price of **INR 2,320.**

Key Risks:

Slower TCV Conversion: Despite a record USD 2.38 Bn executable order book (+45.4% YoY), delays in client decision-making, project ramp-ups or execution could defer revenue conversion and moderate growth momentum.

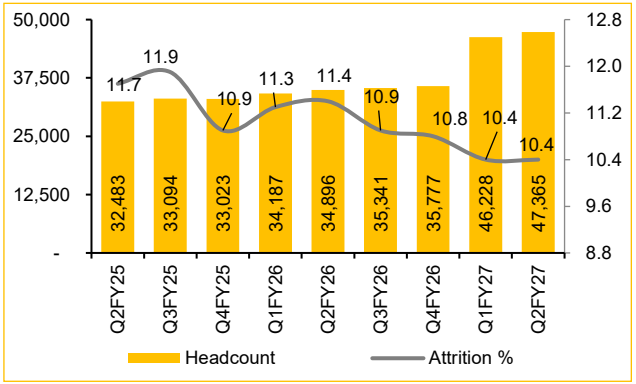
Currency Exchange Volatility: Coforge's exposure to multiple currencies and global delivery contracts makes earnings susceptible to exchange-rate fluctuation. Q2FY27 reported a hedge loss of INR 971 Mn, underlining potential volatility in reported profitability.

Geopolitical and Policy Risks: With ~63% of Q2FY27 revenue derived from the Americas, any adverse changes in US trade, immigration or technology-spending policies, alongside geopolitical uncertainty, could affect client budgets and discretionary IT spending.

Recent Report Link : Q2FY27 Result Update

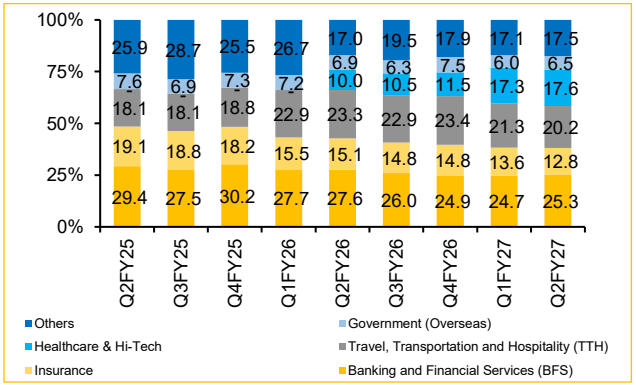
Convex Choices

Attrition rate remains unchanged at 10.4% in Q2FY27



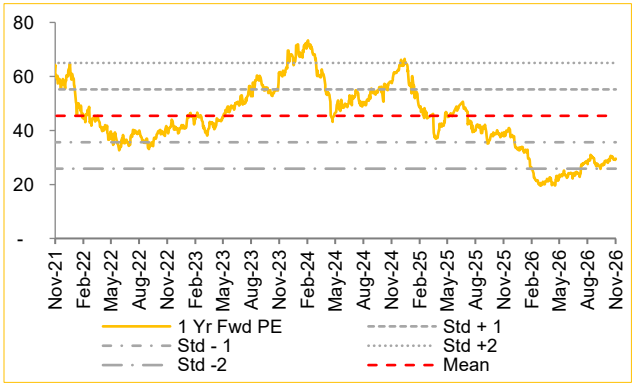
Source: COFORGE, Choice Institutional Equities

Government, BFS and Healthcare & Hi-Tech led growth



Source: COFORGE, Choice Institutional Equities

1-year forward PE band



Source: COFORGE, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,20,733	1,64,027	2,50,359	2,98,716	3,33,626
Gross Profit	40,734	55,500	85,977	1,03,159	1,15,832
EBITDA	17,218	30,464	52,148	63,302	71,314
Depreciation	4,276	6,819	11,263	13,442	15,013
EBIT	12,942	23,645	40,885	49,860	56,301
Other income	(281)	(1,104)	(4,426)	(1,702)	(1,862)
Interest Expense	300	(954)	(1,821)	(2,617)	(1,083)
PAT	9,635	16,744	25,991	34,384	40,283
FDEPS	18.6	34.0	58.0	76.2	89.6

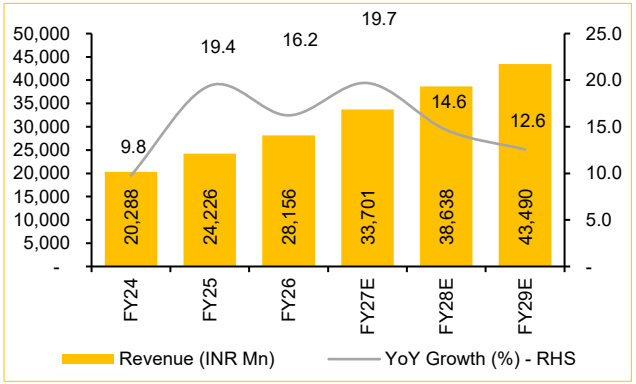
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	34.0	35.9	52.6	19.3	11.7
EBITDA	13.5	76.9	71.2	21.4	12.7
EBIT	6.1	82.7	72.9	22.0	12.9
Margin Ratios (%)					
EBITDA Margin	14.3	18.6	20.8	21.2	21.4
EBIT Margin	10.7	14.4	16.3	16.7	16.9
Profitability (%)					
ROE	16.2	18.7	15.2	13.5	14.4
ROIC	13.9	20.5	15.6	13.1	14.8
ROCE	13.9	20.7	15.4	12.7	14.3
Valuation					
OCF / EBITDA (%)	71.8	58.8	80.3	68.6	71.8
BVPS INR	146.1	218.4	545.3	599.2	658.5
PE (x)	110.3	60.3	35.3	26.9	22.9
Free Cash Flow Yield(%)	0.7	1.2	(2.2)	3.9	4.8

Source: COFORGE, Choice Institutional Equities

Fiem Industries I Rating – BUY I CMP: INR 2,183 I TP: INR 2,700

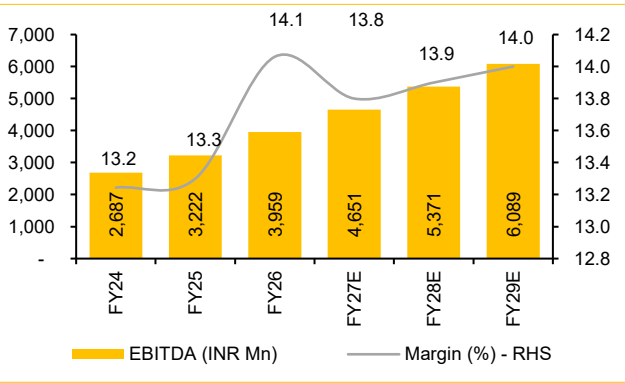
Choice Institutional Equities

Revenue expected to expand at 15.6% CAGR over FY26–29E



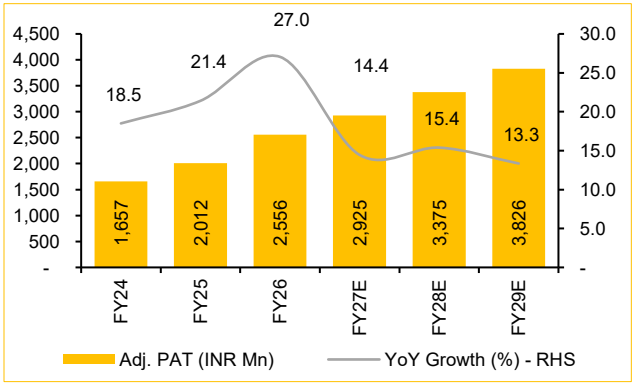
Source: FIEM, Choice Institutional Equities

EBITDA anticipated to expand at 15.4% CAGR over FY26–29E



Source: FIEM, Choice Institutional Equities

APAT projected to expand at 14.4% CAGR over FY26–29E



Source: FIEM, Choice Institutional Equities

Business Overview: FIEM Industries is one of India's leading manufacturers of automotive lighting, rear-view mirrors and other plastic and related components, with a strong presence in the two-wheeler segment. Its product portfolio includes LED and conventional lighting systems, mirrors, plastic components and other automotive parts. The company has established long-standing relationships with leading OEMs, including **TVS Motor, Honda, Hero MotoCorp, Yamaha, Suzuki and Royal Enfield**. FIEM is increasingly focusing on LED lighting, advanced lighting technologies and EV applications, positioning itself to benefit from rising technology content and premiumisation in the automotive industry.

What are FIEM's key growth drivers and capacity expansion plans?

FIEM delivered its highest-ever quarterly performance in Q2FY27, with revenue growing **31.0% YoY to INR 9,318 Mn**, while EBITDA and PAT increased **32.3% and 32.0% YoY**, respectively. Growth was supported by strong OEM demand, higher supplies to key customers and new model launches. TVS business grew **~50% YoY**, while Hero business doubled, reflecting strong programme execution and increasing content opportunities. The company has secured over **100 two-wheeler model programmes** scheduled for FY27–29E, with potential incremental business of **INR 8,000–9,000 Mn over the next two years**. To support the ramp-up, FY27E CapEx guidance has been increased to **INR 1,500 Mn**, primarily towards injection moulding and metallising facilities. Capacity utilisation currently stands at **75–80%**, with incremental investments expected to generate ~3x asset turnover.

What is FIEM's position in the EV segment and advanced lighting technologies?

FIEM's EV business doubled YoY in Q2FY27, supported by increasing supplies to Ather, River and Simple Energy. The company is the **sole lighting supplier across all variants of Ather's Konark S and Z**, strengthening its position in the electric two-wheeler segment. Rising EV adoption, coupled with increasing demand for LED lighting, provides an opportunity to enhance content per vehicle. LED lighting already contributes a significant share of FIEM's automotive revenue, and further penetration across two-wheelers is expected to support growth. The company is also developing advanced solutions, including light control modules, focus lighting and projection lighting, while exploring opportunities in four-wheelers through upcoming programmes with select OEMs.

What is the expected margin trajectory?

Q2FY27 EBITDA margin expanded **14 bps YoY to 14.07%**, despite raw material costs increasing to **63.7% of revenue** from ~62%. Operating leverage and disciplined control over other expenses supported margin resilience. The management expects to maintain EBITDA margins at around **14%**, with cost pass-throughs during Q3/Q4 expected to partly offset input-cost inflation. Higher commodity prices and currency movements remain key monitorables.

Why invest in FIEM?

We believe FIEM is well-positioned to sustain healthy growth, driven by **rising LED penetration**, **EV adoption**, **premiumisation** and increasing content per vehicle. Strong relationships with leading two-wheeler OEMs, alongside a healthy pipeline of new model programmes, provide meaningful revenue visibility. The company's continued investments in manufacturing capabilities should support upcoming programme ramp-ups, while operating leverage and cost discipline are expected to sustain profitability. Additionally, its growing presence in EV lighting and advanced technology solutions provides opportunities to strengthen its product mix and enhance long-term growth prospects.

Recommendation: We have a '**BUY**' rating on the stock with a target price of **INR 2,700**, valuing the company at a maintained **20x P/E** multiple on average FY28/29E EPS. We forecast FY26–29E revenue, EBITDA and PAT CAGR of **16%, 15% and 14%, respectively,** reflecting strong OEM demand, increasing LED penetration and EV opportunities to support revenue growth and earnings visibility over the medium term.

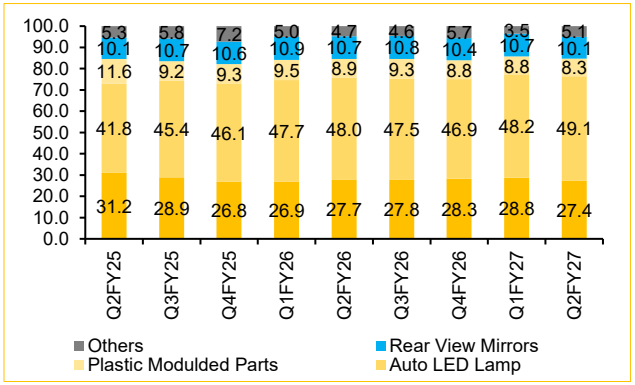
Key Risks:

- **Commodity inflation:** Higher raw material costs, particularly plastics and electronic components, could constrain margin expansion.
- **Customer concentration/Competition:** Dependence on key two-wheeler OEMs exposes the company to changes in customer production and demand.
- **Execution risks:** Delays in new model launches, programme ramp-ups or capacity utilisation could affect expected revenue growth and returns on investment.

Recent Report Link: Q2FY27 Result Update

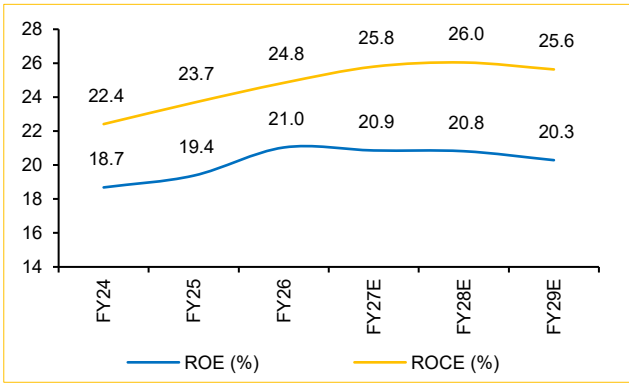
Convex Choices

Product segment mix (%)



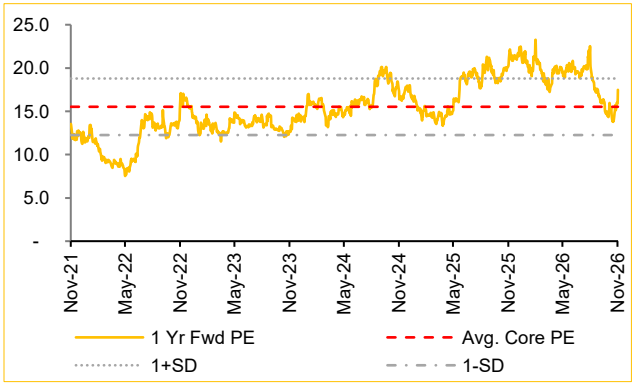
Source: FIEM, Choice Institutional Equities

Healthy ROE and ROCE support sustainable value creation



Source: FIEM, Choice Institutional Equities

One-year forward PE band



Source: Choice Institutional Equities

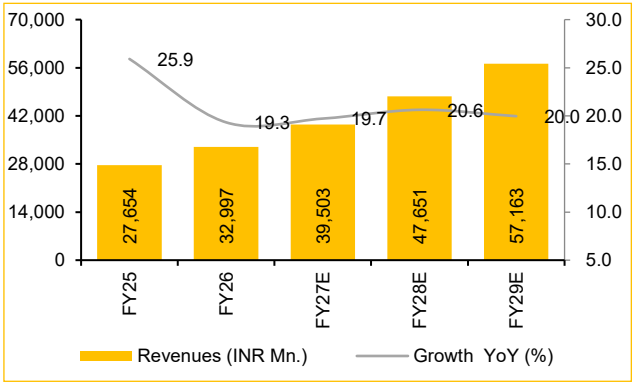
Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	24,226	28,156	33,701	38,638	43,490
Gross Profit	9,201	11,061	12,739	14,837	16,743
EBITDA	3,222	3,959	4,651	5,371	6,089
Depreciation	643	725	809	922	1,032
EBIT	2,579	3,234	3,842	4,449	5,057
Interest Expenses	15	28	45	47	49
Other Income	161	208	156	159	162
Exceptional Item	37	0	0	0	0
Reported PAT	2,049	2,556	2,925	3,375	3,826
Minority Interest	0	0	0	0	0
Adjusted PAT	2,012	2,556	2,925	3,375	3,826
EPS (INR)	76.5	97.1	111.2	128.3	145.5

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	19.4	16.2	19.7	14.6	12.6
EBITDA	19.9	22.9	17.5	15.5	13.4
PAT	21.4	27.0	14.4	15.4	13.3
Margins (%)					
EBITDA	13.3	14.1	13.8	13.9	14.0
PAT	8.3	9.1	8.7	8.7	8.8
Profitability (%)					
ROE	19.4	21.0	20.9	20.8	20.3
ROCE	23.7	24.8	25.8	26.0	25.6
ROIC	18.3	19.7	20.4	20.4	20.1
Working Capital					
Inventory Days	35	35	36	36	36
Debtor Days	37	50	36	36	36
Payable Days	35	37	35	35	35
Cash Conversion Cycle	37	48	37	37	37
Valuation Metrics					
PE(x)	18.4	19.7	19.0	16.5	14.5
EV/EBITDA (x)	10.6	12.0	11.0	9.3	7.8
Price to BV (x)	3.6	4.1	4.0	3.4	2.9
EV/OCF (x)	14.6	29.5	12.8	13.1	10.9

Source: FIEM, Choice Institutional Equities

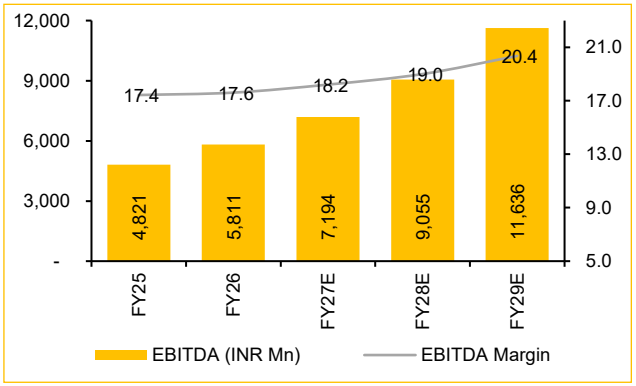
Fractal Analytics I Rating – BUY I CMP: INR 820 I TP: INR 1,080

Revenue expected to expand at 20.1% CAGR over FY26–29E



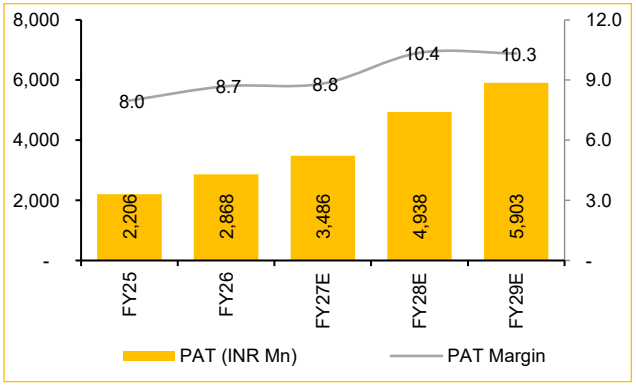
Source: FRACTAL, Choice Institutional Equities

EBITDA anticipated to expand at 26.0% CAGR over FY26–29E



Source: FRACTAL, Choice Institutional Equities

PAT projected to expand at 27.2% CAGR over FY26–29E



Source: FRACTAL, Choice Institutional Equities

Business Overview: Fractal Analytics is a global AI and advanced analytics company helping enterprises drive data-led decision-making through AI consulting, technology services and proprietary software platforms. It operates through Fractal.ai, housing its core AI services and products, and Fractal Alpha, which incubates emerging ventures. With deep expertise across AI, data and analytics, Fractal serves leading global enterprises including Citibank, Costco, Mars, Mondelez, Nestlé and Philips, with a majority of the Magnificent Seven among its clients.

How is FRACTAL set to outgrow peers despite macro challenges?

Fractal remains well-positioned to outgrow peers, supported by its pure-play AI, data and analytics positioning. Q2FY27 revenue grew 9.4% YoY, with underlying growth of 37% YoY ex-TMT, led by Healthcare & Life Sciences (+69%) and BFSI (+36%), despite a 22% decline in TMT. Strong 117% NRR, zero churn and 85% revenue contribution from MWC clients indicate healthy client mining, while large AI transformation wins and Cogentiq's 10+ enterprise clients highlight increasing AI adoption.

Why Invest in FRACTAL?

FRACTAL's key bets:

(1) Pure-play exposure to high-growth AI, data and analytics, with enterprise adoption shifting towards large-scale AI transformation.

(2) Strong client mining, with 117% NRR, zero churn and five USD 20 Mn+ clients.

(3) Platform monetisation upside, with Cogentiq reaching 10+ enterprise clients and continued investment in proprietary AI platforms.

(4) Growing outcome-based pricing, now at 42% of revenue, supported by a strong partner ecosystem.

(5) Strong healthcare opportunity, with large AI transformation wins and a BMC partnership to scale up AI across public hospitals.

Strategically, the company is strengthening its positioning across enterprise AI through investments in AI engineering talent, proprietary platforms, such as Cogentiq and a growing product portfolio, which now contributes 4% of revenue and has an annualised run-rate of over INR 1,500 Mn. While these investments weighed on gross margin, which declined 225 bps YoY to 44%, the management expects recovery in H2FY27, alongside continued operating leverage in G&A. **We view Fractal favourably, given its differentiated AI capabilities, improving client traction and expanding product opportunity. However, the pace of product monetisation and conversion of AI investments into sustainable margin and cash-flow expansion remain key monitorables. We largely retain our estimate and TP of INR 1,080 based on SOTP valuation, retaining 'BUY'.**

Valuation: We currently have a 'BUY' rating on the stock with a target price of INR 1,080.

Key Risks:

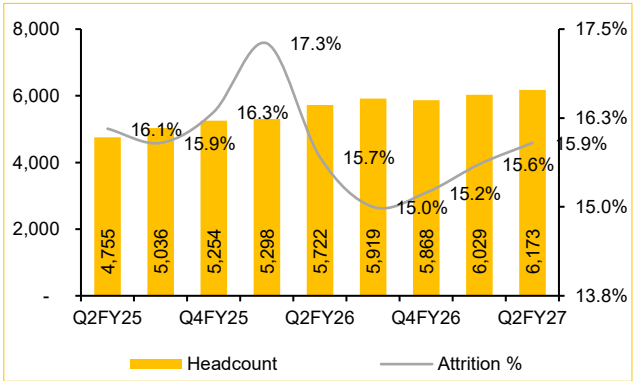
Margin Pressure: Sustaining margin expansion amid continued AI talent and R&D investments remains a key risk, despite operating leverage supporting adjusted EBITDA margin expansion to 16.2% as of Q2FY27.

AI monetisation: Continued investment in AI platforms and R&D creates execution risk if platform adoption and AI-led revenue do not scale up as expected.

Recent Report Link : Q2FY27 Result Update

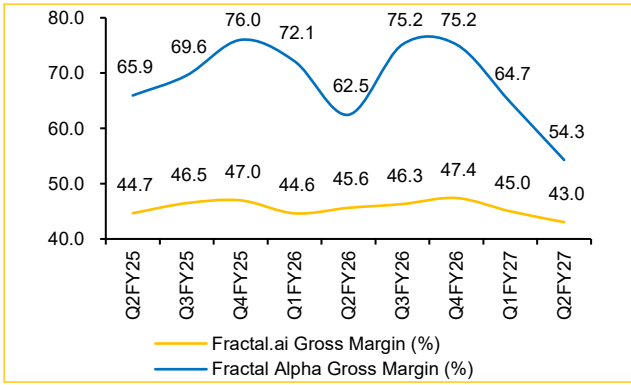
Convex Choices

Headcount up QoQ by 144 employees; Attrition up by 30 bps



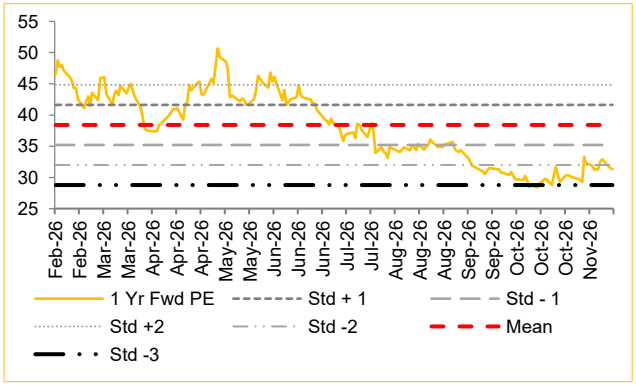
Source: FRACTAL, Choice Institutional Equities

Margins were temporarily weighed down by investments in Analytics Vidhya



Source: FRACTAL, Choice Institutional Equities

FRACTAL trades almost at Std-3, 1-year forward PE band



Source: FRACTAL, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	27,654	32,997	39,503	47,651	57,163
Gross Profit	12,690	15,448	17,949	22,471	27,681
Adj. EBITDA	4,821	5,811	7,194	9,055	11,636
Depreciation	1,023	1,358	1,703	1,906	2,401
EBIT	2,957	3,541	5,269	7,359	8,777
Other income	-508	-629	-908	-1,448	-899
Interest Expense	577	474	551	687	800
PAT	2,206	2,868	3,486	4,938	5,903
EPS (INR)	14.5	18.2	20.9	30.1	36.0

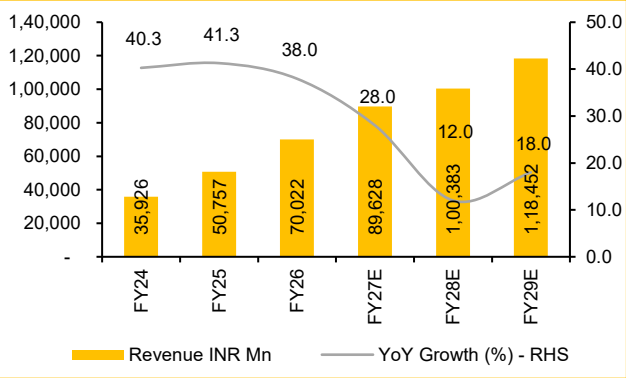
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	25.9	19.3	19.7	20.6	20.0
EBITDA	309.1	23.1	42.3	32.9	20.6
EBIT	1,997.0	19.7	48.8	39.7	19.3
Margin Ratios (%)					
EBITDA Margin	17.4	17.6	18.2	19.0	20.4
EBIT Margin	10.7	10.7	13.3	15.4	15.4
Profitability (%)					
ROE	14.1	9.4	9.7	12.3	12.8
ROIC	19.0	21.0	23.9	32.8	35.8
ROCE	13.8	11.4	10.1	12.4	12.9
Valuation					
OCF / Net profit (%)	82.4	70.4	36.9	57.3	54.5
EV/ EBITDA (x)	26.1	19.6	15.2	11.7	8.7
BVPS INR	111.7	202.9	225.1	256.6	294.2
PE (x)	59.4	46.2	41.0	28.4	23.8
Free Cash flow yield(%)	2.4	1.5	0.6	2.5	3.4

Source: FRACTAL, Choice Institutional Equities

Garden Reach Shipbuilders I Rating – BUY I CMP : INR 2,087 I TP: INR 3,500

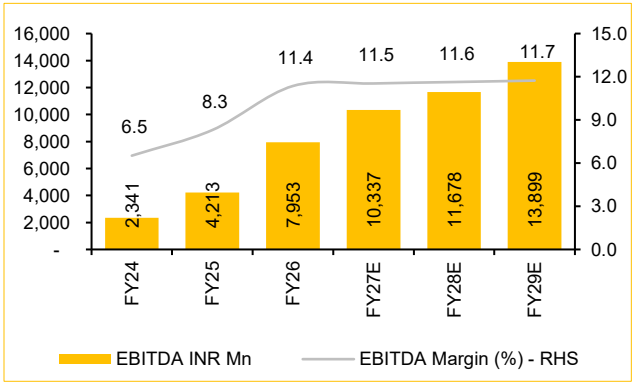
Choice Institutional Equities

Revenue expected to expand 19.2% CAGR over FY26–29E



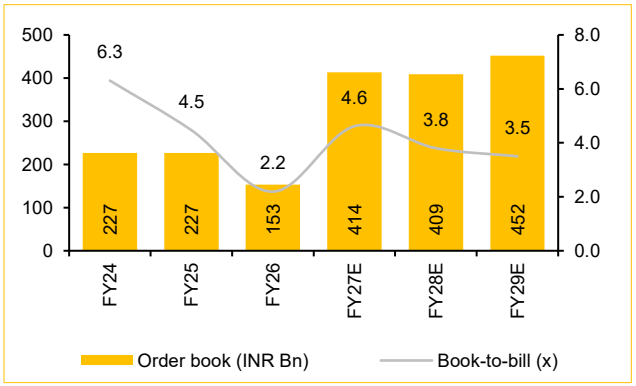
Source: GRSE, Choice Institutional Equities

EBITDA margin to remain stable



Source: GRSE, Choice Institutional Equities

Order book to grow sharply (INR Bn)



Source: GRSE, Choice Institutional Equities

Business Overview:

Garden Reach Shipbuilders & Engineers Ltd. (GRSE) is a central defence PSU operating under the Ministry of Defence, primarily engaged in shipbuilding for the Indian Navy and Coast Guard. With a concurrent capacity to build 28 vessels, GRSE has delivered 118 warships, the highest number achieved by any Indian shipyard. The company had an unexecuted order book of **INR 135.96 Bn as of June 2026 (1.9x FY26 revenue)**, providing strong execution visibility, with a strategically diversified presence across defence and commercial shipbuilding.

NGC Mega Order Strengthens Growth Visibility

GRSE is entering a strong order-led growth phase, with its order book witnessing a significant step-up following the signing of the **INR 320 Bn contract for five Next-Generation Corvettes (NGC) in November 2026.** Including this contract, the company's pro-forma order book increases to approximately **INR 456 Bn (6.5x FY26 revenue)**, providing substantial multi-year revenue visibility. Additionally, GRSE is targeting opportunities in the P-17 Bravo frigate programme, which could further strengthen its order pipeline. The execution of P-17 Alpha frigates, NGC, NGOPV and commercial shipbuilding programmes is expected to support **sustained revenue growth over FY28–FY29E**, while progression towards equipment integration and outfitting stages provides scope for improved execution momentum.

First-Mover Advantage in the Green Maritime Transition

An emerging opportunity lies in India's policy-led green maritime transition, unlocking an estimated **INR 130–290 Bn addressable market by 2035.** GRSE is well positioned to benefit from the electrification of inland ferries, harbour tugs and coastal vessels. The company's presence in this segment is further strengthened by orders for hybrid diesel-electric ferries and four hybrid-propulsion Platform Supply Vessels (PSVs) worth approximately **INR 10.3 Bn from ONGC.** Beyond initial contract values, green vessels offer attractive lifecycle economics through periodic battery replacements, mid-life refits and maintenance over a 25–30 year lifespan. This structural shift could transition GRSE's business model from purely project-driven to one supported by **higher-value lifecycle revenues and recurring maintenance opportunities.**

Structural Margin Expansion via an Asset-light Model

We expect GRSE to benefit from operating leverage as execution scales across complex, repeat naval platforms, including P-17 Alpha and NGC, supported by previous learning curves and growing in-house design capabilities. Additionally, GRSE employs a **scalable asset-light execution model**, outsourcing low-value fabrication to an MSME ecosystem while retaining high-value integration, enabling operating leverage without disproportionate capital expenditure. While margins are expected to remain broadly stable over FY26–FY29E, **improving execution scale and a higher contribution from complex platforms provide opportunities for operating efficiency over the medium term.**

Near-term trigger: Execution ramp-up across P-17 Alpha, NGC, NGOPV and commercial shipbuilding programmes, alongside further progress on the P-17 Bravo programme.

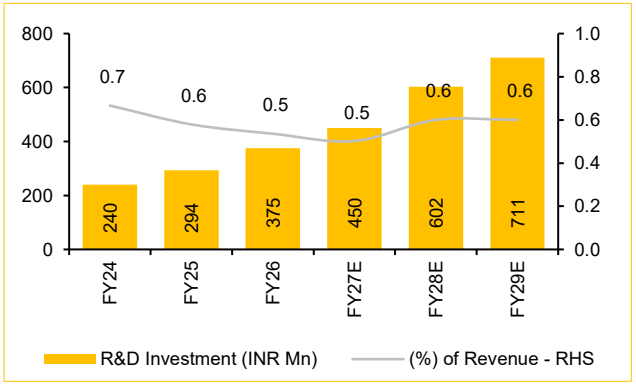
Valuation: We maintain our **'BUY' rating** on the stock with a **Target Price of INR 3,500**, valuing the company at 35x average FY28E–FY29E EPS.

Key Risk: Heavy reliance on government and naval contracts makes cash flows and order book execution highly sensitive to MoD procurement timelines, project delays and policy shifts.

Recent Report Link : Q2FY27 Result Update

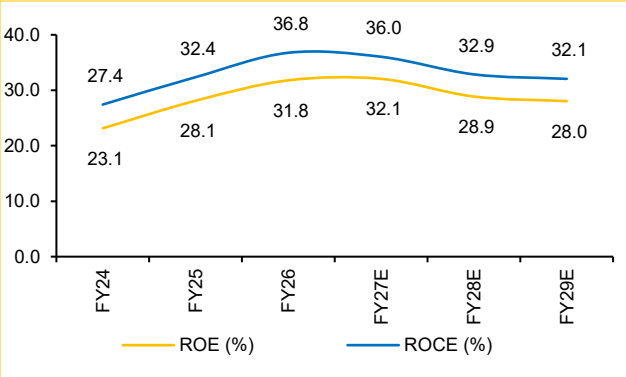
Convex Choices

Steady increase in R&D investment



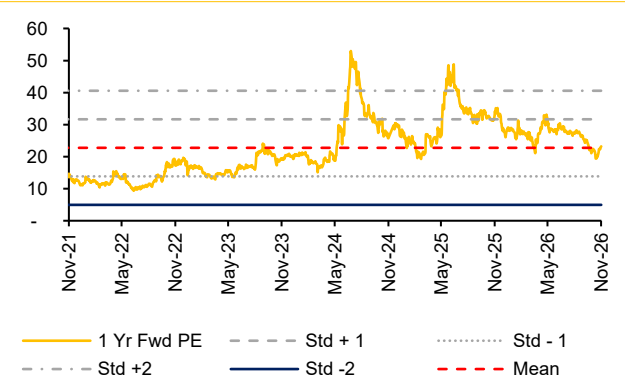
Source: GRSE, Choice Institutional Equities

ROE & ROCE trend



Source: GRSE, Choice Institutional Equities

One-year forward PE band



Source: GRSE, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**50,757**	**70,022**	**89,628**	**1,00,383**	**1,18,452**
Gross Profit	15,403	29,425	33,700	38,346	45,959
EBITDA	**4,213**	**7,953**	**10,337**	**11,678**	**13,899**
Depreciation	425	489	532	568	607
Other Income	3,348	2,744	3,047	3,313	3,790
EBIT	7,136	10,208	12,853	14,423	17,082
Interest Expense	103	161	157	282	312
PBT	7,033	10,047	12,695	14,141	16,770
Reported PAT	**5,274**	**7,479**	**9,484**	**10,563**	**12,527**
EPS	46.0	65.3	82.8	92.2	109.4

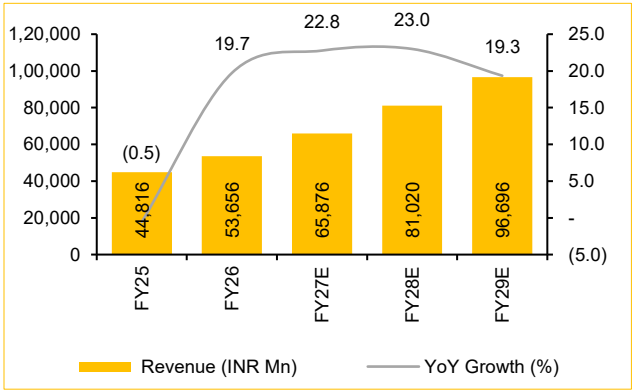
Financial Ratio's	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	41.3	38.0	28.0	12.0	18.0
EBITDA (%)	79.9	88.8	30.0	13.0	19.0
PAT (%)	47.6	41.8	26.8	11.4	18.6
Margin Ratios					
EBITDA margin (%)	8.3	11.4	11.5	11.6	11.7
PAT margin (%)	10.4	10.7	10.6	10.5	10.6
Performance Ratios					
ROE (%)	28.1	31.8	32.1	28.9	28.0
ROCE (%)	32.4	36.8	36.0	32.9	32.1
Turnover Ratio (Days)					
Inventory (Days)	367	306	310	315	320
Debtors (Days)	19	64	50	55	55
Payables (Days)	120	165	130	125	120
DuPont Analysis					
Tax Burden	75.0%	74.4%	74.7%	74.7%	74.7%
Interest Burden	98.6%	98.4%	98.8%	98.0%	98.2%
EBIT Margin	14.1%	14.6%	14.3%	14.4%	14.4%
Asset Turnover	0.5	0.7	0.7	0.7	0.7
Equity Multiplier	5.5	4.5	4.5	4.1	3.9
ROE	**28.1%**	**31.8%**	**32.1%**	**28.9%**	**28.0%**

Convex Choices

Granules India Ltd I Rating – BUY I CMP: INR 804 I TP: INR 1,010

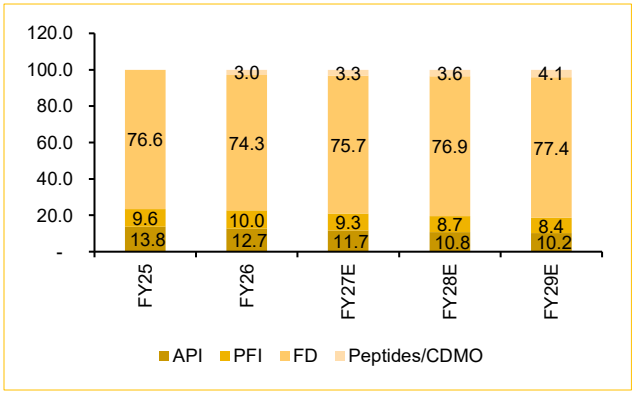
Choice Institutional Equities

Revenue to expand at 21.7% CAGR (FY26–29E)



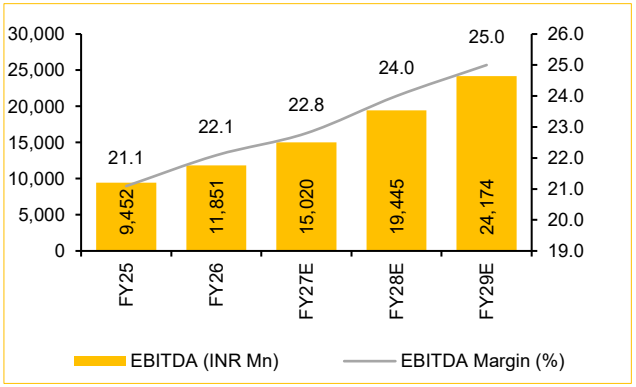
Source: GRAN, Choice Institutional Equities

Segment contribution (as % of revenue)



Source: GRAN, Choice Institutional Equities

EBITDA margin to continue to expand



Source: GRAN, Choice Institutional Equities

Business Overview: Granules India (GRAN) is an integrated pharmaceutical company with capabilities across Active Pharmaceutical Ingredients, Pharmaceutical Formulation Intermediates, Finished Dosages and Peptide CDMO services. The company has transformed from a traditional volume-driven generics manufacturer into a differentiated pharmaceutical platform focused on complex generics, peptide CDMO, oncology and specialty formulations, supported by backward integration, strong manufacturing capabilities and an expanding presence across regulated markets. With increasing investments in R&D, capacity expansion and regulatory compliance, GRAN is well positioned to drive sustainable growth, improve margins and diversify its earnings profile over the medium term.

How is GRAN moving up the value chain through differentiated product launches and portfolio transformation?

GRAN is steadily evolving from an API and PFI-led company into a differentiated pharmaceutical player, with complex generics, controlled substances and oncology forming the next leg of growth. ***Complex generics now account for ~47% of formulation revenues, with the company targeting 50%+ contribution over the medium term***. GRAN has ~26 ANDAs pending approval across an addressable market of ~USD 35 Bn, while ***five US launches, including two controlled substances with limited competition, are planned in H2FY27E.*** We believe this differentiated launch pipeline, supported by increasing exposure to high-entry-barrier products and improving regulated market execution, will drive sustained revenue growth, supporting our forecasted 20–22% revenue CAGR over the next three years.

How will improving product mix and Peptide CDMO support the next phase of margin expansion?

Beyond its core generics business, GRAN is also building a high-value second growth engine through its peptide CDMO platform, supported by the acquisition of Senn Chemicals AG, integration of Swiss R&D capabilities with India's manufacturing scale and increasing customer project wins. While peptide CDMO remains a medium-term opportunity, the business continues to witness ***increasing RFQ/RFP activity and expanding peptide and oligonucleotide capabilities*** are laying the foundation for future growth. Simultaneously, ***improving capacity utilisation, operating leverage and a higher share of differentiated products are expected to support EBITDA margin expansion to ~25% by FY29E***, alongside healthy earnings growth and improving return ratios.

Why Invest in GRAN?

GRAN is entering its next growth phase supported by multiple structural growth levers:

- **Differentiated Launch Pipeline Driving the Next Growth Cycle:** The company is steadily moving up the value chain through increasing exposure to complex generics, controlled substances and oncology. A robust ANDA pipeline, Sole FTF opportunities, multiple near-term launches and limited-competition products provide strong medium-term revenue visibility.
- **Peptide CDMO Building a Long-term Growth Platform:** GRAN continues to strengthen its peptide CDMO capabilities through expanding customer engagement, peptide and oligonucleotide R&D and ongoing capacity expansion, creating a differentiated long-term growth engine beyond its core generics business.
- **Improving Business Mix Supporting Margin Expansion:** A higher contribution from complex generics and controlled substances, improving operating leverage and gradual scaling of differentiated businesses are expected to support EBITDA margin expansion towards ~25% by FY29E, driving healthy earnings growth over FY27E–FY29E.

Recommendation: We currently have a 'BUY' rating on the stock with a target price of INR 1,010.

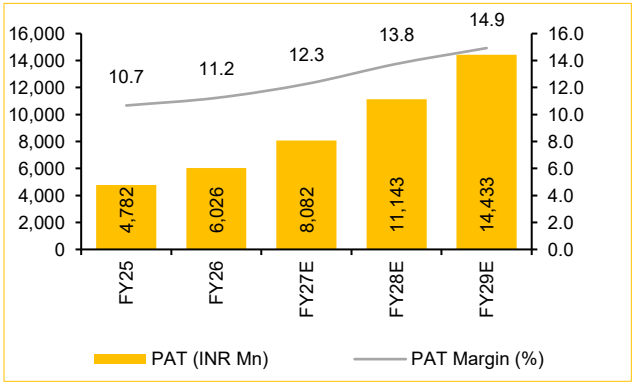
Key Risks:

- **Regulatory Compliance Risk:** Delays in the regulatory clearance of the Gagillapur facility, adverse USFDA observations or slower-than-expected approvals for pending ANDAs could postpone launches and impact growth in regulated markets.
- **Execution Risk in Complex Generics and Peptide CDMO:** Slower commercialisation of complex generics or oncology products, delays in scaling the peptide CDMO platform or weaker-than-expected scale-up of differentiated product launches could impact revenue growth, operating leverage and margin expansion.

Recent Report Link: Q2FY27 Result Update

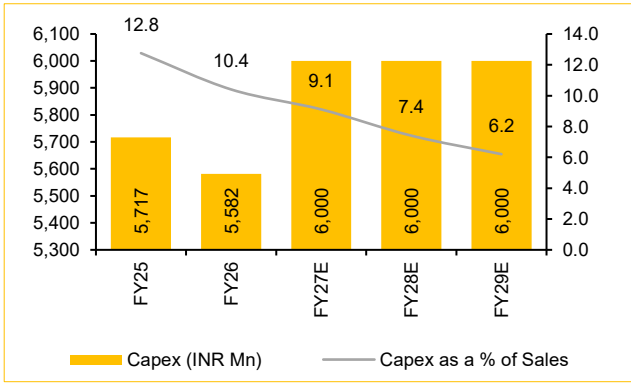
Convex Choices

PAT growth to mirror EBITDA



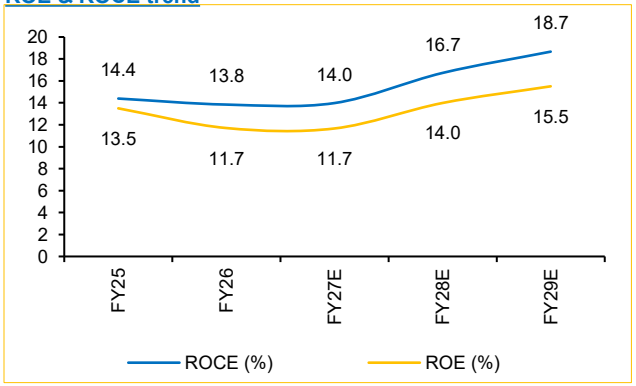
Source: GRAN, Choice Institutional Equities

Capex Spends



Source: GRAN, Choice Institutional Equities

ROE & ROCE trend



Source: GRAN, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	44,816	53,656	65,876	81,020	96,696
Gross Profit	27,559	34,899	42,819	53,068	63,819
EBITDA	9,452	11,851	15,020	19,445	24,174
Depreciation	2,255	2,961	3,462	3,882	4,302
EBIT	7,197	8,890	11,557	15,562	19,871
Other Income	129	203	329	405	483
Interest Expense	1,032	1,144	1,111	1,111	1,111
PBT (after exceptional items)	6,602	7,850	10,776	14,857	19,244
Adj PAT	4,782	6,026	8,082	11,143	14,433
Adj EPS (INR)	19.7	24.3	29.6	40.8	52.9

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	(0.5)	19.7	22.8	23.0	19.3
Gross Profit	10.9	26.6	22.7	23.9	20.3
EBITDA	10.4	25.4	26.7	29.5	24.3
Adj PAT	18.0	26.0	34.1	37.9	29.5
Margins (%)					
Gross Profit Margin	61.5	65.0	65.0	65.5	66.0
EBITDA Margin	21.1	22.1	22.8	24.0	25.0
PBT Margin	14.7	14.6	16.4	18.3	19.9
Tax Rate	24.0	24.2	25.0	25.0	25.0
Adj PAT Margin	10.7	11.2	12.3	13.8	14.9
Profitability (%)					
ROE	13.5	11.7	11.7	14.0	15.5
ROIC	12.1	12.2	14.1	17.4	20.3
ROCE	14.4	13.8	14.0	16.7	18.7
Financial Leverage					
OCF/EBITDA (x)	1.1	0.8	0.8	0.9	0.8
OCF/Net Profit (x)	1.7	1.3	1.1	1.2	1.0
Debt to Equity	0.3	0.3	0.2	0.2	0.1
Interest Coverage	7.0	7.8	10.4	14.0	17.9
Working Capital					
Inventory Days	284	326	325	300	300
Debtor Days	77	62	65	65	65
Payable Days	154	131	150	150	150
Cash Conversion Cycle	207	256	240	215	215
Valuation Metrics					
No of Shares (Mn)	242	248	273	273	273
EPS (INR)	20.7	24.0	29.6	40.8	52.9
BVPS (INR)	153.3	205.2	254.0	292.0	341.2
Market Cap (INR Bn)	196.3	196.6	201.0	221.2	221.2
PE	39.2	33.8	27.4	19.9	15.3
P/BV	5.3	4.0	3.2	2.8	2.4
EV/EBITDA	21.5	17.3	14.2	10.7	8.3
EV/Sales	4.5	3.8	3.2	2.6	2.1

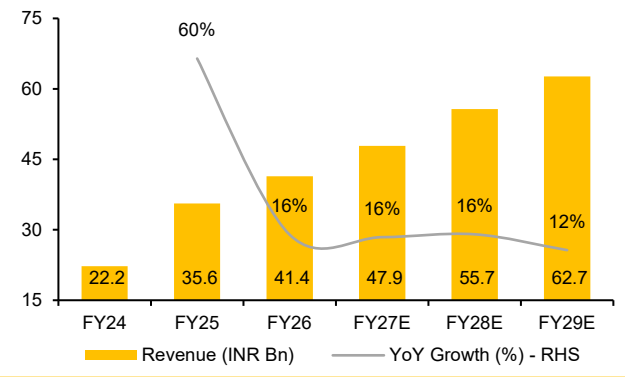
Source: GRAN, Choice Institutional Equities

Convex Choices

ITC Hotels I Rating – BUY I CMP: INR 184 I TP: INR 210

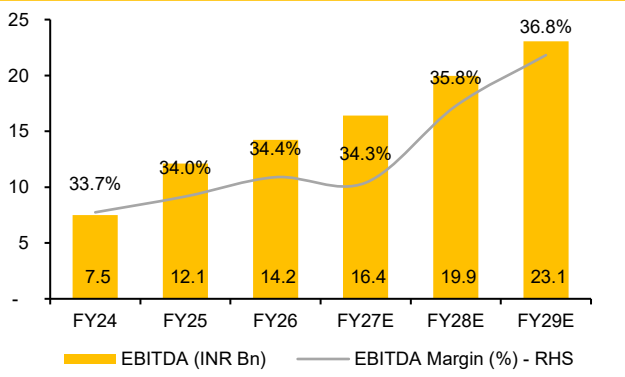
Choice Institutional Equities

Net revenue to expand at 14.8% CAGR over FY26–FY29E



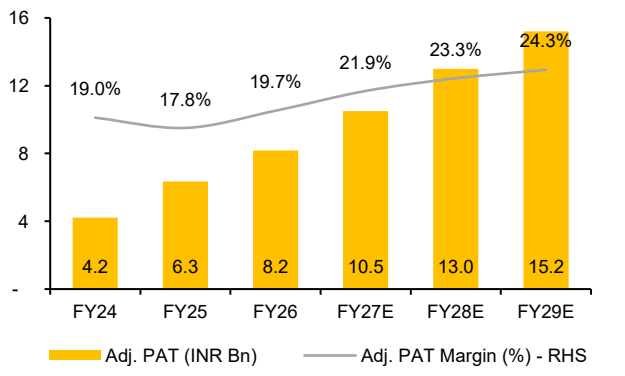
Source: ITCHOTEL, Choice Institutional Equities

EBITDA to expand by 17.4% CAGR over FY26–29E



Source: ITCHOTEL, Choice Institutional Equities

…leading to PAT expansion by 23.0% CAGR over FY26–29E



Source: ITCHOTEL, Choice Institutional Equities

Business Overview: ITCHOTEL is one of India's leading hospitality companies, demerged from ITC Ltd, which remains its promoter with a 39.9% stake. It operates 156 hotels with over 14,300 keys across seven brands: ITC Hotels, Mementos, Epiq Collection, Storii, Welcomhotel, Fortune and WelcomHeritage, spanning the Luxury, Upper-upscale, Upscale, Midscale and Heritage segments. Its domestic owned hotels command a 44% RevPAR premium over the industry average. A pioneer of Responsible Luxury, it has 25 LEED Platinum and 13 LEED Zero-Carbon-certified hotels. Recent additions include the 72-key ITC Kumarakom, the 130-key Welcomhotel Ahmedabad and a Lucknow land parcel, while ITC Ratnadipa and Sapphire Residences anchor its presence in Colombo.

After Q2 FY27's RevPAR-led beat, could ITCHOTEL sustain its pricing momentum?

ITCHOTEL's RevPAR grew 21.3% YoY to INR 9,700, ahead of the industry's ~13%, as occupancy rose 520 bps to 76.0% and ARR grew 13.3% to INR 12,800. Room revenue grew 22% YoY, aided by MICE demand from the BRICS Summit. A seasonally stronger H2, led by weddings and large events, limited new supply in key markets and over 200 recently renovated keys are expected to support further rate gains. We anticipate RevPAR to grow at a 10.4% CAGR over FY26–FY29E.

How are owned-asset additions and operating leverage strengthening returns?

ITCHOTEL's owned portfolio is expanding through five ongoing projects, adding 700+ keys, alongside value-accretive acquisitions in Ahmedabad and Kumarakom and land additions in Delhi and Lucknow. Stabilisation of newer hotels and cost-efficiency helped EBITDA margin expand 274 bps YoY to 32.0% in Q2 FY27, while domestic operating ROCE improved 217 bps to 19.5%. With operating leverage flowing through P&L, we forecast EBITDA margin to expand 240 bps over FY26–FY29E.

Could the 'Asset-Right' model deliver capital-efficient growth?

ITCHOTEL signed up 20 hotels in H1 FY27 (15 in H1 FY26), taking its managed pipeline to 84 hotels (~8,200 keys). Management fees grew 25% YoY in Q2 FY27, adding high-margin, capital-light income. It targets 250 hotels and 22,000+ keys by 2031, with the managed share of keys rising from 59% to 67%. We expect total keys to grow at a 9.1% CAGR over FY26–FY29E.

Why is it recommended to invest in ITCHOTEL?

ITCHOTEL combines three things rarely found together in Indian hospitality: Luxury brand equity, a net-cash balance sheet and a capital-light growth engine. Its owned hotels earn 1.4x industry average RevPAR, a sign of pricing power which is hard to emulate. Faster managed signings are lifting fee income without using much capital and net cash funds selective owned and inorganic additions. As margin and returns improve, we expect profit to grow faster than revenue (23.0% vs 14.8% CAGR over FY26–FY29E).

Valuation:

- ITCHOTEL is poised for FY26–29E Revenue / EBITDA / PAT CAGR of 14.8% / 17.4% / 23.0%, driven by RevPAR growth, fee income and operating leverage. We have a '**BUY**' rating with a target price of INR 210 at 22x FY28E Hospitality EBITDA. This implies a ~33.6x / 28.7x PE on FY28E / FY29E EPS.

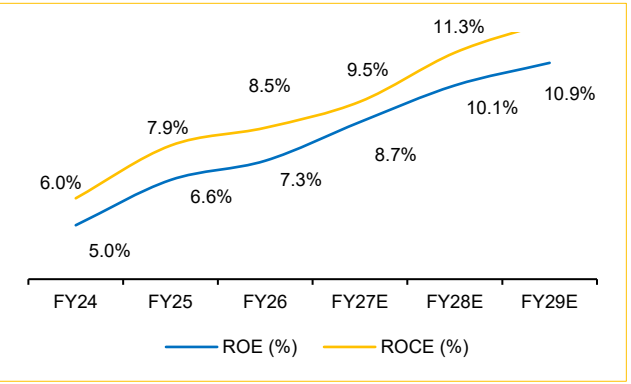
Key Risks:

- Moderation in domestic air traffic, possibly lower international tourist arrivals, probable execution delays in owned pipeline projects and integration risks from recent acquisitions could impact the growth and margin trajectory.

Recent Report Link: Q2 FY27 Result Update

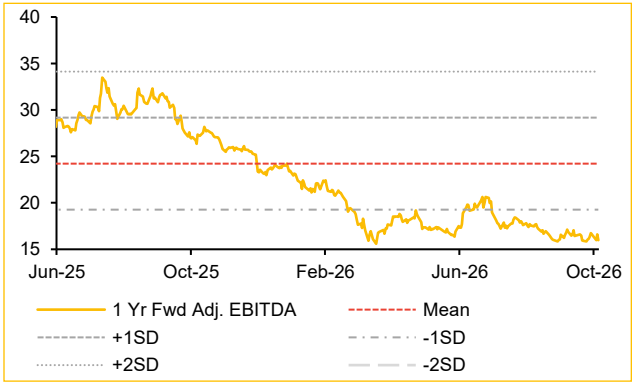
Convex Choices

Return Ratios Expected to Improve by FY29E



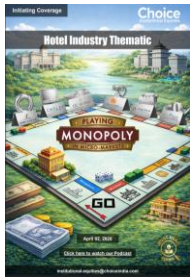
Source: ITCHOTEL, Choice Institutional Equities

One-year forward EV/EBITDA band



Source: ITCHOTEL, Choice Institutional Equities

Indian Hotel Industry Thematic



Click here to read Indian Hotel Industry Thematic

Click here to read Q2 FY27 Results Preview

Click here to read Q2 FY27 Result Update

Source: ITCHOTEL, Choice Institutional Equities

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Net Revenue	**35,598**	**41,394**	**47,879**	**55,720**	**62,653**
Total Op. Expenses	23,489	27,156	31,462	35,772	39,597
EBITDA	**12,109**	**14,238**	**16,416**	**19,948**	**23,056**
Depreciation	4,024	4,165	4,372	4,638	4,899
EBIT	8,085	10,073	12,044	15,310	18,158
Other Income	663	1,919	2,169	2,158	2,112
Finance Cost	66	79	72	72	72
PBT	8,841	11,230	14,297	17,569	20,393
Adj. PAT	**6,346**	**8,169**	**10,495**	**12,993**	**15,203**
Adj. EPS (INR)	3.0	3.9	5.0	6.2	7.3

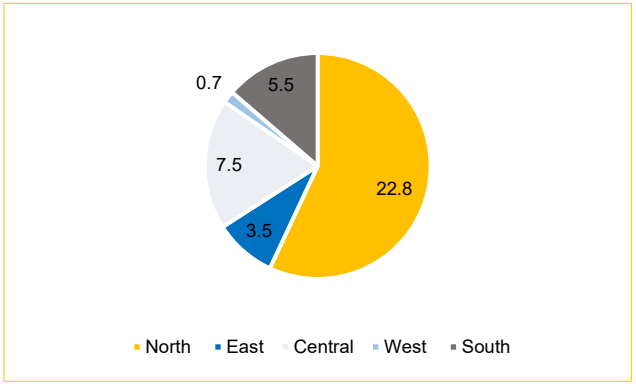
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	60.0%	16.3%	15.7%	16.4%	12.4%
EBITDA (%)	61.5%	17.6%	15.3%	21.5%	15.6%
PBT (%)	56.5%	27.0%	27.3%	22.9%	16.1%
Adj. PAT (%)	50.4%	28.8%	28.7%	23.7%	17.0%
Margin Ratios (%)					
EBITDA Margin	34.0%	34.4%	34.3%	35.8%	36.8%
EBIT Margin	22.7%	24.3%	25.2%	27.5%	29.0%
PBT Margin	24.8%	27.1%	29.9%	31.5%	32.5%
Adj. PAT Margin	17.9%	19.8%	22.1%	23.5%	24.4%
DuPont Analysis					
Tax Burden (%)	72.1%	73.1%	73.9%	74.4%	75.0%
Interest Burden (%)	109.3%	111.5%	118.7%	114.8%	112.3%
EBIT Margin (%)	22.7%	24.3%	25.2%	27.5%	29.0%
Asset Turnover (x)	0.3	0.3	0.3	0.4	0.4
Equity Multiplier (x)	1.2	1.2	1.2	1.1	1.1
ROE (%)	**6.6%**	**7.3%**	**8.7%**	**10.1%**	**10.9%**
Profitability					
ROE (%)	6.6%	7.3%	8.7%	10.1%	10.9%
ROCE (%)	7.9%	8.5%	9.5%	11.3%	12.4%
ROIC (%)	6.7%	7.4%	9.0%	11.1%	13.0%

Source: ITCHOTEL, Choice Institutional Equities

Convex Choices

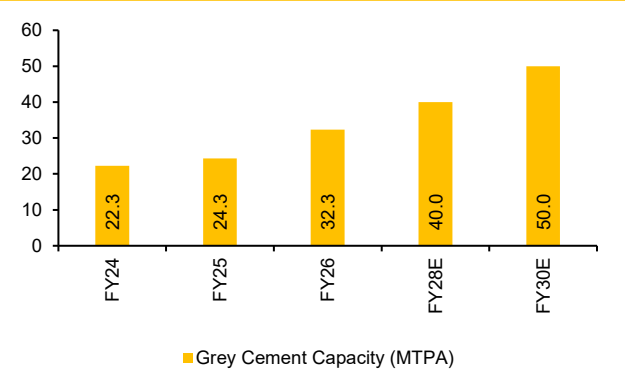
JK Cement I Rating – BUY I CMP: INR 5,327 I TP: INR 6,570

FY28E: Strategic foray into the North & Central region



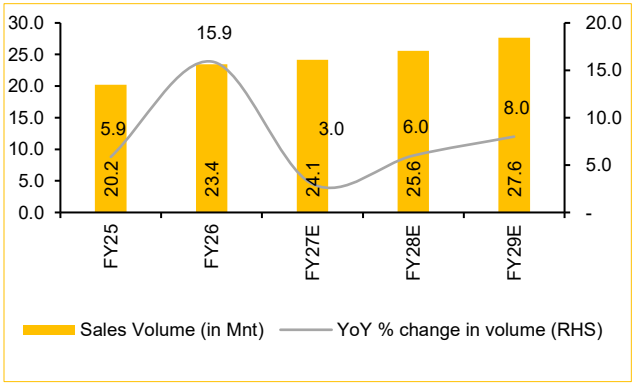
Source: JKCE, Choice Institutional Equities

Targeting ~50 MTPA cement capacity by FY30E



Source: JKCE, Choice Institutional Equities

Volume is projected to grow to 25.6 Mnt by FY28E



Source: JKCE, Choice Institutional Equities

Business Overview: JKCE, a part of the JK Organisation, was established in 1975 and has since built a diversified presence across the construction materials value chain. Beyond its core grey cement business, the company has expanded into white cement, wall putty, paints, tile adhesives and other building solutions. **With a consolidated grey cement capacity of 32.26 MTPA currently, JKCE is pursuing an expansion-led growth strategy to reach 50 MTPA by FY30**, supported by a combination of brownfield and greenfield projects in Rajasthan, Madhya Pradesh and Bihar.

Q1: What could drive profitability and earnings improvement going forward?

Ans: JKCE has several levers to support a recovery in profitability and earnings over the medium term. A continued improvement in the **trade and premium product mix** should aid realisations, with premium products offering around **INR 150/t of incremental profitability**. In addition, recent cement price hikes of approximately **INR 20/bag**, if sustained, could help offset elevated input costs and improve operating leverage. Over the longer term, the commissioning of the **Mahan coal block**, targeted for FY29, could provide a structural reduction in fuel costs, creating an additional catalyst for margin expansion.

Q2: What could be the long-term structural cost advantage for JKCE?

Ans: The development of the **Mahan coal block**, targeted to become operational in **H1FY29**, has the potential to create a meaningful long-term cost advantage for JKCE. Management expects coal from the mine to be available at a cost of around **INR 1.00–1.25 per Kcal**, which could reduce the company's dependence on volatile imported fuels, particularly for its Central India operations. As the benefits scale up, the captive coal source could support lower and more stable fuel costs, making it an important structural catalyst for margin improvement and earnings growth.

Q3: Can JKCE's capacity expansion translate into higher returns without materially stretching the balance sheet?

Ans: JKCE's expansion-led growth strategy appears to be reasonably funded, with management guiding for **peak net debt-to-EBITDA of around 2.25–2.35x by FY27-end**, after which leverage is expected to moderate as new capacities ramp up and generate incremental cash flows. Importantly, a significant portion of the company's journey towards **50 MTPA capacity by FY30** is expected to be driven by relatively lower-cost **brownfield expansions**. This should support better capital efficiency, limit the funding burden and potentially enable higher returns as capacity utilisation and operating leverage improve over the medium term.

Outlook: We value JKCE at **3.4x FY28E EV/CE** and derive a **1-year forward TP of INR 6,570/share**. Despite the TP cut, we **retain 'BUY'**, given the company's long-term capacity-led growth opportunity, premiumisation potential and scope for structural cost efficiency.

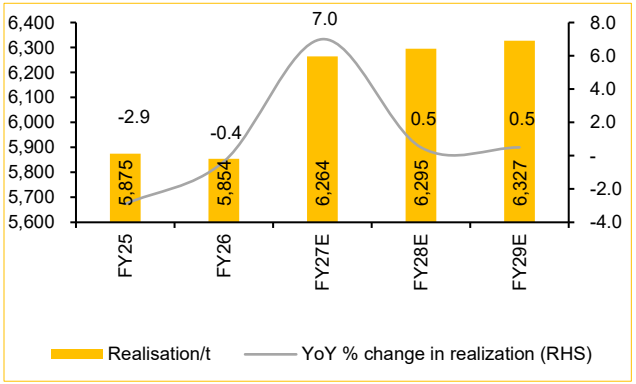
Risks:

- **Sustained cost inflation:** Possible higher coal, petcoke, power and freight cost could pressure margin if the company is unable to fully pass on the increase through cement prices.
- **Execution and ramp-up risk:** JKCE's ambitious capacity expansion towards **50 MTPA by FY30** carries execution, commissioning and utilisation risks. Any delays could impact the expected return on capital employed.

Recent Report Link: Q2FY27_JK Cement Result Update

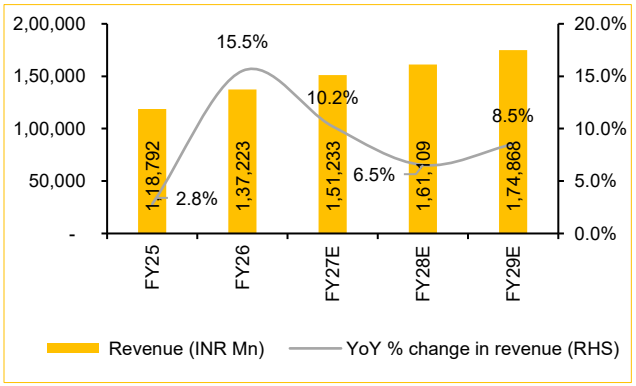
Convex Choices

Realisation/t (INR) is expected to remain positive



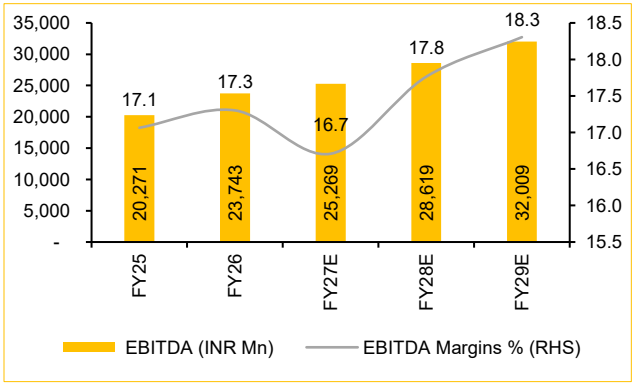
Source: JKCE, Choice Institutional Equities

Growth in volume and realisation to drive better revenue



Source: JKCE, Choice Institutional Equities

EBITDA expected to expand at CAGR of 10.5% over FY26–29



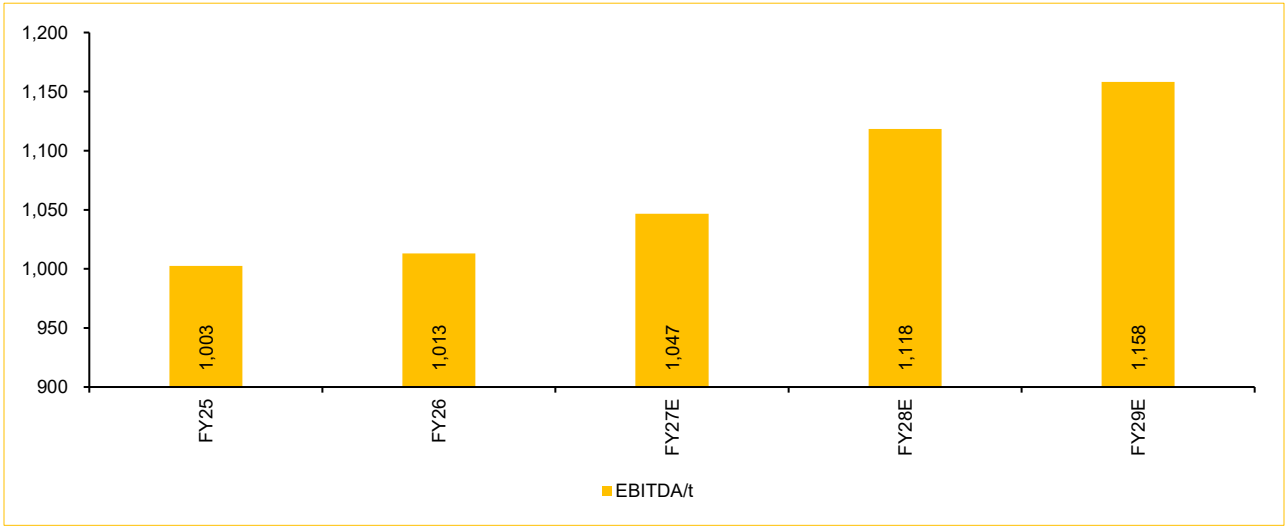
Source: JKCE, Choice Institutional Equities

Key operating metrics of JKCE Ltd.

Particular	FY24	FY25	FY26	FY27E	FY28E	FY29E
Volume (in Mnt)	19.1	20.2	23.4	24.1	25.6	27.6
Realisation/t	6,050	5,875	5,854	6,264	6,295	6,327
COGS/t	961	998	955	1,065	1,039	1,044
Employee Cost/t	410	446	446	464	478	481
Power & Fuel Cost/t	1,356	1,078	1,109	1,242	1,179	1,144
Freight Expenses/t	1,265	1,325	1,342	1,383	1,410	1,424
Other Expenses/t	980	1,025	990	1,065	1,070	1,076
Total Cost/t	4,972	4,872	4,841	5,217	5,177	5,169
EBITDA/t	1,078	1,003	1,013	1,047	1,118	1,158

Source: JKCE, Choice Institutional Equities

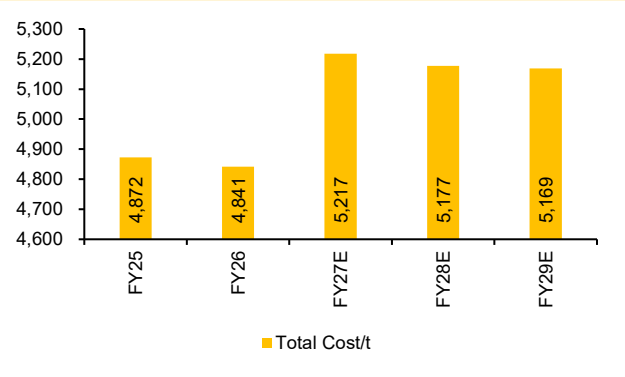
Cost reduction initiatives lead to an increase in EBITDA/t



Source: JKCE, Choice Institutional Equities

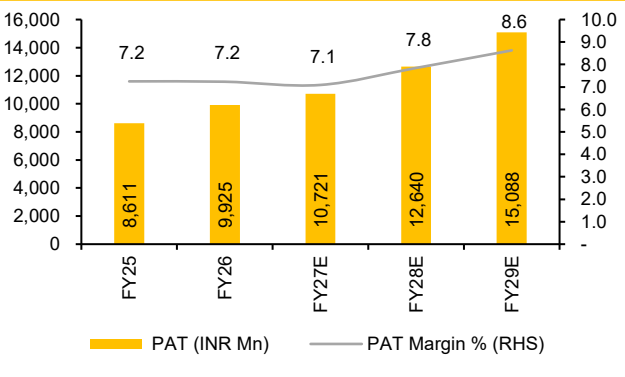
Convex Choices

Total cost/t to be higher in FY27E



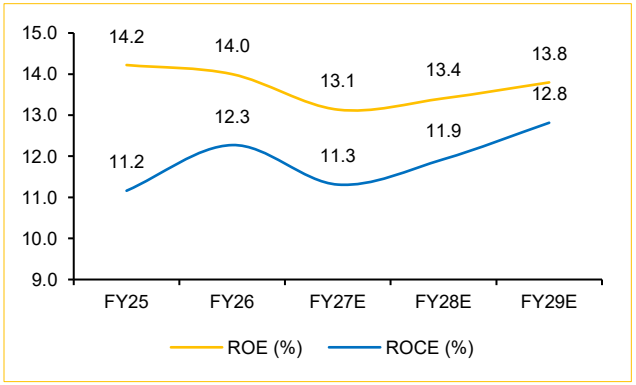
Source: JKCE, Choice Institutional Equities

Strong PAT growth



Source: JKCE, Choice Institutional Equities

ROE & ROCE to trend higher



Source: JKCE, Choice Institutional Equities

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,18,792	1,37,223	1,51,233	1,61,109	1,74,868
Gross Profit	98,616	1,14,847	1,25,524	1,34,526	1,46,015
EBITDA	20,271	23,743	25,269	28,619	32,009
Depreciation	6,015	6,530	7,628	8,508	9,108
EBIT	14,256	17,213	17,641	20,111	22,902
Other Income	1,730	1,945	1,512	1,611	1,749
Interest Expense	4,592	4,243	4,802	4,802	4,452
PBT	10,365	14,439	14,352	16,921	20,198
Reported PAT	8,611	9,925	10,721	12,640	15,088
EPS (INR)	111.4	128.4	138.7	163.6	195.3

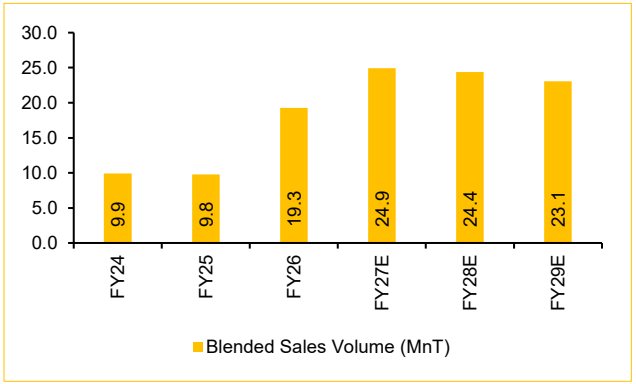
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	2.8	15.5	10.2	6.5	8.5
EBITDA	(1.6)	17.1	6.4	13.3	11.8
PAT	8.9	15.3	8.0	17.9	19.4
Margins (%)					
Gross Profit Margin	83.0	83.7	83.0	83.5	83.5
EBITDA Margin	17.1	17.3	16.7	17.8	18.3
PAT Margin	7.2	7.2	7.1	7.8	8.6
Profitability (%)					
Return On Equity (ROE)	14.2	14.0	13.1	13.4	13.8
Return On Invested Capital (ROIC)	11.9	11.4	10.5	10.8	11.7
Return On Capital Employed (ROCE)	11.2	12.3	11.3	11.9	12.8
Financial Leverage					
OCF/EBITDA (x)	1.0	0.8	0.9	0.9	0.8
OCF / IC (%)	21.8	16.8	17.8	17.0	17.8
EV/EBITDA (x)	22.3	20.1	18.6	16.5	14.5
Earnings					
EPS (INR)	111.4	128.4	138.7	163.6	195.3
Shares Outstanding	77	77	77	77	77
Working Capital Days					
Inventory Days	36	41	41	41	41
Receivable Days	24	20	18	19	20
Creditor Days	34	32	34	34	34
Working Capital Days	27	28	25	26	27

Source: JKCE, Choice Institutional Equities

Lloyds Metals and Energy I Rating – BUY I CMP: INR 1,734 I TP: INR 2,390

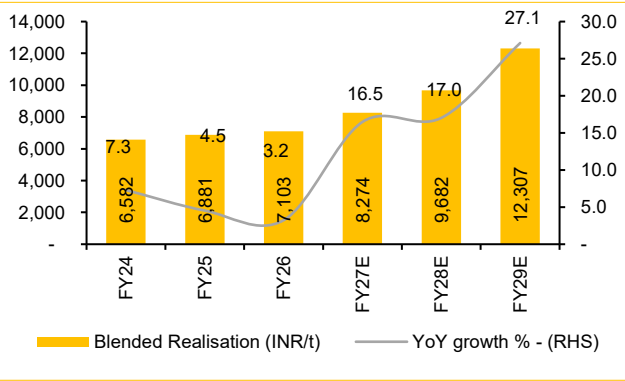
Choice Institutional Equities

Blended volume to hold at ~24–25 MnT over FY27–28E



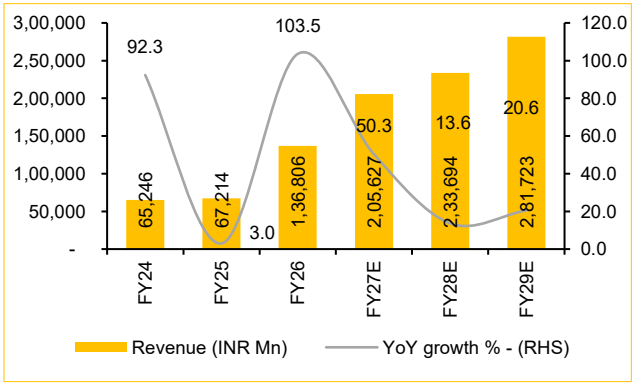
Source: LLOYDSME, Choice Institutional Equities

Blended realisation moving towards new highs



Source: LLOYDSME, Choice Institutional Equities

Value-driven revenue growth



Source: LLOYDSME, Choice Institutional Equities

Business Overview: LLOYDSME mines iron ore at **Surjagarh in Gadchiroli, Maharashtra**, and has spent the last three years building the downstream chain around that mine: **8 MTPA of pellet capacity at Konsari, DRI (sponge iron) and captive power**, with a **1.2 MnT integrated steel plant due for commissioning in Q4FY27**. An 85-km slurry pipeline already moves ore to the pellet plants and a 195-km Hedri–Ghughus line is in the works. It also consolidates Thriveni Earthmovers (TEIPL), a mining services business, and holds copper-cobalt assets in the DRC through Surya and Chemaf.

Q2FY27 profit was down 27% QoQ. Is growth slowing?

We do not think so. The QoQ decline was seasonal: the monsoon cut iron ore sales to **2.12 MnT from 5.46 MnT in Q1FY27**. Despite this, standalone EBITDA rose **83% YoY to INR 15.4 Bn**, and margin improved **419 bps YoY to 37.2%**. Pellets (2.05 MnT sold) and DRI (EBITDA/t of INR 9,231) more than made up for the lost ore tonnes, and **steel and VAP now account for 67% of standalone EBIT, up from 49% a year ago**. Mining is back at 2+ MnT a month, and H1 has already delivered 47% of our FY27E EBITDA, so we expect H2 to be the stronger half.

Net debt has gone up sharply. How much of a concern is it?

Standalone net debt rose to **INR 93.2 Bn at end-Sep-26 from INR 56.2 Bn at end-Jun-26**, after INR 30.5 Bn of capex in the quarter (INR 60.5 Bn in H1). We see FY27 as the peak spend year. As the steel plant comes on stream and capex falls, we expect **net debt/EBITDA to ease from 1.6x in FY27E to 0.8x by FY29E**. At the group level, the Chemaf settlement (≤USD 250 Mn against ~USD 804 Mn of non-recourse borrowings) should reduce debt by about INR 53 Bn.

What is not in our numbers yet?

The DRC copper-cobalt business. Chemaf is expected to start producing cathodes in early FY28 and reach 6,000 TPM by mid-FY28, but **we do not assign any value to it in our TP**. The 195-km pipeline (INR 800–1,000/t freight saving) and the 4 MnT third pellet plant (FY28) are further cost and volume levers. On the other side, we are tracking two things closely: **pellet EBITDA/t, which fell to INR 4,604 from INR 5,803 in Q1**, and Thriveni, whose margin dropped to 11.7% in Q2.

View and Valuation: We retain **BUY** with an unchanged SoTP-based TP of **INR 2,390**. We value the standalone business at **14x FY28E EV/EBITDA (INR 2,059/share)** and the Thriveni stake at 8x (INR 329/share). Post Q2, our FY27E EBITDA is down 0.6%, while FY28E PAT is up 2.7%. The stock trades at 11.8x FY28E implied EV/EBITDA and offers **~36.6% upside** from current levels. We maintain it in our high-conviction list for Edition VIII.

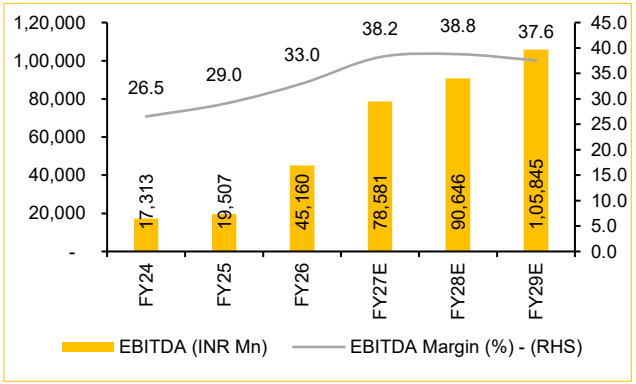
Risks:

- Delay in commissioning the steel plant or the Hedri–Ghughus pipeline
- Weaker iron ore and pellet prices, or a further fall in pellet EBITDA/t
- Capex overrun keeping debt higher for longer; execution and country risk in the DRC
- Pledged promoter shares, contingent liabilities and mining regulation

Recent Report Link: Lloyds Metals & Energy IC Report | Q2FY27 Result Update

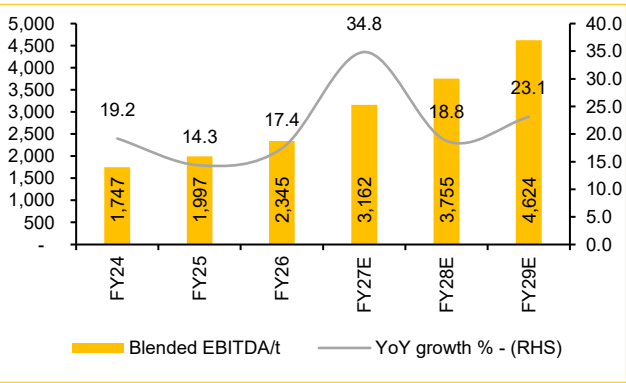
Convex Choices

FY26–29E: EBITDA expected to grow at a CAGR of 32.8%



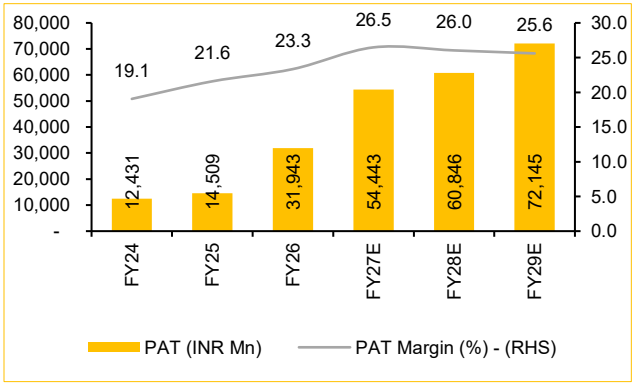
Source: LLOYDSME, Choice Institutional Equities

Scaling up the EBITDA peak



Source: LLOYDSME, Choice Institutional Equities

Robust PAT growth anticipated



Source: LLOYDSME, Choice Institutional Equities

Profit & Loss (in INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	67,214	1,36,806	2,05,627	2,33,694	2,81,723
Gross Profit	59,153	1,16,805	1,73,191	1,94,433	2,25,660
EBITDA	19,507	45,160	78,581	90,646	1,05,845
Depreciation	805	2,425	4,206	6,490	7,640
EBIT	18,703	42,734	74,375	84,156	98,205
Other Income	538	1,572	2,350	2,700	3,050
Interest Expenses	271	1,323	5,090	6,795	6,327
PAT	**14,509**	**31,943**	**54,443**	**60,846**	**72,145**
EPS (INR)	27.7	56.8	96.7	108.1	128.1

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	3.0	103.5	50.3	13.6	20.6
EBITDA	12.7	131.5	74.0	15.4	16.8
Margin Ratios (%)					
EBITDA	29.0	33.0	38.2	38.8	37.6
PAT	21.6	23.3	26.5	26.0	25.6
Performance Ratios (%)					
ROE	31.5	35.1	37.6	30.2	27.1
ROCE	27.4	25.3	23.5	19.5	19.4
ROIC	30.7	27.2	24.4	19.9	20.3
Turnover Ratios (Days)					
Inventory	195.5	171.4	183.5	177.5	180.5
Debtor	9.3	5.9	7.5	7.0	6.1
Payables	25.2	249.8	94.7	99.9	113.6
Cash Conversion Cycle	179.6	(72.4)	96.2	84.6	73.0
Financial Stability Ratios (x)					
Net Debt to Equity	0.0	0.4	0.7	0.5	0.3
Net Debt to EBITDA	0.1	1.0	1.6	1.2	0.8
Interest Cover	69.1	32.3	14.6	12.4	15.5
Valuation Metrics					
Fully diluted shares (Mn)	523	563	563	563	563
PE(x)	63.1	30.8	18.1	16.2	13.6
EV (INR Mn)	9,42,877	10,58,669	11,36,188	11,23,176	11,01,867
EV/EBITDA (x)	47.0	22.8	14.1	12.1	10.1
Price to BV (x)	14.3	8.4	5.7	4.3	3.3
EV/Sales (x)	13.6	7.5	5.4	4.7	3.8
Mcap/Sales (x)	13.6	7.2	4.8	4.2	3.5

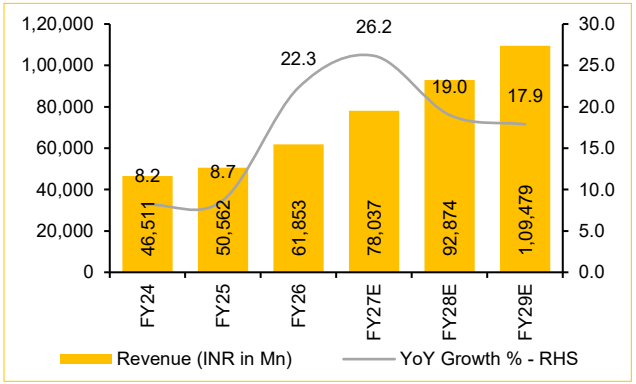
Note: Standalone numbers

Source: LLOYDSME, Choice Institutional Equities

Minda Corp I Rating – BUY I CMP: INR 755 I TP: INR 860

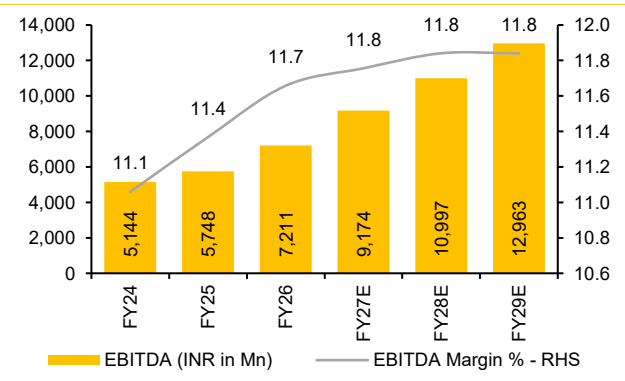
Choice Institutional Equities

Revenue expected to expand at 21.0% CAGR over FY26–29E



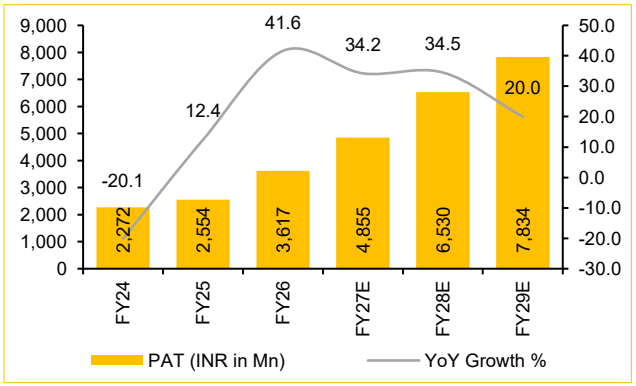
Source: MDA, Choice Institutional Equities

EBITDA anticipated to expand at 21.6% CAGR over FY26–29E



Source: MDA, Choice Institutional Equities

APAT projected to expand at 29.4% CAGR over FY26–29E



Source: MDA, Choice Institutional Equities

Business overview: MDA is a leading player in India's automotive component sectors, with a strong presence in wiring harnesses, vehicle access and information systems. MDA benefits from its strong brand equity, an extensive manufacturing footprint and technology-led system solutions. In Q2FY27, MDA reported revenue of **INR 21.9 Bn (+43% YoY)** with an EBITDA margin of 11.8%. Revenue is expected to expand at a **CAGR of 21.0%** over FY26–29E, supported by increasing content per vehicle, an expanding EV portfolio and growing export demand.

Could MDA sustain its growth and achieve its ambitious Vision 2030 target?

MDA has demonstrated a strong historical growth trajectory, delivering a **revenue CAGR of ~20% between FY22 and FY26**, with consolidated revenue reaching INR 61,853 Mn in FY26. EBITDA grew at a faster CAGR of ~25%, s expanded from 9.9% to 11.7%. Under Vision 2030, the company targets consolidated group revenue of **over INR 1,75,000 Mn by FY30E**, implying ~28% CAGR from FY25 revenue of INR 50,562 Mn. Q2FY27 performance reinforces this trajectory, with **revenue rising 42.6% YoY to a record INR 21,890 Mn**, significantly ahead of average industry growth of 18.2% YoY. EBITDA grew 44.7% to INR 2,570 Mn, with margin improving to 11.8%. While commodity, labour and freight costs remain near-term challenges, strong order wins, premiumisation and capacity expansion support its growth ambition.

How is MDA positioned in the vehicle access systems segment and what is the outlook?

MDA has a strong position in vehicle access systems, which are shifting from traditional mechanical locks towards advanced mechatronic solutions. The consolidation of Minda VAST has strengthened its passenger vehicle presence and supported growth in the **Mechatronics, Aftermarket and Others vertical**, which reported **Q2FY27 revenue growth of 38% YoY to INR 9,840 Mn**. The company offers door handles, locksets and latches, while expanding towards integrated solutions such as custom handles, seamless access and electronic locksets. Rising electronic content and deeper PV penetration should support higher content per vehicle and growth in this segment.

Will MDA's EV-specific product portfolio significantly drive its overall revenue growth?

EVs are emerging as an important growth driver for MDA, with **EV product revenue growing 113% YoY in Q2FY27**, contributing around 10% of MDA revenue and 15% at group level. EV products now account for **35% of order-book value** and new order wins. Flash Electronics' EV revenue grew 173% YoY and contributed 32% of its Q2FY27 revenue. MDA's portfolio spans wiring harnesses, instrument clusters, chargers and power electronics, positioning it to capture rising electronic content across EV platforms. Its localisation of high-voltage cables for a leading PV platform further strengthens its opportunity.

What makes MDA a standout investment in India's automotive component industry?

MDA is transitioning into an integrated System Solution Provider, supported by technology, product diversification and manufacturing scale. Its R&D capabilities include 340+ patents filed, of which 155 have been granted, over 1,000 engineers, two advanced technology centres and seven engineering centres. Its portfolio spans six business verticals and 42 plants, with 6–7 additional facilities planned over the next 12–24 months. The proposed INR 2,000 Mn TFT display-module facility will support 70–80% localisation. **We believe MDA is well-positioned to sustain above-industry growth, supported by rising electronic content, EV adoption, premiumisation and a strong pipeline of new programmes. Increasing PV exposure, localisation and scale-up of high-value products should further strengthen its business mix and earnings growth visibility over the medium term.**

Recommendation: We maintain a positive outlook on MDA, maintaining our '**BUY**' rating, with a TP of **INR 860.**

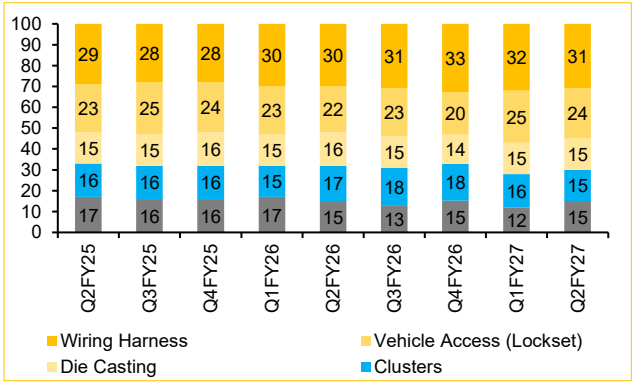
Key Risks:

- **Competition risk:** Possibly intensifying competition in the domestic as well as global auto components space; rapid product cycles and pricing pressures from competitors could place sustained pressure on margin and market share.

Recent Report Link: Q2FY27 Result Update

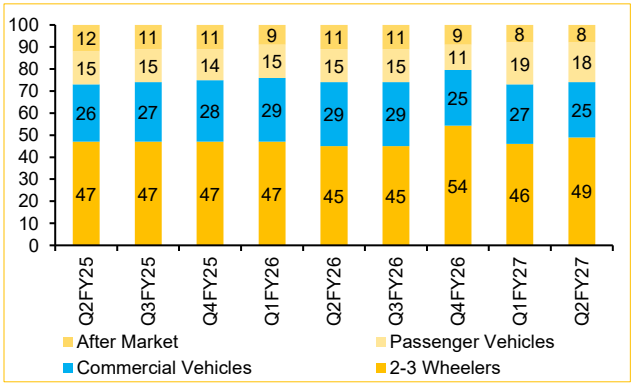
Convex Choices

Product mix (%)



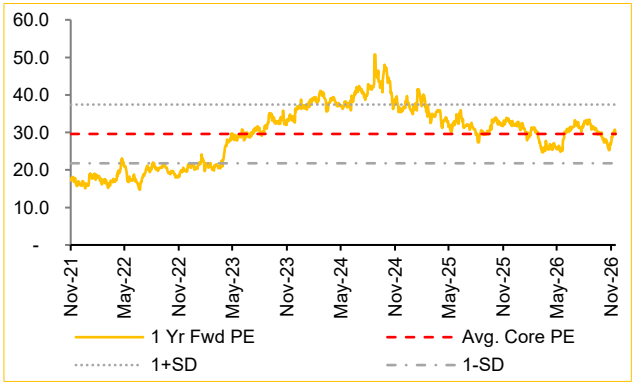
Source: MDA, Choice Institutional Equities

End-User segment mix (%)



Source: MDA, Choice Institutional Equities

One-year forward PE band



Source: MDA, Choice Institutional Equities

Income Statement INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	50,562	61,853	78,037	92,874	1,09,479
Gross Profit	**19,098**	**22,858**	**28,008**	**34,587**	**40,770**
EBITDA	**5,748**	**7,211**	**9,174**	**10,997**	**12,963**
Depreciation	2,043	2,295	2,647	3,040	3,518
EBIT	3,705	4,916	6,528	7,957	9,445
Interest Expenses	672	1,219	1,051	874	813
Other Income	324	152	107	144	144
Share of Associates	162	811	878	1,134	1,286
Adjusted PAT	**2,554**	**3,617**	**4,855**	**6,530**	**7,834**
EPS (INR)	**10.7**	**15.1**	**19.7**	**26.5**	**31.7**

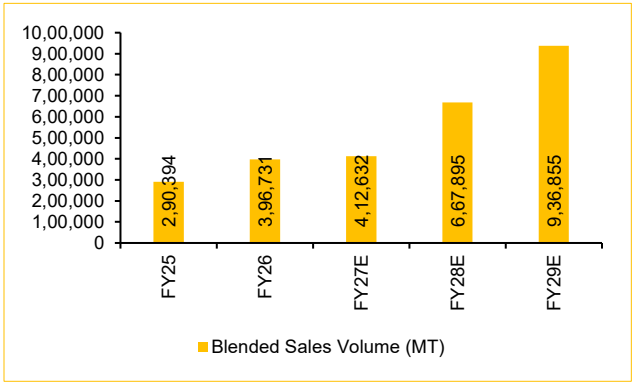
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	8.7	22.3	26.2	19.0	17.9
EBITDA	11.7	25.5	27.2	19.9	17.9
APAT	12.4	41.6	34.2	34.5	20.0
Margins (%)					
EBITDA	11.4	11.7	11.8	11.8	11.8
APAT	5.1	5.8	6.2	7.0	7.2
Profitability (%)					
ROE	11.6	13.6	13.8	15.9	16.4
ROCE	14.1	15.7	17.4	18.1	18.9
Working Capital					
Inventory Days	64	61	61	59	57
Debtor Days	59	54	55	54	53
Payable Days	87	92	89	89	85
Cash Conversion Cycle	37	22	28	24	25
Valuation Metrics					
PE(x)	50.5	45.4	36.3	27.0	22.5
Price to BV (x)	5.9	6.2	5.0	4.3	3.7
EV/EBITDA (x)	25.1	24.6	20.3	16.7	14.2
EV/Net Sales (x)	2.8	2.9	2.4	2.0	1.7

Convex Choices

Sambhv Steel Tubes I Rating – BUY I CMP: INR 161 I TP: INR 210

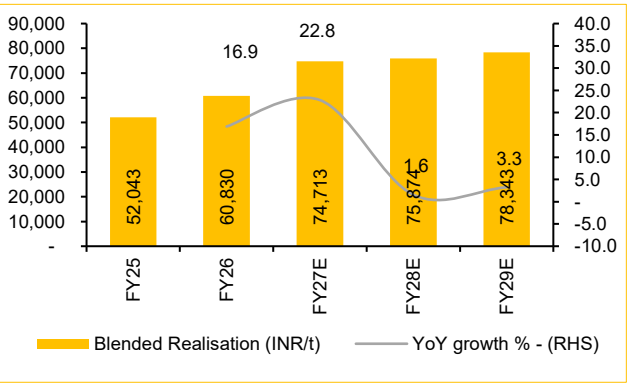
Choice Institutional Equities

Volumes to compound at 33.2% over FY26–29E



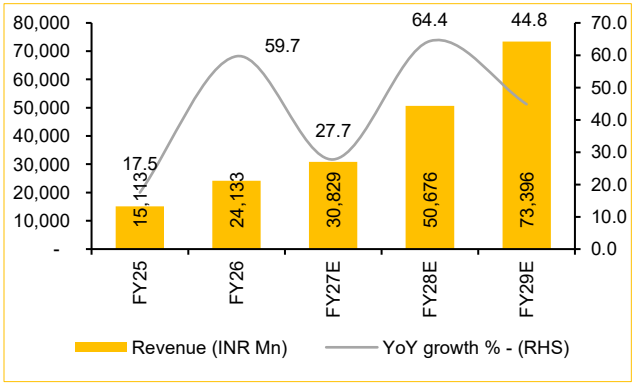
Source: SAMBHV, Choice Institutional Equities

Stainless steel and VAP mix lift realisation



Source: SAMBHV, Choice Institutional Equities

Revenue to triple over FY26–29E



Source: SAMBHV, Choice Institutional Equities

Business Overview: SAMBHV, set up in 2018, makes ERW black pipes, hollow sections, pre-galvanised and galvanised pipes from its integrated plants in **Raipur, Chhattisgarh**. It produces its own sponge iron, blooms/slabs and HR coil, which gives it control over raw material, quality and cost. Finished product capacity is **~0.58 MMTPA** today. The company is now moving into higher-value products: a **0.36 MMTPA stainless steel plant at Kesda** (Phase I, due Q4FY27) and a 14,400 MTPA stainless steel seamless pipe plant (March 2028), with a stated aim of 2.0 MMTPA by 2030.

Why are we adding SAMBHV to Convex Choices now?

The company is at the start of a large capacity build. **INR 20.5 Bn of capex over FY27–29E takes finished capacity from 508 kt in FY26 to 1,732 kt in FY29E**, and we expect volumes to compound at 33% and EBITDA at 47% over FY26–29E. Q2FY27, the first quarter after our initiation, was ahead of our numbers: **VAP volumes grew 26.8% YoY to 1,13,591 MT**, revenue rose 44.1% YoY to a record INR 8,360 Mn and **PAT nearly doubled to INR 609 Mn**. Kesda is on schedule, with hot rolling mill erection ~60% complete.

EBITDA/t fell QoQ in Q2. Is the margin case intact?

We think so. EBITDA/t was **INR 8,233 (INR 8,888 excluding sponge iron)** against ~INR 9,350 in Q1FY27, as higher raw material costs cut gross margin by 325 bps QoQ to 25.7%. Tighter control of other expenses (8.7% of sales vs 11.5% a year ago) still lifted **EBITDA margin 170 bps YoY to 12.1%**, and Q2 EBITDA/t is within management's FY27 guidance of INR 7,500–8,500. H1FY27 EBITDA of INR 1,961 Mn is already 52% of our FY27E. The larger step-up comes from mix: **stainless steel coils and seamless pipes earn well above the current blended level**, and we expect blended EBITDA/t to reach ~INR 9,400 by FY29E.

How stretched does the balance sheet get during the capex phase?

FY27E is the peak year, with INR 11.0 Bn of capex, and we expect **net debt to rise from INR 1.9 Bn in FY26 to INR 10.8 Bn in FY27E** (2.9x EBITDA). Q2 gave some comfort: H1 operating cash flow was **INR 3.1 Bn (INR 0.2 Bn in H1FY26)** and funded a large part of H1 capex of INR 4.8 Bn, and net debt is ~1.3x TTM operating EBITDA. As Kesda starts earning, we expect **net debt/EBITDA to ease to 1.9x in FY28E and 1.4x in FY29E**, and ROE to recover to ~24% by FY29E.

View and Valuation: We add SAMBHV to our Convex Choices for Edition VIII with a **BUY** rating and a TP of **INR 210**, based on 10x TTM H1FY29E consolidated EV/EBITDA. Post Q2, we raised FY27E EBITDA by 4.8% and PAT by 11.2%; FY28E is unchanged. The stock trades at **10.4x FY28E EV/EBITDA** and offers **~27% upside** from current levels.

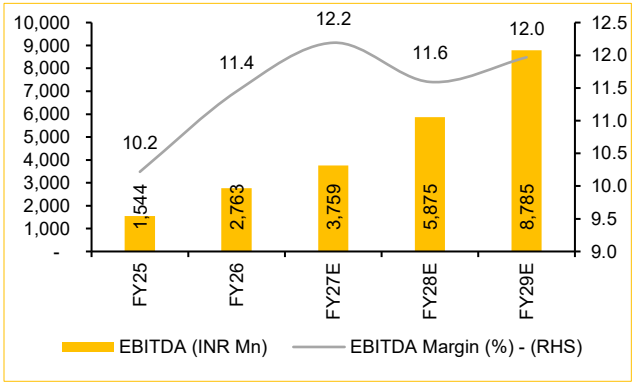
Risks:

- Delay in commissioning Kesda Phase I, the Sarora DFT line or captive power
- Weaker HR coil and stainless steel spreads, or a rise in cheap imports
- Capex overrun pushing net debt above INR 12 Bn for longer periods
- Slower-than-expected ramp-up of the new stainless steel and seamless lines

Recent Report Link: Sambhv Steel Tubes IC Report

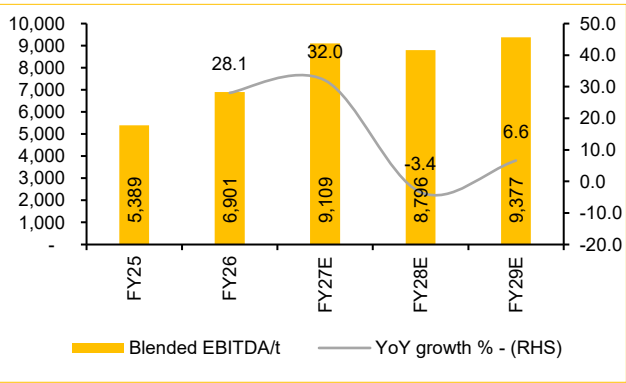
Convex Choices

FY26–29E: EBITDA expected to grow at a CAGR of 47.1%



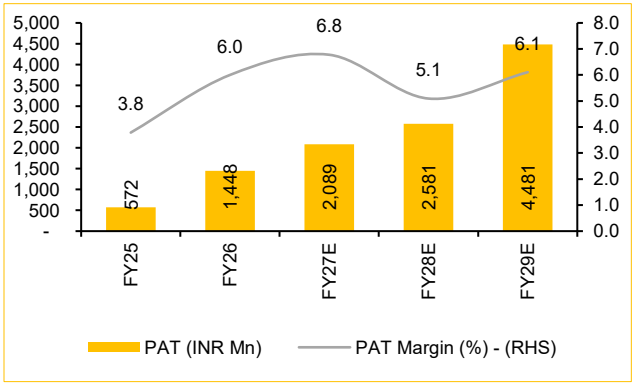
Source: SAMBHV, Choice Institutional Equities

Mix shift lifts blended EBITDA/t to ~INR 9,400 by FY29E



Source: SAMBHV, Choice Institutional Equities

PAT to grow ~3x over FY26–29E



Source: SAMBHV, Choice Institutional Equities

Profit & Loss (in INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	15,113	24,133	30,829	50,676	73,396
Gross Profit	4,468	6,914	8,879	14,696	22,166
EBITDA	1,544	2,763	3,759	5,875	8,785
Depreciation	344	484	517	1,265	1,523
EBIT	1,201	2,279	3,242	4,609	7,262
Other Income	53	72	170	51	73
Interest Expenses	473	413	626	1,219	1,361
PAT	**572**	**1,448**	**2,089**	**2,581**	**4,481**
EPS (INR)	2.4	4.9	7.1	8.5	14.8

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	17.5	59.7	27.7	64.4	44.8
EBITDA	(3.4)	78.9	36.1	56.3	49.5
Margin Ratios (%)					
EBITDA	10.2	11.4	12.2	11.6	12.0
PAT	3.8	6.0	6.8	5.1	6.1
Performance Ratios (%)					
ROE	12.3	18.7	17.8	17.7	24.3
ROCE	9.5	13.6	11.9	12.4	16.7
ROIC	9.9	14.8	13.2	13.4	17.9
Turnover Ratios (Days)					
Inventory	87.1	93.8	73.8	73.8	73.8
Debtor	35.5	33.7	28.5	28.5	28.5
Payables	111.3	117.5	82.8	82.8	82.8
Cash Conversion Cycle	11.3	10.0	19.6	19.6	19.6
Financial Stability Ratios (x)					
Net Debt to Equity	1.0	0.2	0.8	0.7	0.6
Net Debt to EBITDA	3.2	0.7	2.9	1.9	1.4
Interest Cover	2.5	5.5	5.2	3.8	5.3
Valuation Metrics					
Fully diluted shares (Mn)	241	295	295	303	303
PE(x)	69.2	33.9	23.4	19.5	11.2
EV (INR Mn)	44,904	50,790	59,697	61,252	62,649
EV/EBITDA (x)	29.1	18.4	15.9	10.4	7.1
Price to BV (x)	8.1	4.6	3.8	3.1	2.4
EV/Sales (x)	3.0	2.1	1.9	1.2	0.9
Mcap/Sales (x)	2.6	2.0	1.6	1.0	0.7

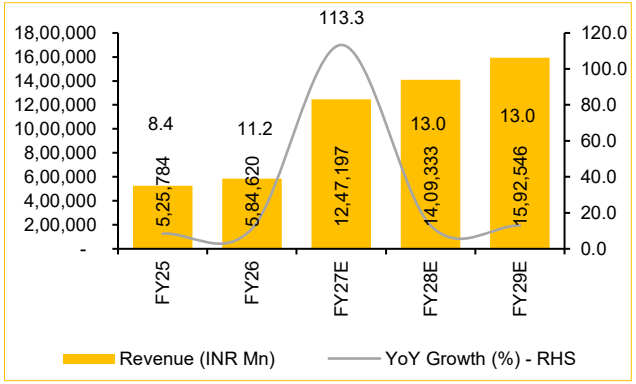
Note: Consolidated numbers

Source: SAMBHV, Choice Institutional Equities

Sun Pharmaceutical Industries I Rating – BUY I CMP: INR 1,903 I TP: INR 2,300

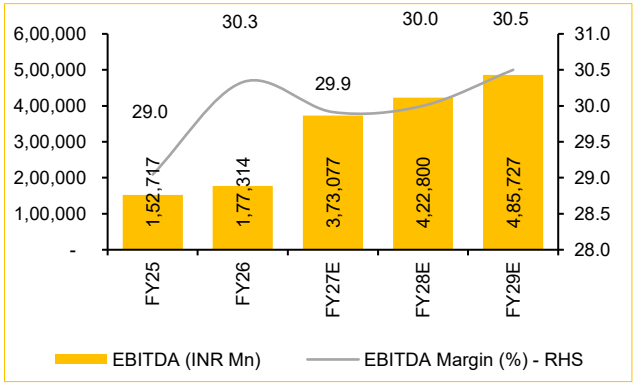
Choice Institutional Equities

Revenue including Organon expected to grow at 39.7% CAGR (FY26–29E)



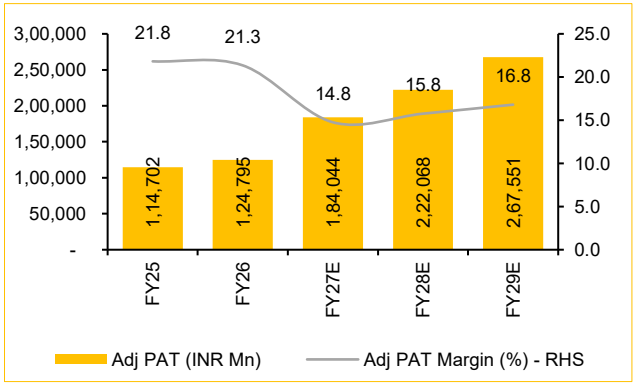
Source: SUNP, Choice Institutional Equities

EBITDA Margin to Remain at 30–31% Despite Acquisition



Source: SUNP, Choice Institutional Equities

PAT Margin to decrease due to higher interest costs



Source: SUNP, Choice Institutional Equities

Business Overview: SUNP is India's largest pharmaceutical company and a leading global specialty pharma player, with a diversified portfolio spanning branded formulations, specialty therapies, generics, APIs and consumer healthcare. The company has built a strong presence across India, the US and Emerging Markets, driven by specialty products such as Ilumya, Cequa, Winlevi and Leqselvi. Backed by increasing investments in innovation, biologics and specialty therapies, along with the proposed Organon acquisition, SUNP is transitioning from a branded generics-led business to a globally diversified, innovation-driven pharmaceutical platform with expanding exposure to specialty and biosimilar products.

What is driving SUNP's next phase of innovation-led global growth?

SUNP is entering its next phase of growth through an ***innovation-led expansion strategy, supported by a diversified portfolio of specialty medicines, innovative therapies and biosimilars.*** While the US business is witnessing temporary pressure from Lenalidomide erosion and slower ILUMYA execution, the company's broader innovative portfolio continues to perform well. ***India, Emerging Markets and the specialty pipeline are increasingly offsetting cyclicality in the US generics business***, improving earnings quality and strengthening SUNP's positioning among global pharmaceutical leaders.

What makes the Organon acquisition a transformational growth catalyst for SUNP?

The proposed ***Organon acquisition is expected to be transformational,*** significantly expanding SUNP's global scale while strengthening its presence in biosimilars, women's health and innovative medicines. The transaction will diversify the revenue mix, broaden geographic reach and enhance the company's innovation platform, creating multiple long-term growth opportunities beyond its existing specialty portfolio. ***With the integration plan progressing well and the acquisition expected to close in Q4FY27,*** SUNP is well positioned to unlock meaningful strategic and commercial synergies over the medium term.

What supports SUNP's long-term growth outlook across key markets?

SUNP continues to gain market share in India, supported by volume-led growth, 15 new product launches in Q2FY27 and leadership in Semaglutide. The company maintained its #1 position in the IPM while ***increasing its market share to 8.6%.*** In the US, innovative medicines remain the key long-term growth driver, with ***ILUMYA expected to normalise over the next few quarters*** following improved execution. Emerging Markets are also witnessing increasing contribution from innovative therapies, while ***higher R&D investments and a robust specialty pipeline support sustainable medium-term growth.***

Why Invest in SUNP?

- **Transformational Organon Acquisition (Global Scale + Women's Health):** SUNP's acquisition deal for Organon is progressing as planned and is projected to close in FY27E, for which the company has taken loan amounting to ~USD 11.75 Bn.
- **Innovation-led Growth Platform:** SUNP continues to strengthen its global innovative portfolio through products such as ILUMYA, UNLOXCYT, LEQSELVI, while increasing R&D investments to support future launches. This diversified innovation strategy is expected to drive sustainable long-term growth and improve earnings quality.
- **Diversified Growth Engines Across Markets:** India continues to outperform the IPM through market-share gains, volume growth and new launches, while Emerging Markets are witnessing rising contribution from innovative medicines.

Recommendation: We currently have a 'BUY' rating on the stock with a target price of INR 2,300.

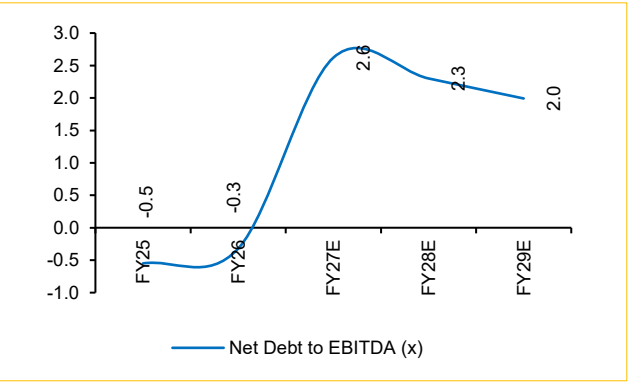
Key Risks:

- **Elevated Leverage & Integration Risk:** The Organon acquisition is expected to materially increase Sun Pharma's debt burden, impacting balance sheet flexibility in the near term, with successful integration remaining critical to achieving anticipated synergies.
- **Prolonged US Business Weakness:** Slower-than-expected recovery in ILUMYA, continued Lenalidomide erosion and persistent pricing pressure in the US generics market could weigh on growth and profitability.

Recent Report Link: Q2FY27 Result Update

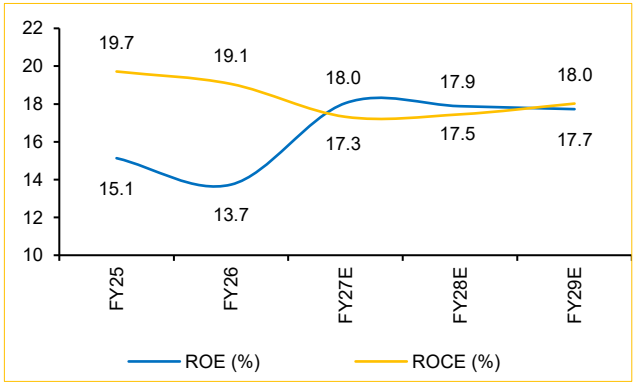
Convex Choices

Net Debt to EBITDA to increase post acquisition



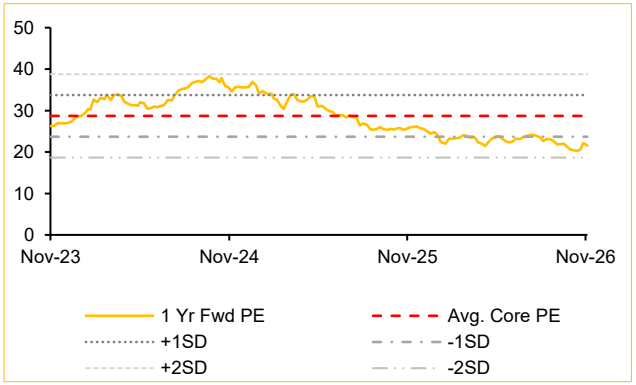
Source: SUNP, Choice Institutional Equities

ROE and ROCE trend



Source: SUNP, Choice Institutional Equities

1-year Forward PE Band



Source: SUNP, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,25,784	5,84,620	12,47,197	14,09,333	15,92,546
Gross profit	4,18,311	4,69,184	8,33,274	9,37,206	10,59,043
EBITDA	1,52,717	1,77,314	3,73,077	4,22,800	4,85,727
Depreciation	25,754	29,379	56,378	58,378	60,378
EBIT	1,26,963	1,47,936	3,39,323	3,80,629	4,41,274
Other Income	19,650	19,717	22,625	16,207	15,925
Interest Expense	2,314	3,389	93,932	84,538	84,538
PBT (after exceptional items)	1,37,521	1,51,189	2,45,391	2,96,090	3,56,735
Adj PAT	1,14,702	1,24,795	1,84,044	2,22,068	2,67,551
Adj EPS (INR)	47.8	52.0	76.7	92.6	111.5

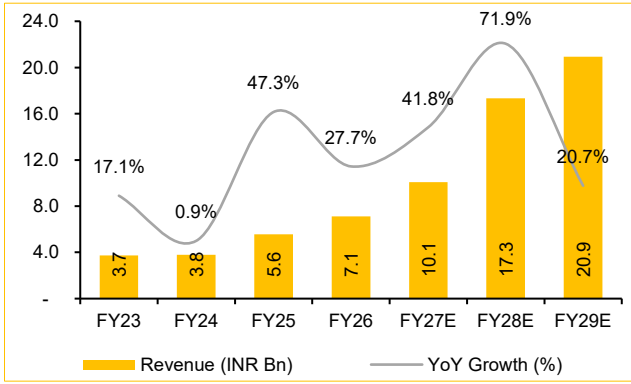
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	8.4	11.2	113.3	13.0	13.0
Gross Profit	10.6	12.2	77.6	12.5	13.0
EBITDA	17.3	16.1	110.4	13.3	14.9
Adj PAT	14.6	8.8	47.5	20.7	20.5
Margins (%)					
Gross Profit Margin	79.6	80.3	66.8	66.5	66.5
EBITDA Margin	29.0	30.3	29.9	30.0	30.5
PBT Margin	26.2	25.9	19.7	21.0	22.4
Tax Rate	20.2	23.5	25.0	25.0	25.0
Adj PAT Margin	21.8	21.3	14.8	15.8	16.8
Profitability (%)					
ROE	15.1	13.7	18.0	17.9	17.7
ROIC	15.8	14.5	12.7	12.9	13.4
ROCE	17.1	16.8	17.3	17.5	18.0
Financial Leverage (x)					
Debt to Equity	0.0	0.0	0.9	0.8	0.6
Interest Coverage	54.9	43.7	3.6	4.5	5.2
Net Debt to EBITDA	-0.5	-0.3	2.6	2.3	2.0
Valuation Metrics					
No of Shares (Mn)	2399	2399	2399	2399	2399
EPS (INR)	47.8	52.0	76.7	92.6	111.5
BVPS (INR)	301.0	348.3	425.0	517.6	629.1
Market Cap (INR Bn)	4,266.0	4,266.0	4,266.0	4,266.0	4,266.0
PE (x)	37.2	34.2	23.2	19.2	15.9
P/BV (x)	5.9	5.1	4.2	3.4	2.8
EV/EBITDA (x)	27.4	23.7	14.1	12.4	10.8
EV/Sales (x)	8.0	7.2	4.2	3.7	3.3

Source: SUNP, Choice Institutional Equities

Tanfac Industries I Rating – BUY I CMP: INR 3,352 I TP: INR 4,120

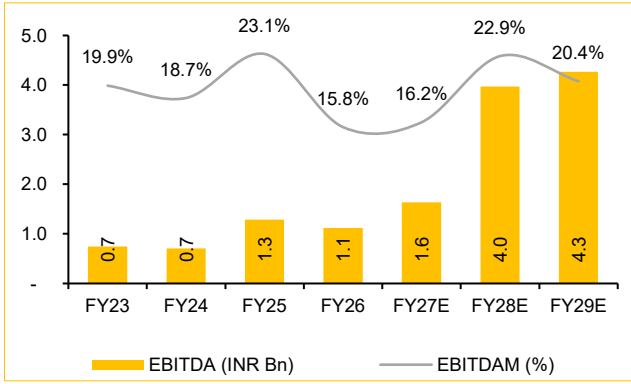
Choice Institutional Equities

Revenue to Rise at 43% CAGR over FY26–FY29E



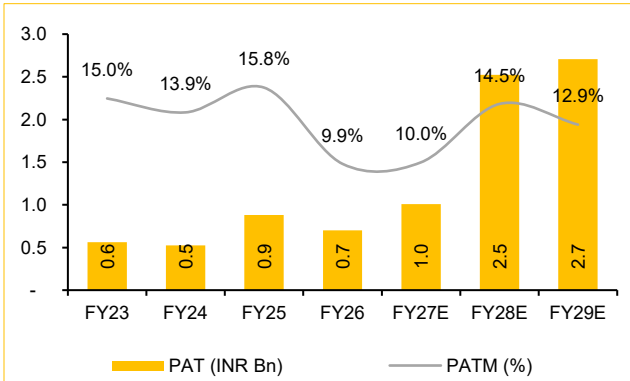
Source: TANF, Choice Institutional Equities

EBITDA Margin Forecast to Reach 20.4% in FY29E



Source: TANF, Choice Institutional Equities

PAT Margin Likely to Reach 13% in FY29E with Marginal Debt



Source: TANF, Choice Institutional Equities

Business Overview: TANF, jointly owned by Anupam Rasayan and TIDCO, is a Cuddalore (Tamil Nadu)-based fluorochemicals (especially HF) manufacturer with over 30 years of experience. It manufactures sulphuric acid, anhydrous HF (AHF), solar-grade diluted HF (DHF) and specialty fluorides, and is now forward integrating into R-32 refrigerant gas. Including the R-32, HF and sulphuric acid projects, we expect capacity to increase 1.8x over the next three years.

Why does TANF have a right-to-win in a commodity HF market?

- HF is highly corrosive and tightly regulated, making manufacturing and transport a high-entry barrier. TANF added 14,850 MTPA of HF capacity in Q3FY25 and a further 17,160 MTPA (~50% of current HF capacity) is under way.
- TANF runs India's only solar-grade DHF plant (20,000 MTPA), which commands a 10–20% premium over AHF. The plant is operating at full capacity, with ~80–85% of volume contracted through FY29E.
- Captive HF, the single-largest input cost for R-32, should give TANF a structural cost advantage as it integrates forward.

How large is the R-32 opportunity and why is supply constrained?

- India's room AC penetration is only ~8% vs. 48% in China and 88% in the US. India's R-32 demand is forecast to double from ~22 KT in FY26E to ~44 KT by FY31E.
- Under the Kigali Amendment, only capacity online before January 1, 2028, qualifies for India's production quota, while earlier cuts in other countries are likely to support exports. India's R-32 exports rose 2.5x to ~15K MT in FY26.
- TANF's 20,000 MTPA R-32 plant is on track, with commissioning slated for end-Q3FY27E. ~65% of capacity contracted under 5–7-year agreements.

What will drive earnings acceleration?

- Contracted R-32 volume (~65% of capacity) is expected to underpin revenue growth, while the mix shift towards R-32, with ~2x the realisation of commodity HF and made from captive HF, is anticipated to widen EBITDA margin by ~460 bps to ~20.4% by FY29E.
- The ~INR 4.0 Bn R-32 capex is funded by ~INR 3.5 Bn raised from marquee investors (INR 2.5 Bn QIP and an INR 994 Mn preferential issue led by Anupam Rasayan) and internal accruals.
- Beyond R-32, the management plans INR 15–17 Bn of capex over the next four years across solar-grade DHF, AHF, electronic-grade chemicals, HFOs and fluoropolymers, extending the growth runway.

Valuation: We forecast Revenue / EBITDA / PAT CAGR of 43.3% / 56.1% / 56.8% over FY26–FY29E, respectively. We value the company at ~35x FY28E P/E, at a discount to its fluorination chemistry peers, arriving at a TP of INR 4,120, implying a PEG of 0.6x. Our DCF valuation of INR 4,100 provides a sanity check to our target price.

Recommendation: We have a 'BUY' rating on the stock with a target price of INR 4,120.

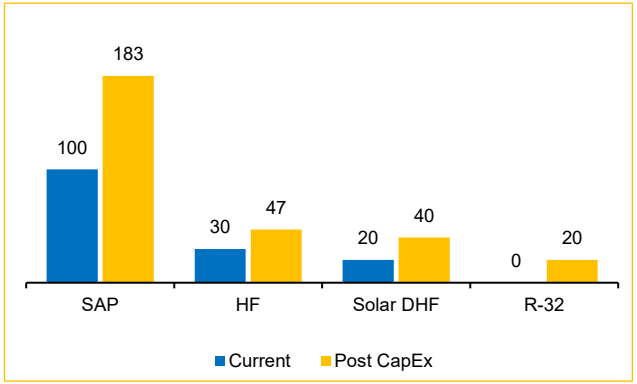
Key Risks:

- **Feedstock volatility:** TANF depends on imported fluorspar and is exposed to swings in fluorspar, sulphur and fuel prices. Margin could compress until the higher cost is passed through (30–45 days lag) or demand softens.
- **Quota allocation:** R-32 is a regulated product. Non-allocation of production quota, or a delay in commissioning the R-32 plant, could defer earnings ramp-up.
- **Demand and concentration:** HF demand is cyclical, and revenue is concentrated across a few customers and segments. Handling HF also carries environmental and safety risk.

Recent Report Link: Q2FY27 Result Update

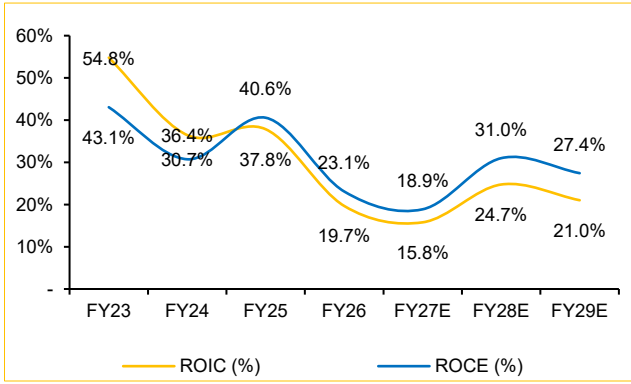
Convex Choices

Capacity set to scale up 1.8x by FY29E ('000 MTPA)



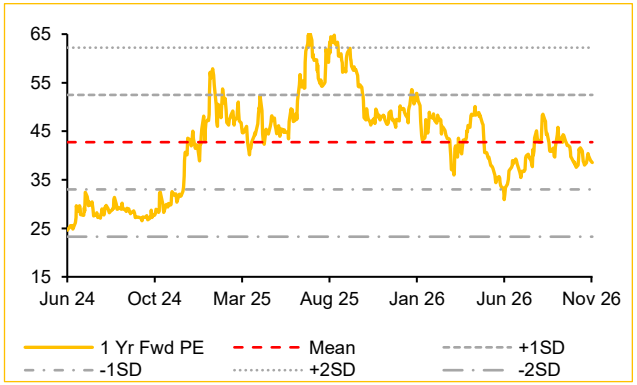
Source: TANF, Choice Institutional Equities

ROCE Expected to Recover to 31.0% in FY28E



Source: TANF, Choice Institutional Equities

One-year forward PE band



Source: TANF, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,570	7,111	10,085	17,336	20,926
COGS	3,436	4,948	7,245	11,698	14,652
Gross Profit	2,134	2,163	2,839	5,637	6,274
Operating Expenses	846	1,042	1,201	1,664	2,009
EBITDA	1,289	1,121	1,639	3,973	4,265
Depreciation	105	175	240	481	536
EBIT	1,184	946	1,398	3,492	3,729
Other Income	30	24	66	58	69
Interest Expense	26	43	103	142	142
PBT	1,188	927	1,361	3,408	3,657
PAT	881	702	1,007	2,522	2,706
EPS (INR)	40.7	32.4	46.5	116.6	125.1

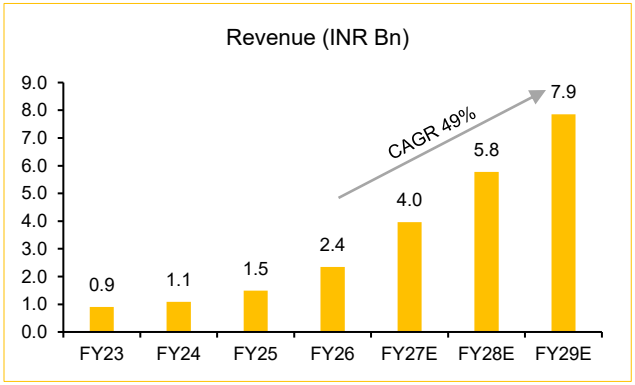
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue (%)	47.3%	27.7%	41.8%	71.9%	20.7%
Gross Profit (%)	55.4%	1.3%	31.3%	98.5%	11.3%
EBITDA (%)	82.3%	(13.0%)	46.2%	142.5%	7.3%
PAT (%)	67.8%	(20.4%)	43.5%	150.4%	7.3%
Margins (%)					
Gross Profit Margin (%)	38.3%	30.4%	28.2%	32.5%	30.0%
EBITDA Margin (%)	23.1%	15.8%	16.2%	22.9%	20.4%
EBIT Margin (%)	21.3%	13.3%	13.9%	20.1%	17.8%
PAT Margin (%)	15.8%	9.9%	10.0%	14.5%	12.9%
Profitability (%)					
ROE (%)	32.5%	20.5%	17.0%	27.3%	23.4%
ROCE (%)	40.6%	23.1%	18.9%	31.0%	27.4%
ROIC (%)	37.8%	19.7%	15.8%	24.7%	21.0%
Working Capital (Days)					
Inventory Days	49	47	50	50	52
Receivable Days	53	54	54	54	56
Creditor Days	28	16	16	24	24
Working Capital Days	74	84	88	80	84
Valuations (x)					
P/BV (x)	9.3x	10.0x	9.1x	7.2x	5.8x
PE (x)	35.6x	57.8x	73.7x	29.4x	27.4x
EV/EBITDA (x)	22.5x	33.9x	45.9x	18.9x	17.6x

Source: TANF, Choice Institutional Equities

Yash Highvoltage I Rating – BUY I CMP: INR 1,269 I TP: INR 1,500

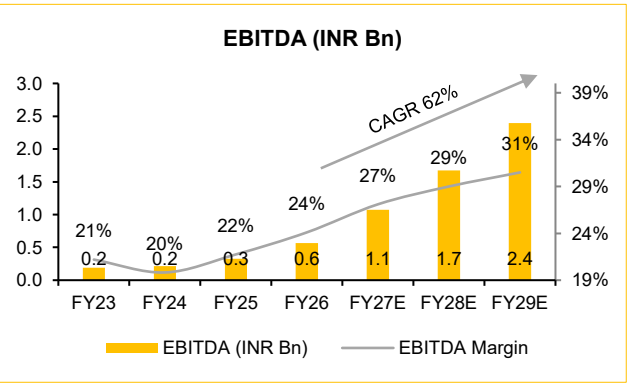
Choice Institutional Equities

Revenue expected to grow at 49% CAGR (FY26–29E)



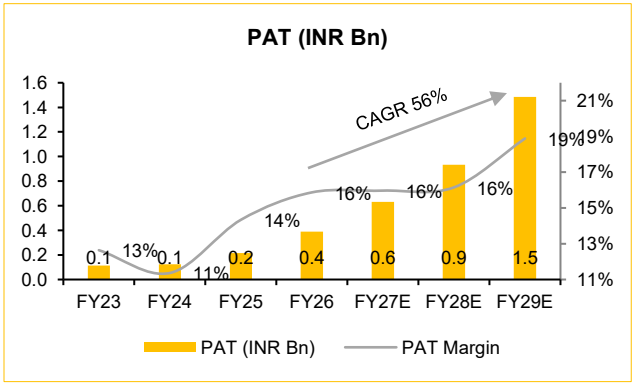
Source: YASHHV, Choice Institutional Equities

EBITDA expected to expand at a CAGR of 62% over FY26–29E



Source: YASHHV, Choice Institutional Equities

PAT expected to grow at 56% CAGR over FY26–29E



Source: YASHHV, Choice Institutional Equities

Business Overview: YASHHV is India's only listed pure-play transformer bushing manufacturer, specialising in high-voltage Oil Impregnated Paper (OIP) and Resin Impregnated Paper (RIP) bushings used in power transformers. It serves utilities, EPC players and transformer OEMs across 60+ countries, with approvals from NTPC, PGCIL and BHEL. With over 50,000 bushings installed globally, the company is well-positioned to benefit from rising transmission capex, supported by capacity expansion and backward integration into RIP core manufacturing.

How is YASHHV positioned to benefit from the power transmission capex cycle?

India is undertaking one of its largest-ever power infrastructure expansions, with the National Electricity Plan (NEP-II) targeting the addition of 1,274 GVA of transformation capacity and 191,474 circuit kilometres of transmission lines by FY32. Every high-voltage transformer requires multiple bushings, creating a direct demand linkage for specialised transformer bushing manufacturers. YASHHV is well-positioned to capitalise on this opportunity, supported by established utility approvals, long-standing OEM relationships and a strong execution track record. The demand outlook is further supported by grid modernisation, replacement of ageing infrastructure, renewable energy integration, data centres and industrial electrification.

What gives YASHHV a sustainable competitive advantage in transformer bushings?

YASHHV operates in a highly specialised segment with stringent qualification requirements and high entry barriers. It is among fewer than 12 independent manufacturers globally (excluding China) and India's only listed pure-play player. Utilities typically take 8–10 years to qualify a new supplier, given the critical role of bushings in transformer safety and reliability. Its technical capabilities and established customer relationships provide a sustainable competitive advantage.

How will capacity expansion and backward integration drive growth?

YASHHV is undertaking an INR 2,200 Mn greenfield capex plan, with INR 1,060 Mn deployed as of September, 2026, and the balance expected to be invested over the next 12 months. The expansion includes backward integration into RIP condenser core manufacturing, which is expected to reduce dependence on imported cores, eliminate associated import duties and freight costs and improve cost competitiveness. Commercial production has commenced at the Jarod facility under the assembly model using imported cores, helping ease the existing Halol manufacturing bottleneck. Localised RIP bushings up to 245 kV are expected from Q4FY27, subject to successful testing and customer approvals. Management expects the two plants together to generate revenue of INR 9,000–10,000 Mn by FY30–FY31.

Why is it recommended to invest in YASHHV?

- **Strong volume and revenue momentum:** H1FY27 revenue grew 95% YoY, with RIP bushings contributing 86% of revenue. Volumes increased by ~40% to 4,000 units, while realisation improved on a richer mix of higher-voltage products. The order book nearly doubled to INR 7,600 Mn, providing 15–18 months of execution visibility. We project 49% revenue CAGR over FY26–FY29E, reaching INR 7.9 Bn.
- **Margin expansion:** H1FY27 EBITDA margin expanded 620 bps YoY to 27.5%, driven by better pricing, vendor terms, product mix and operating leverage. Core localisation offers further upside; we expect EBITDA margin to reach ~31% by FY29E.
- **Capacity expansion and backward integration:** The INR 2,200 Mn greenfield investment will increase annual capacity from approximately 9,000 to 15,000 units. Localisation of RIP cores will enable the company to manufacture these cores in-house and supply them to overseas customers for the first time.
- **Growing international presence:** Yash HV USA has three representation agreements covering nearly 27 US states and a healthy order book. International expansion remains a key management priority, creating opportunities to increase its global market presence.

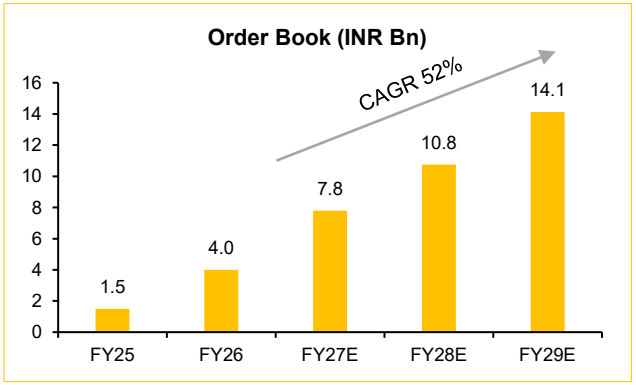
Recommendation: We currently have a 'BUY' rating on the stock with a target price of INR 1,500.

Key Risks: 1) Customer concentration, 2) Possible qualification delays, 3) Probable power capex slowdown, 4) Chances of greenfield project execution delays, 5) Import dependence, 6) Slower-than-expected RIP adoption and 7) Competitive pricing risk.

Recent Report Link: H1FY27 Result Update

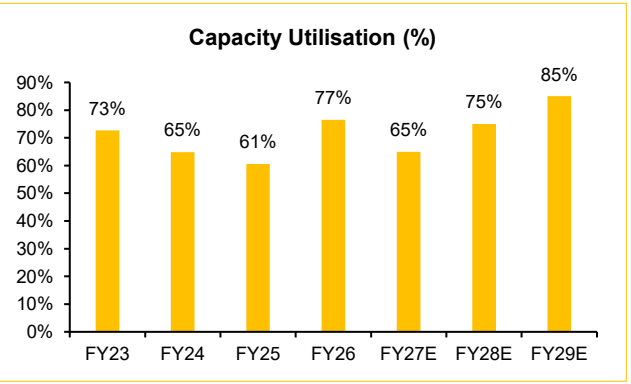
Convex Choices

Robust Order Book Provides Strong Revenue Visibility



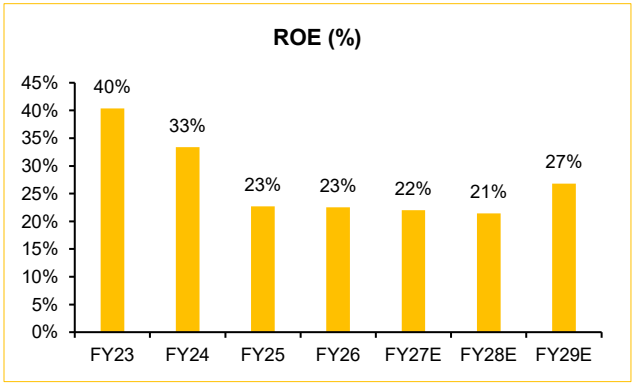
Source: YASHHV, Choice Institutional Equities

Capacity Utilisation to See Gradual Ramp-up



Source: YASHHV, Choice Institutional Equities

ROE Trajectory Improving with Scale and Profitability Gains



Source: YASHHV, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,496	2,352	3,960	5,772	7,857
Gross Profit	677	1,098	1,964	2,973	4,164
EBITDA	325	567	1,073	1,674	2,396
Depreciation	31	63	216	427	426
EBIT	295	504	857	1,247	1,971
Other Income	20	58	30	43	59
Interest Paid	32	40	44	47	51
Adj. PAT	214	389	632	932	1,484
EPS (INR)	8.9	13.1	20.6	30.4	48.4

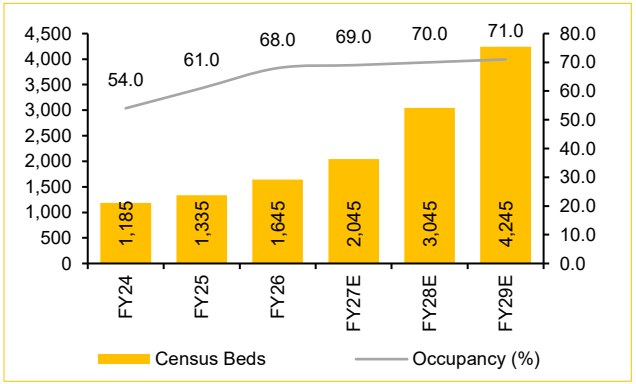
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	37.9%	57.2%	68.4%	45.8%	36.1%
EBITDA	51.3%	74.2%	89.3%	56.0%	43.2%
EBIT	52.8%	70.9%	70.2%	45.5%	58.0%
PAT	74.0%	81.3%	62.6%	47.4%	59.2%
Margins (%)					
Gross Margin	45.3%	46.7%	49.6%	51.5%	53.0%
EBITDA Margin	21.8%	24.1%	27.1%	29.0%	30.5%
PAT Margin	14.3%	16.5%	16.0%	16.2%	18.9%
Profitability (%)					
ROE	22.7%	22.5%	22.0%	21.4%	26.8%
ROCE	26.9%	26.1%	26.8%	26.5%	33.3%
Turnover ratios					
Asset Turnover (x)	1.1	1.0	1.0	1.0	1.1
Receivable Days	49	45	45	45	45
Inventory Days	114	140	175	175	175
Payable Days	79	59	59	59	59
Cash Conversion Cycle Days	84	126	161	161	161
Liquidity Ratios					
Current Ratio (x)	2.9	2.0	2.9	3.4	4.1
Quick Ratio (x)	2.2	1.0	1.9	2.2	2.9
Interest Cover (x)	9.1	12.7	19.7	26.3	38.4
Total Debt/Equity (x)	0.2	0.2	0.1	0.1	0.1
Valuation Metrics					
PER (x)	143.2	97.9	62.0	42.1	26.4
EV/Sales (x)	20.2	15.6	9.7	6.6	4.7
EV/EBITDA (x)	92.9	64.7	35.9	22.7	15.3

Source: YASHHV, Choice Institutional Equities

Yatharth Hospital & Trauma Care I Rating – BUY I CMP: INR 1,100 I TP: INR 1,350

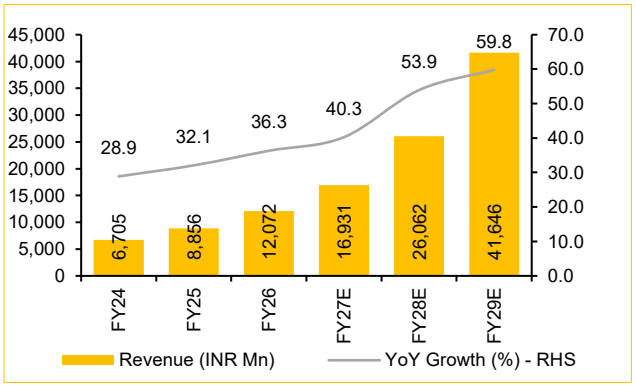
Choice Institutional Equities

Targeting occupancy to cross 70% by FY29



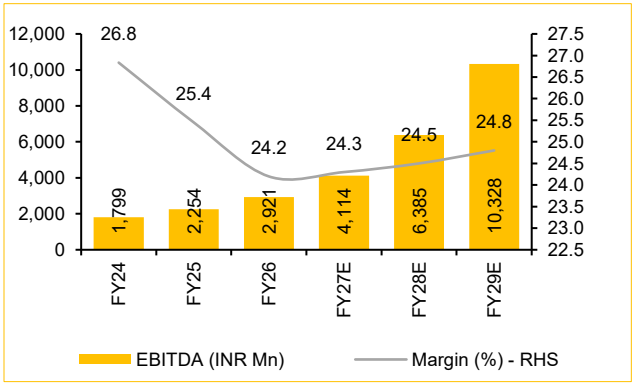
Source: YATHARTH, Choice Institutional Equities

Revenue to expand at 51.1% CAGR over FY26–FY29E



Source: YATHARTH, Choice Institutional Equities

EBITDA margin to sustain at current levels of ~25%



Source: YATHARTH, Choice Institutional Equities

Business Overview: YATHARTH is a leading hospital network in North India with a strong footprint across the Delhi-NCR region. It has scaled to 2,555 bed capacity, with occupancy at 72% and an all-time high ARPOB of INR 35,948 in Q2FY27. Backed by **Advent International's INR 31,500 Mn strategic investment**, the company now aspires to **build a 7,000-8,000 bed network** over the next 3-5 years, up from its earlier target of 5,000 beds. Management continues to guide for an **EBITDA margin of about 24%** or higher, while **newer hospitals ramp up faster** and the share of cash and private insurance patients keeps rising.

Can YATHARTH's Advent-backed expansion strategy drive sustained long-term growth?

The strategy now rests on two complementary growth engines. The organic plan of reaching 5,000 beds in three to four years continues to be funded by internal accruals, so existing growth does not depend on outside capital. On top of this, **Advent's INR 31,500 Mn investment, raised through a preferential issue of equity shares and warrants, is anticipated to add roughly 2,000-3,000 beds through acquisitions of running, EBITDA-positive hospital chains**. The focus is North India, with a preference for multi-specialty assets offering higher ARPOB and a greater share of cash and private insurance patients. Management believes **revenue and EBITDA could exceed three times current levels in 3.5-4 years.**

Can YATHARTH sustain its strong revenue and profitability momentum?

Q2FY27 was the strongest quarter to date, with revenue up 54.4% YoY and EBITDA up 58.1%, at a margin of 23.6%. PAT grew 22.6% YoY, and revenue has now grown sequentially for several quarters in a row. Importantly, the **mature hospitals grew 24% YoY with EBITDA margins above 28%,** showing that the base business is healthy while newer units continue to scale. We forecast revenue, EBITDA and PAT CAGRs of 51.1%, 52.3% and 43.4% respectively over FY26-FY29E, supported by rising occupancy and a better payor mix.

Can YATHARTH improve margin as its newer hospitals mature?

Newer hospitals are ramping up faster than before. Faridabad Sector 20 turned EBITDA-positive in a record 9 months, with quarterly revenue of about INR 400 Mn and over 80% of business from cash and private insurance patients. Model Town, Delhi, is expected to reach monthly EBITDA breakeven next month, and the 250-bed premium **Gurugram hospital is anticipated to open in H1FY28 with ARPOB above INR 50,000 and a breakeven target of about 15 months.** The oncology drug price cap is estimated to hit EBITDA by only about 0.3%, which management plans to offset through operational efficiencies.

Can rising ARPOB and occupancy translate into stronger earnings growth?

ARPOB grew 12.3% YoY to a record level, and management expects 9-10% annual growth. Noida Extension (INR 51,000) and Model Town, Delhi (INR 47,000) already show the **premium potential of newer assets**. The **government payor mix fell to about 34%** from 37% last quarter. International patients contribute 4-5%. A richer specialty mix and more cash and private insurance patients should lift blended realisation and margins without proportionate capex.

Why invest in YATHARTH?

YATHARTH offers a compelling combination of high growth, expanding scale and improving quality of earnings. The Advent partnership gives the company both capital and institutional expertise to scale towards 7,000-8,000 beds, with acquisitions providing immediate revenue and EBITDA contribution. **Faster ramp-up of newer hospitals, a shrinking government payor mix and rising ARPOB support better realisation and profitability over time.** With occupancy rising to 72% and capacity additions lined up across Faridabad, Model Town, Andhra and Gurugram, the company has a long runway for earnings growth, which we anticipate to compound strongly through FY29E.

Recommendation: We currently have **a 'BUY' rating** on the stock with **a target price of INR 1,350.**

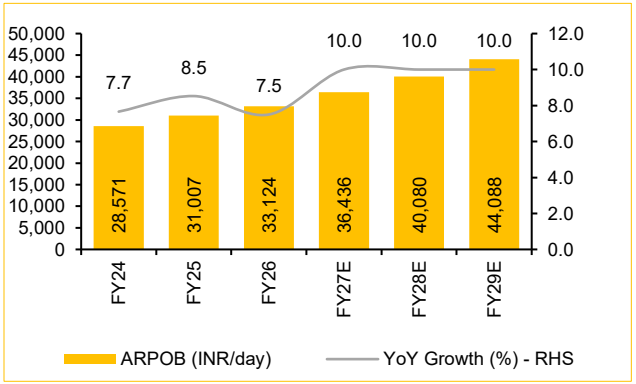
Key Risks:

- **Competition:** New or well-established hospital chains could erode market share and patient inflow in key North India markets.
- **Operational Challenges:** Rapid expansion to 7,000-8,000 beds, including acquisitions, could strain management bandwidth, delay ramp-ups or lead to integration issues.

Recent Report Link : Yatharth Hospital & Trauma Care Services_Q2FY27 Result Update

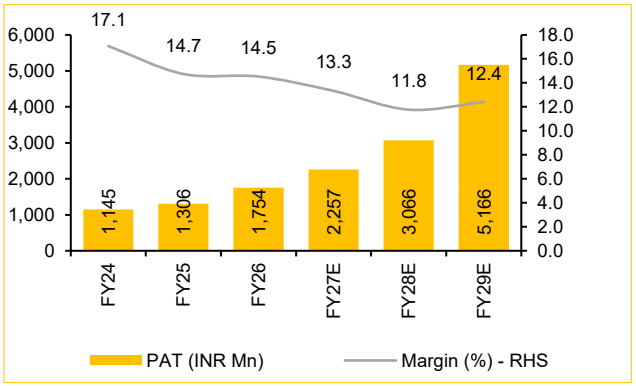
Convex Choices

ARPOB anticipated to grow by ~10% every year



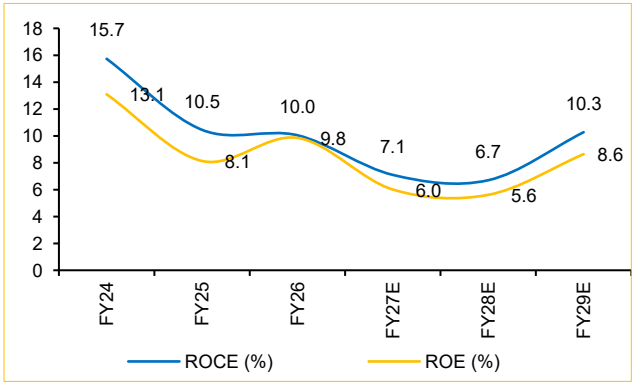
Source: YATHARTH, Choice Institutional Equities

PAT set to nearly 4.5x by FY29E



Source: YATHARTH, Choice Institutional Equities

ROE & ROCE trend



Source: YATHARTH, Choice Institutional Equities

Income Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	8,856	12,072	16,931	26,062	41,646
Gross profit	7,092	9,726	13,646	21,006	33,608
EBITDA	2,254	2,921	4,114	6,385	10,328
Depreciation	572	878	1,122	2,417	3,712
EBIT	1,682	2,043	2,992	3,968	6,616
Other Income	110	258	305	391	500
Interest Expense	75	65	334	334	334
PBT	1,717	2,236	2,963	4,025	6,782
PAT	1,306	1,754	2,257	3,066	5,166
EPS (INR)	14.3	18.2	20.6	23.9	40.3

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	32.1	36.3	40.3	53.9	59.8
EBITDA	25.3	29.6	40.8	55.2	61.8
PBT	9.5	30.2	32.5	35.8	68.5
PAT	14.0	34.3	28.7	35.8	68.5
Margins (%)					
Gross Profit Margin	80.1	80.6	80.6	80.6	80.7
EBITDA Margin	25.4	24.2	24.3	24.5	24.8
PBT Margin	19.4	18.5	17.5	15.4	16.3
Tax Rate	24.0	23.8	23.8	23.8	23.8
PAT Margin	14.7	14.5	13.3	11.8	12.4
Profitability (%)					
ROE	8.1	9.8	6.0	5.6	8.6
ROIC	10.9	8.7	10.1	7.3	8.3
ROCE	10.5	10.0	7.1	6.7	10.3
Financial Leverage (x)					
OCF/EBITDA	0.6	0.7	0.4	0.5	0.5
OCF/Net Profit	1.0	1.2	0.8	1.1	0.9
Debt to Equity	0.0	0.1	0.1	0.1	0.1
Interest Coverage	22.4	31.3	9.0	11.9	19.8
Working Capital					
Inventory Days	43	32	40	40	40
Debtor Days	124	113	125	125	125
Payable Days	12	33	30	30	30
Cash Conversion Cycle	156	112	135	135	135
Valuation Metrics					
No of Shares (Mn)	96.4	96.4	109.4	128.3	128.3
EPS (INR)	14.3	18.2	20.6	23.9	40.3
BVPS (INR)	166.6	184.8	343.4	425.7	466.0
Market Cap (INR Mn)	99,163	99,163	112,569	132,069	132,069
PE	71.8	56.5	49.9	43.1	25.6
P/BV	6.2	5.6	3.0	2.4	2.2
EV/EBITDA	42.1	33.9	23.7	18.6	12.8
EV/Sales	10.7	8.2	5.8	4.6	3.2

Source: YATHARTH, Choice Institutional Equities

Choice
Institutional Equities

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
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