



Top Conviction Ideas
Q2FY26
(Consolidated)



Top Conviction Ideas: Q2FY26 (Consolidated)

	Cement	4
	Metals and Mining	14
	Pharmaceutical (Pharma)	21
	Banking, Financial Services, and Insurance (BFSI)	31
	Infra-Road and Others	47
	Chemical and Midcaps	55
	Fast-moving Consumer Goods (FMCG)	69
	Retail	77

Top Conviction Ideas: **Q2FY26** (Consolidated)



| Auto and Auto Ancillaries

83



| Real Estate

92



| Information Technology (IT)

103



| Power & Utilities

115



Top Conviction Ideas: Cement

Uttam Kumar Srimal

Cement Sector: Q2FY26 Review

Q2FY26 Cement Review – Volume Growth Better Than Expected; Outlook Remains Positive

✓ *Financial Performance*

- Companies under our coverage delivered YoY growth of 16% in volume, 22% in revenue, 60% in EBITDA, and 195% in PAT, beating our expectations. This compares to forecasted growth of 8% in volume, 13% in revenue, 47% in EBITDA, and 68% in PAT.
- EBITDA/tonne during the quarter improved notably. EBITDA margins expanded by 400 bps YoY, supported by higher volumes and realisation, which grew by 16% and 4.5% respectively. Sequentially, margins were lower by 310 bps as Q2 is largely impacted by seasonality. EBITDA per tonne rose to Rs 930, marking a 50% YoY increase but a 15% decline QOQ.
- Blended Realization per tonne improved by 4.5%/1% QoQ to Rs 5,472, as most regions experienced stability in cement prices except South and East. Cost per tonne was Rs 4,545, showing a 1.5% decline YoY but higher QoQ owing to negative operating leverage and higher power and fuel costs up 18% to Rs 1,185 per tonne as Pet Coke prices remained elevated. On a YoY basis, P/F cost was flattish.
- Performance across the coverage universe was largely in line with expectations. Notable outperformance came from Ambuja Cement, Dalmia Bharat, ACC Ltd, JK Lakshmi, Birla Corp, and Star Cement, while JK Cement's performance remained mixed, and Shree Cement underperformed compared to estimates. UltraTech delivered healthy volume growth during the quarter.
- During the quarter, Ambuja Cement and JK Lakshmi commissioned 4 mtpa and 1.35 mtpa Cement Grinding Units, respectively. Ambuja Cement and UltraTech announced additional capacity expansion of 22 mtpa and 15 mtpa to be commissioned over FY26-FY28. Previously announced capacity additions are on track and are expected to be commissioned within the given timelines.
- The management noted that cement prices have remained largely flattish since Q2FY26 exit levels, with some softening observed in the South and East regions. Demand is expected to strengthen in H2FY26, supported by rising government infrastructure spending and a recovery in housing, industrial, and commercial segments. The recent reduction in GST rates acts as a structural tailwind, with benefits likely to accrue over the medium to long term.

Cement Sector: Q2FY26 Review

Volume & Realization Improved YoY with Cost Under Control

In Q2FY26, cement volume for our coverage universe grew by 16%, beating our expectations. Realisations improved by 4.5% as cement prices remained higher YoY, while operating costs were flattish YoY. We anticipate operating performance to remain benign in FY26, supported by improved pricing, higher government spending on infrastructure projects, and housing demand. The recent GST cut on Cement is also expected to improve demand in the medium to long term.

Cement Demand better than Expectations:

- **Resilient Pricing:** Cement prices improved by 4.5% YoY and 1% QoQ for our coverage universe, with most of the regions witnessing stable prices except the South and East regions, where prices softened. Currently, Trade prices are largely at the same level with minor cuts as Q2FY26 exit prices, while Non-trade prices are lower, followed by the recent GST cut on Cement. Market dynamics and the demand-supply scenario will dictate the pricing environment.
- **Volume-led Growth:** Demand for cement remained resilient, also on account of a lower base last year, driven by government infrastructure spending and a revival in housing and commercial construction. UltraTech Cement, Ambuja Cement, JK Cement, JK Lakshmi, and Star Cement witnessed high double-digit volume growth during the quarter.
- **Regional variations in demand:** While the South and East regions saw strong demand supported by infrastructure activity, pre-election spending in Bihar, the North and Central regions witnessed softness owing to a slowdown in infrastructure-related spending, while the Western region remained stable.

Input Cost

- During the quarter, power and fuel costs remained flat YoY to Rs 1,186/tonne for our coverage universe, though on a QoQ basis, costs were higher by 18% on a tonne basis as international Pet Coke prices remained elevated at \$118-\$120 tonne. While freight costs were lower owing to seasonal discounts offered by Railways and raw material costs remained rangebound. Other costs were higher on a tonne basis due to negative operating leverage caused by seasonality.

Outlook

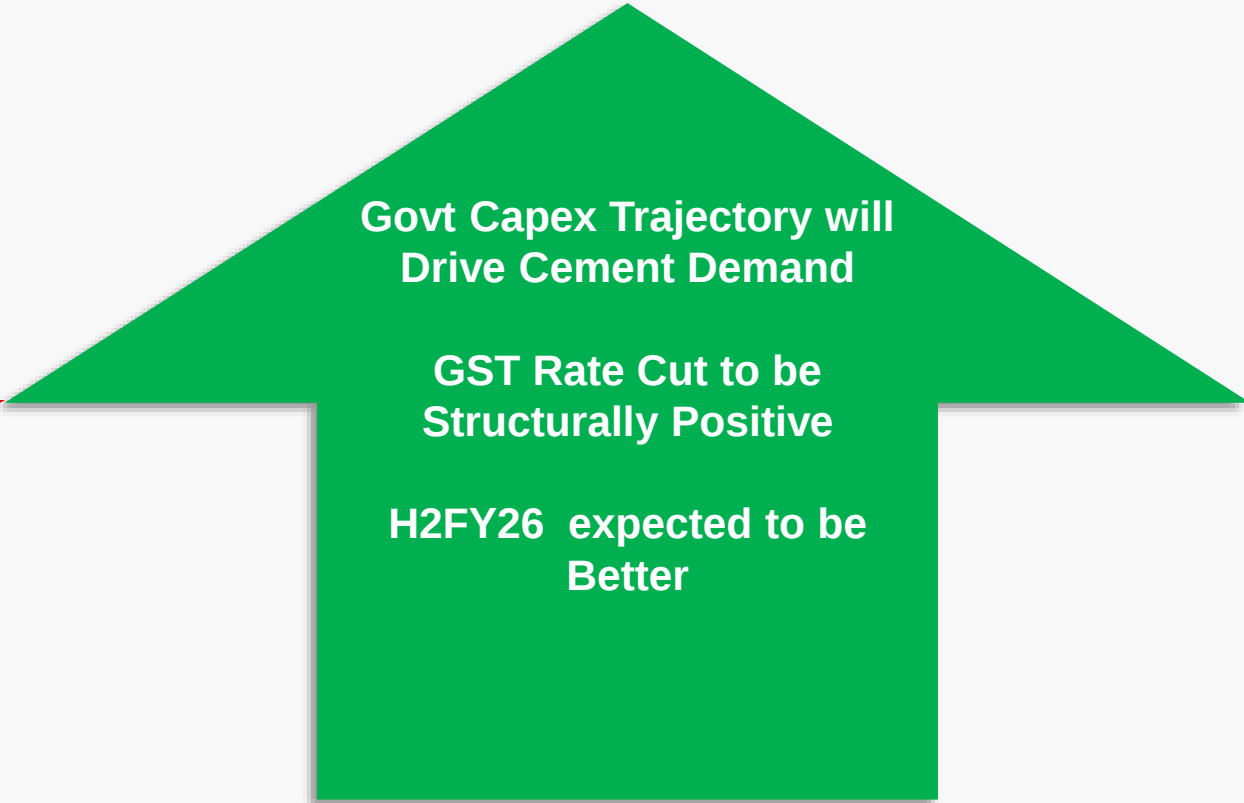
- **We expect cement demand to remain strong in FY26**, supported by sustained government infrastructure spending, steady housing demand, and a recovery in rural consumption. These positive drivers are likely to keep the industry on a solid growth trajectory, and we forecast high single-digit volume growth across our coverage universe. The industry added nearly 30–35 MTPA of new capacity in FY25, with a further ~35-40 MTPA expected in FY26. This sustained capacity expansion reflects confidence in long-term demand growth and continued investment momentum across the sector.
- **The GST rate cut on cement (from 28 % → 18 % announced) is a structural tailwind:** It should stimulate demand (especially in rural and semi-urban housing) and thus help volumes over the medium term. Leading players with premiumization, strong distribution, diversified geography, and efficiency will fare better than those with a weak regional presence or a high cost base.
- **We remain positive as long-term demand drivers are intact** and expect cement demand to grow at a CAGR of 7%-8% over FY24-27E. Sector consolidation is expected to benefit large players through economies of scale, supply chain efficiency, and better pricing in the long term. Cement prices, regional demand and supply dynamics, and trends in fuel costs will be key monitorables.

Short and Medium-term Outlook

Short term



Decline in Cement Prices
Higher Competitive Intensity



**Govt Capex Trajectory will
Drive Cement Demand**

**GST Rate Cut to be
Structurally Positive**

**H2FY26 expected to be
Better**

Medium Term

Key Monitorables – *Higher Price Realisations; Input Cost; Demand Pick-up*

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 UltraTech Cement Ltd	BUY	Rs 13,900*	✓ The company's capacity expansion is on track. Its total grinding capacity in India stands at 187 mtpa. The company has announced the fourth phase of capacity expansion, adding 22.8 mtpa at a capital cost of Rs 10,255 Cr (USD 51/tonne). ✓ The company plans to add a further 11 mtpa in FY26 and another 15 mtpa in FY27, bringing its total cement manufacturing capacity to 235 mtpa by FY28-29 in India. ✓ With expanded capacity and scale, the company is positioned to strengthen its market leadership, targeting a market share increase from 25% to 28%. We project volume growth at a 14% CAGR over FY25–27E. ✓ The company projects a total cost reduction of Rs 200–300 per tonne over the next 2–3 years. We project that its EBITDA margins will increase to 22% in FY27E, driven by higher volume, better realisations, and cost optimisation initiatives. ✓ Between 2013 and 2024, the market share of large players increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, its overall market share is set to increase further. This trend will positively influence cement pricing, economies of scale, and supply chain efficiency. UltraTech, being the top player in the country, is well-positioned to benefit from this consolidation in the medium to long term.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 Ambuja Cements Ltd	BUY	Rs 705*	✓ The company is expanding capacity from 107 MTPA (including 8.5 MTPA from Orient Cement) to 118 MTPA by FY26. It now targets 155 MTPA by FY28 (earlier 140 MTPA), supported by incremental expansion and debottlenecking initiatives. ✓ Volume and revenue are projected to grow at CAGRs of 12% each, respectively, over FY24-FY27E. ✓ During the quarter, EBITDA margin improved to 19.2%, supported by stronger realisation, healthy volume growth, and lower YoY operating cost. The company targets reducing its cost of production to Rs 4,000/tonne by FY26, with an additional reduction of Rs 300–400/tonne by FY28 through multiple levers. We expect margins to improve to 20%–21% by FY27E. ✓ Strong infrastructure demand and ongoing needs from the housing and commercial sectors are anticipated to boost cement demand in FY26. Strategic investments in roads, railways, and urban and commercial amenities are poised to drive robust growth. The company expects demand for the industry during FY26 to grow in the range of 7-8%.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 Dalmia Bharat Ltd	BUY	Rs 2,550*	✓ The company had earlier announced a comprehensive capacity expansion plan involving a 6 MTPA cement unit and a 3.5 MTPA clinker unit at Kadapa (clinker capacity: 3 MTPA) and a 3 MTPA bulk terminal in Chennai, entailing a total capital outlay of Rs 3,287 Cr. These projects are targeted to become operational by Q2FY28. Additionally, its 6 MTPA capacity addition in the western region (3 MTPA each at Pune and Belgaum) is progressing as per schedule and is expected to be commissioned by Q4FY27. ✓ Dalmia has also commenced trial runs at its 3.6 MTPA clinker unit in Umrangso, Assam, with commercial production expected by Q3FY26, marking a key milestone in its ongoing capacity expansion program. With improved utilisation and incremental capacity coming onstream, the company is projected to deliver a 7% volume CAGR over FY25–27E. ✓ The company's quarterly performance was aided by a 7% YoY increase in realisations, reaching Rs 4,952/tonne. With cement prices largely remaining stable, margins are expected to stay robust in FY26. In parallel, Dalmia is actively pursuing cost-saving initiatives, targeting a reduction of Rs 150–200/tonne over the next two years through enhanced operational efficiency and process optimisation. ✓ These efforts are expected to sustain profitability and drive margin expansion going forward. We pencil in higher EBITDA margins in the range of 21-22% over FY26-27E.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
 JK Lakshmi Cement	BUY	Rs 1,030*	✓ The company has planned a capacity expansion of 4.6 mtpa in cement grinding and 2.3 mtpa in clinker at a total capital cost of Rs 3,000 Cr (\$75/tonne), to be commissioned in phases over FY27–FY28. These expansions are expected to strengthen market share and support sustained volume and revenue growth. We project volume and revenue CAGR of 8% and 12%, respectively, over FY25–27E. ✓ JKLC reported a 15% YoY increase in revenue to Rs 1,532 Cr. This was driven by a 15% YoY growth in sales volume, outperforming the industry's average growth. ✓ The company aims to strengthen performance through key strategic initiatives, including optimizing its geo-mix, increasing the production and sales of blended cement, raising the share of trade sales, and expanding its portfolio of premium and value-added products. It also plans to improve logistics efficiency and enhance the share of renewable power and AFR usage. JKLC expects cost savings of Rs 100-120 per tonne. We project EBITDA/tonne growth at an 18% CAGR over FY25-27E, reaching Rs 995/tonne, supported by better realisations, higher volumes, and cost-saving measures. ✓ Given the government's emphasis on infrastructure development and increased budgetary allocation for housing and road projects, the outlook for the cement sector remains positive for the upcoming year.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas: Metals & Mining

Aditya Welekar

Q2FY26: Solid Operational Performances Amidst Volatile Macro Environment

✓ *Financial Performance*

- **SAIL's** EBITDA stood ahead of the consensus. Revenue (excluding railway provisions) stood at Rs 26,704 Cr (up 8%/4% YoY/QoQ), largely in line with our estimate, but stood ahead of consensus by 7%. Adjusted EBITDA (excluding railway provision) stood at Rs 2,528 Cr, down 13%/3% YoY/QoQ, a significant 28% beat against the consensus estimate. This beat was driven by higher NSRs, supported by higher byproduct sales (steel scrap/slag, etc) and robust sales volumes.
- **Coal India** reported a weak set of numbers, as was anticipated. Revenue stood at Rs 30,187 Cr, down 2%/16% YoY/QoQ (in line with our estimate). EBITDA excluding stripping activity stood at Rs 5,845 Cr, down 18%/47% YoY/QoQ, 15% below our estimate. The miss against our estimate was due to higher raw material costs, contractual expenses and other expenses, partly offset by lower employee expenses.
- **APL Apollo Tubes** posted a decent set of numbers amidst a tough macro environment in Q2FY26. Revenue grew by 9%/1% YoY/QoQ, missing consensus by ~8%. EBITDA stood at Rs 447 Cr, up 224%/20% YoY/QoQ, an 8% beat against consensus. EBITDA/t stood at Rs 5,228/t, up 187%/12% YoY/QoQ, 8% above consensus. The strong EBITDA/t was led by positive operating leverage on account of higher sales volumes and expansion in margins.
- **JTL's** sales volume at 81.6kt (down 10%/19% YoY/QoQ) was impacted due to floods in Punjab (net impact of ~20kt), despite that EBITDA and EBITDA/t both improved YoY/QoQ by 16%/48% and 29%/83%, respectively, at Rs 35 Cr and at Rs 4,247/t in Q2FY26, led by better product mix.

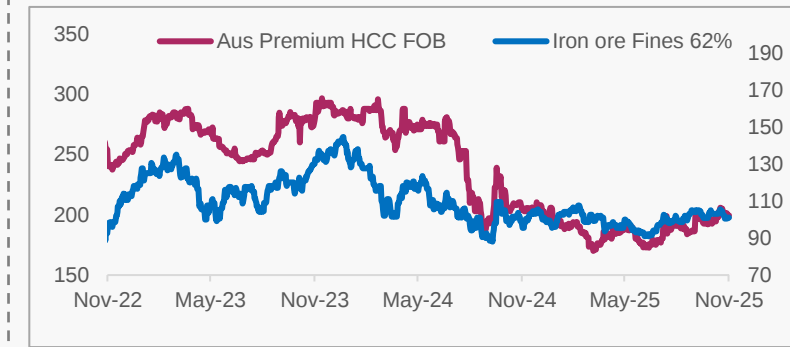
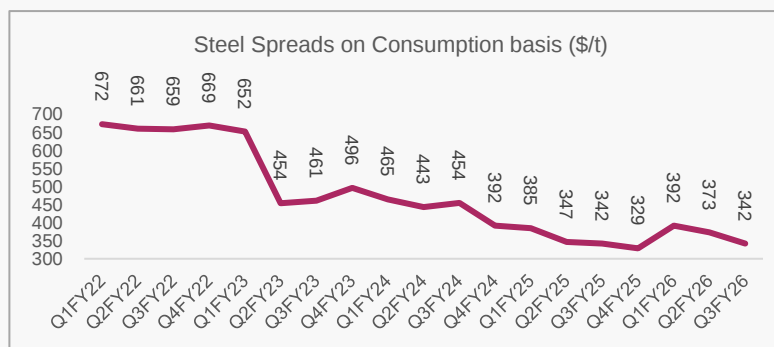
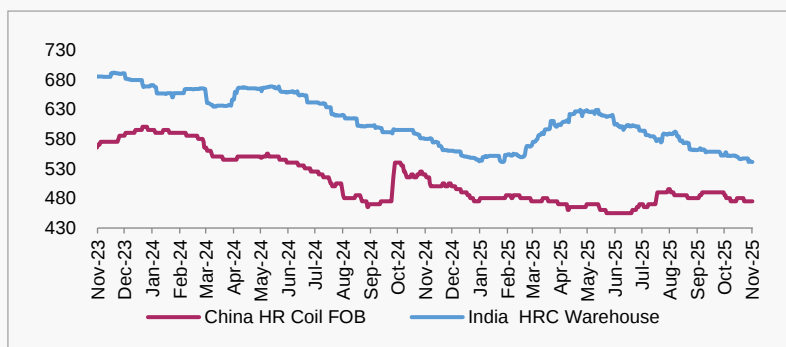
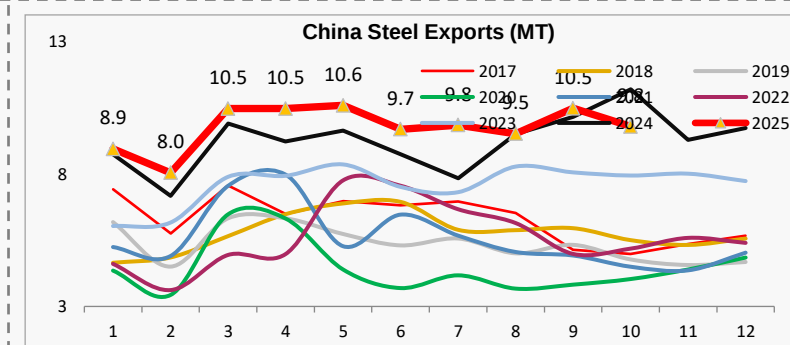
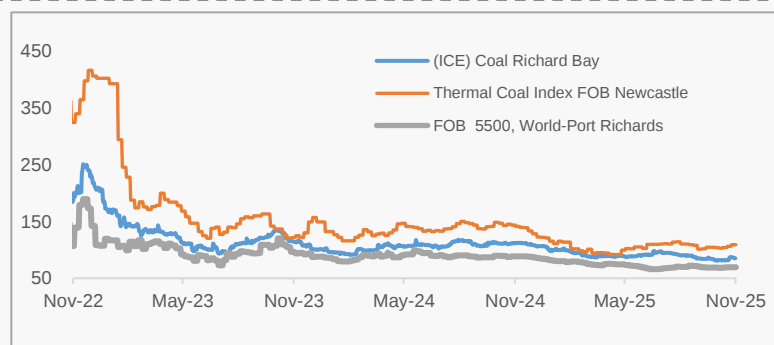
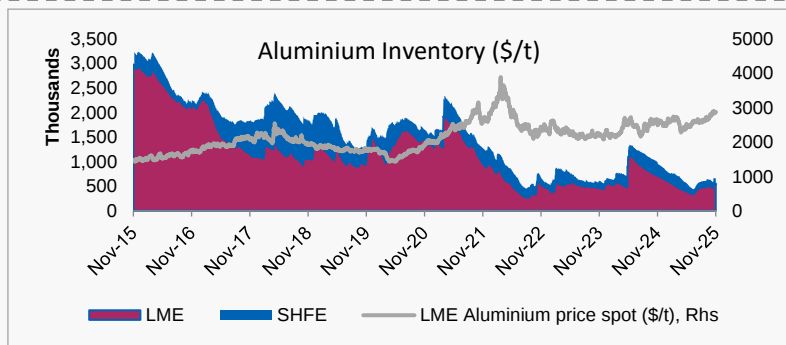
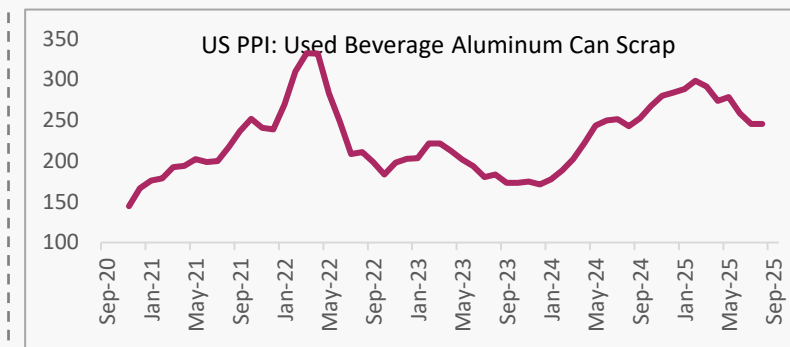
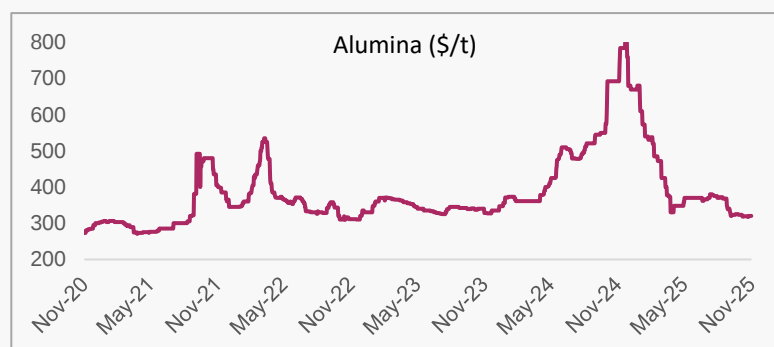
Steel Sector: Outlook

- **Steel Spreads Likely to Remain Muted in Q3FY26:** Steel spreads on a consumption basis are likely to fall by 7% QoQ in Q3FY26 if the spot HRC prices do not inch up in the remaining Q3FY26. So far, steel HRC prices are down by ~4% QoQ in Q3FY26. In Q2FY26, NMDC iron ore prices for lumps and fines fell 5%/4% YoY/QoQ, respectively; however, coking coal prices rose 3% QoQ. Consequently, the spreads are expected to come under pressure as the iron ore and coking coal prices in Q2 will be consumed in Q3FY26 (1 quarter lag).
- **Domestic HRC Prices are Now Trading at a 12% Discount to Landed Chinese HRC Prices:** In Q3FY25, so far, Chinese domestic HRC prices have remained almost flat and averaged at \$481/t against the Q2FY26 average. However, it's not reflected in domestic HRC prices yet, which have now declined by 4% over the same period and averaged at Rs 48,722/t. This is on account of higher steel mills volumes led by more steel capacity coming online in Q2FY26. India's finished steel production grew by 12%/6% YoY/QoQ, while steel consumption grew by 8%/6% YoY/QoQ, indicating adequate supply to fulfil the demand, thereby keeping the prices under check. Also export market is weak (exports run rate down from earlier 7-10 Mt per annum), leading to higher domestic sales, which is putting pressure on domestic steel prices. Exports in FY25 declined to 4.9 MT from 7.5 MT in FY24. India remained a net steel importer in the Apr-Oct'25 period. Net imports stood at 3.8 MT over this period, exceeding exports of 3.45 MT, resulting in net imports of 0.35 MT. The export run rate on an annualised basis is still below the earlier 7-10 MT per annum due to competitive Chinese HRC offers. China steel exports have stood elevated at 97.8 MT, up 6% YoY in the 10MCY25.
- **Steel Raw Material Prices:** Coking coal prices FOB Australia remained soft at \$189/t in Q2FY26, down 23% YoY, but up marginally by 2% QoQ, while iron ore prices inched up in Q2FY26 and averaged at \$100/t, CFR China, up 5% QoQ and flat YoY. Spot coking coal and iron ore prices are currently trading at \$199/t and \$101/t, respectively.
- **Key Monitorables:** More China stimulus measures, safeguard duty approval/extension (initial safeguard duty of 12% imposed in Apr'25 for 200 days as a provisional measure), the impact of 50% tariffs (25% base +25% from 4th June, 2025) on steel imports in the US, and China's steel production cuts will be the key monitorables in future.

Aluminium Sector: Outlook

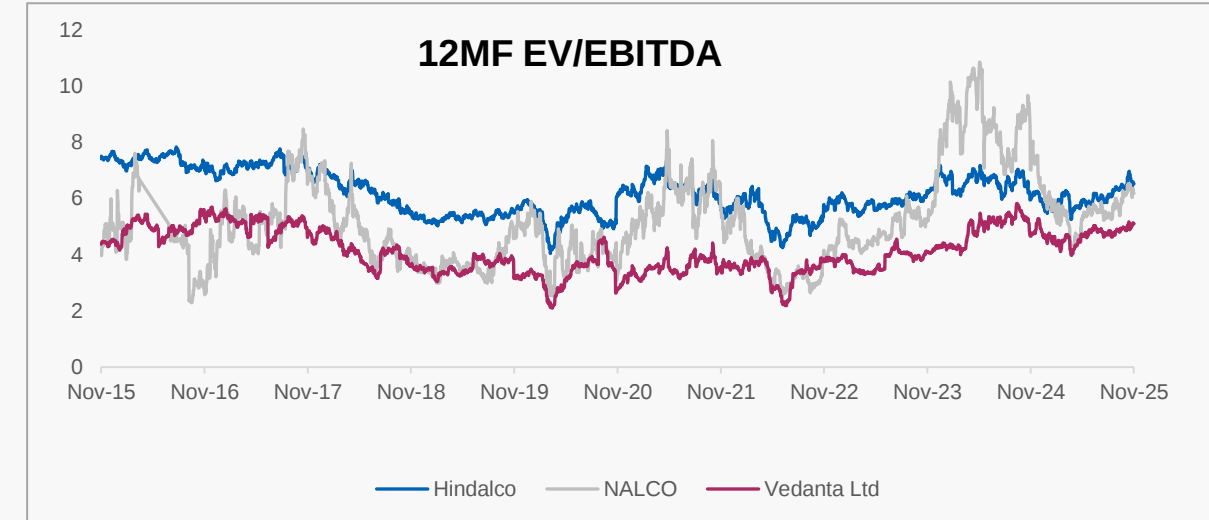
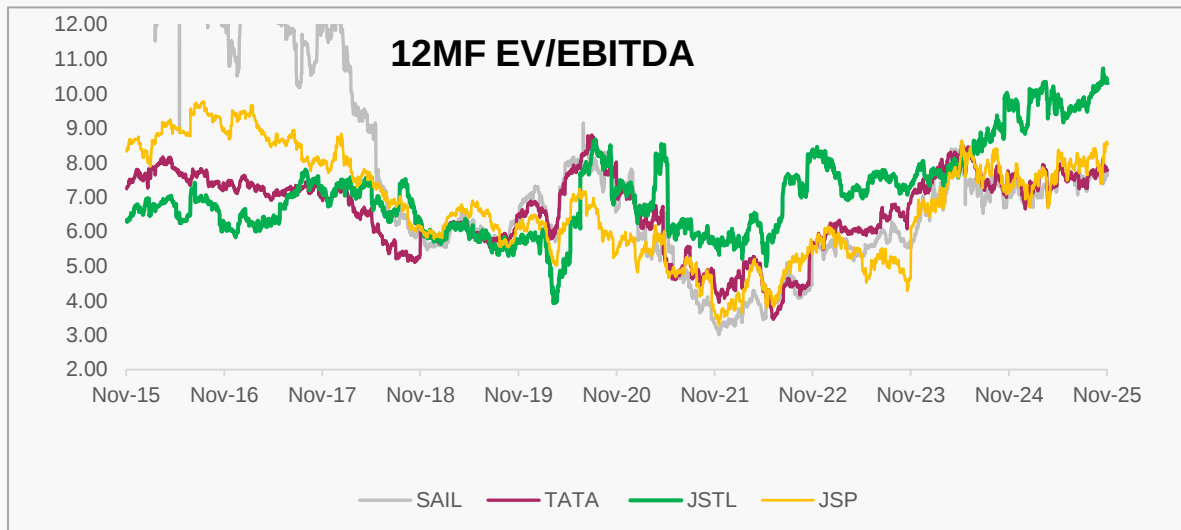
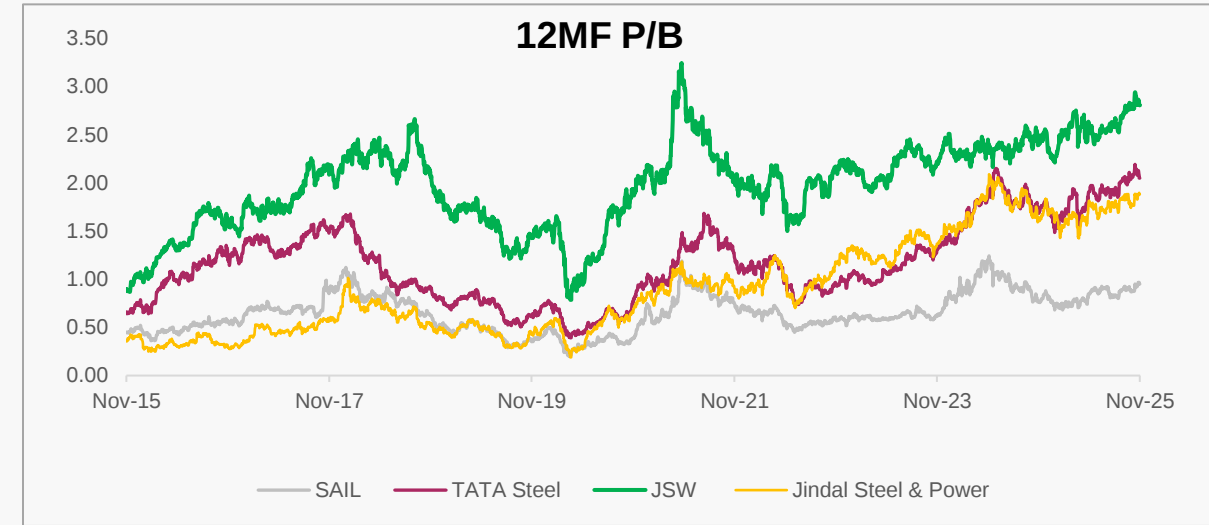
- **Aluminium Q2FY26:** LME aluminium prices rose 10%/7% YoY/QoQ at \$2,621/t in Q2FY26, driven by resilient demand, a weaker US dollar, and Fed rate cut outlook. Demand is resilient in the packaging and electrical sectors across the US and Europe, offsetting continued softness in construction and transportation, though tariff uncertainty remains a key factor. Supply growth in CY25 is limited, with moderate restarts outside China, while China approaches its smelter capacity cap of 45 mtpa. In 2026, new supply from Indonesia is anticipated; however, its impact on prices could be limited as potential disruption at the Mozal smelter adds a layer of supply risk, along with broader capacity constraints and resilient global demand, ensuring that overall market balance remains tight.
- **Aluminium Supply/Demand Balance:** For CY25, as per Norsk Hydro Q3CY25 ppt, the primary Aluminium global balance is expected to remain in a deficit of 0.1MT.
- **Impact of Tariffs on Aluminium:** Tariffs impacted both LME and physical premiums significantly. US premiums have increased strongly (US Midwest duty paid currently at \$1,794/t), while the rest of the world premiums showed mixed movement in anticipation of diverted US-flows and weaker overall demand in 2025. The Midwest premium neared import parity as US inventories declined, and European premiums rebounded from Q1FY26 lows.
- **Alumina prices (FOB WA) averaged at \$361/t in Q2FY26, down 29% YoY (flat QoQ),** due to high spot availability from refinery expansions in both Indonesia and China. China has restarted most of its curtailed capacity since May'25. The demand outlook is supported by Indonesian smelting capacity expected to come online from late 2025 into 2026, which will eventually absorb the increased alumina supply; however, this positive demand signal is tempered by the downside risk presented by the uncertain future and potential shutdown of the Mozal smelter in 2026, which poses a threat to demand and pricing in that year.

Metals & Mining Key Charts



Steel Valuations Above +1 SD Over LT Average P/B; Aluminium Valuations Rich

- SAIL is trading at P/B of 0.95x vs LT average of 0.64x
- Tata Steel is trading at P/B of 2.05x vs LT average of 1.18x
- JSPL is trading at P/B of 1.88x vs LT average of 0.90x
- JSW Steel is trading at P/B of 2.80x vs LT average of 1.98x



Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
 APL Apollo Tubes	BUY	Rs 2,100*	✓ Record Q2FY26 Volumes: Sales volume stood at 855 kt, up 13%/8% YoY/QoQ, a record high level despite weak macro and extended monsoon, supported by strong capacity utilisation at the Raipur and Dubai plants. ✓ EBITDA/t Above \$5,000/t: In Q2FY26 EBITDA/t beat the consensus by 8% and stood at Rs 5,228/t, up 187%/12% YoY/QoQ. The QoQ growth by Rs 545/t was driven by: i) Rs 200/t gross-margin improvement (brand premium/value-added mix), ii) Rs 200/t from operating leverage benefits, and iii) Rs 100/t from the absence of the ESOP expense booked in Q1. Management is confident of double-digit CAGR volume growth over the next 3 - 4 years. This upside will drive the operating leverage, which, along with the structural shift toward value-added products, provides visibility for Rs 5,000-6,000/t EBITDA in the medium term. The long-term target is to reach 10 MT capacity, 70% VAP share and EBITDA/t of Rs 5,500-6,000/t. ✓ Strategy to Penetrate New Markets – Capacity Expansion: The company targets to expand its current capacity from 4.5 MTPA to 6.8 MTPA by FY28. The expansion will help it cater to the virgin East Indian market and high-margin international markets. ✓ Outlook & Valuation: The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. Our TP of Rs 1,950/share is based on the Mar'27E EPS using a 1-year forward P/E target of 35x.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
 Hindalco	BUY	Rs 880*	✓ List of Expansion Projects: Hindalco has a list of expansion projects lined up for the future. Aditya alumina refinery (850 ktpa), 180 ktpa phase I Aluminium smelter at Aditya, and the copper recycling (50 ktpa) plant are on track for FY28 commissioning. The company announced a 193 ktpa phase II expansion at Aditya Aluminum (to be operational by FY29). FY26 capex guidance is at Rs 8,000-8,500 Cr. Capex will rise from FY27 (Rs 11,500 Cr guided for FY27) as expansion projects pick up pace. Novelis' FY26 capex guidance is maintained at \$1.9–\$2.2 Bn. While the company underlined its focus on keeping the consolidated net debt/EBITDA below 2x during the capex phase over the next four years, execution at Bay Minette without further cost escalation will be critical. IRR at the project is now projected at high single digits from mid-teens. ✓ Copper business: The company's 300 ktpa brownfield copper smelter expansion is expected to be commissioned by FY29 in Gujarat, and management envisages that the Tc/Rcs will improve from the current low levels in the next few years as it embarks on the smelter capex. Copper smelting capacity will rise to 721kt from 421kt post this 300kt expansion. In line with the smelting capacity, the CCR expansion of 300 KT is also under execution over and above the existing 540 ktpa rods capacity. This will lead to a \$100/t addition to EBITDA/t over the base of FY24. ✓ Novelis: Bay Minette project is on track for partial start-up by the end of FY26, and full commissioning is expected by H2CY26. However, the project capex is now revised upward from \$4.1 Bn to \$5.0 Bn (a 22% increase). The projected IRR has now dropped from mid-teens to higher single digits, though management expects it to remain better than the cost of capital.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas:
Pharmaceutical & Hospitals

Q2FY26 Pharma Review – Healthcare Continues to Outperform & Pharma Impacted by US Generics

✓ Key Highlights & Financial Performance

- **The pharmaceutical universe** under coverage reported Q2FY26 growth of 11.9% YoY and 6.2% QoQ, supported by strong India business performance (+8.5% YoY). The US business remained flat, up only 1% in CC terms, led by Lupin's gTolvaptan and Emerging Markets.
- **IPM** registered 7% YoY growth in Q2FY26, with chronic therapies up 11% and acute stabilising at 5%. Sun Pharma , and Dr. Reddy's recorded strong India growth of 11% and 19% YoY, respectively. The quarter saw an impact from channel destocking linked to the GST transition.
- **Gross margins** stood at 65.4%, down 183 bps YoY, with the pressure visible in the US generics segment. Revlimid's negligible revenue contribution affected the product mix, and low single-digit price erosion was also evident.
- **The healthcare sector delivered strong performance in Q2FY26**, with top-line revenue rising 19% YoY and 8% QoQ. Growth was driven by stable occupancy levels despite the addition of new beds during the year. Industry occupancy for the quarter stood at 64%, with ARPOB averaging Rs 60,300 across the sector. Operational bed days increased sharply, up 14% YoY. Higher purchasing power and deeper insurance penetration contributed to the rise in occupied beds, improving access to healthcare services and supporting overall sector growth.

Pharma Sector: Outlook – gRevlimid Cliff-off Visible

- The pharmaceutical universe under coverage reported Q2FY26 growth of 11.9% YoY and 6.2% QoQ, led by strong India business performance (+8.5% YoY). The US business was flat, up only 1% in CC terms, driven by Lupin's gTolvaptan and Emerging Markets.
- **Gross margins** stood at 65.4%, down 183 bps YoY. The impact was evident in the US generic business, as Revlimid was negligible in terms of revenue, which affected the product mix. Low single-digit price erosion was also visible.
- On a QoQ basis, the US business at \$2,167 Mn showed 1% YoY growth in CC terms, aided by volume growth in the base portfolio but offset by weak performance of gRevlimid and continued price erosion. The recently launched Tolvaptan by Lupin delivered robust growth; it helped cross \$300+ Mn in quarterly revenue for Lupin.
- **Lupin:** Sales stood at \$315 Mn (+43% YoY), driven by higher-than-expected gTolvaptan contributions along with continued strength in gMirabegron and gSpiriva. Management expects US revenues to moderate but remain healthy at \$275–300 Mn per quarter in H2FY26, despite the expiry of the 180-day gTolvaptan exclusivity in Q3, supported by limited competition due to REMS complexity and market stickiness.
- **Aurobindo:** Revenue stood at \$417 Mn, with the oral solids (ex-gRevlimid) portfolio growing 6% QoQ and injectables also rising 6% QoQ, supported by new launches and supply normalisation. Europe maintained its growth trajectory, rising 18% YoY to €243 Mn, keeping the company on track to comfortably cross \$1 Bn in annual revenue in the region by FY26-end.
- **Cipla:** India business delivered 8.5% YoY and 6.7% QoQ growth, largely driven by the robust performance of chronic products and strong double-digit growth in the Trade Generics business. Chronic products now contribute 61.8% of revenue, continuing to outperform the market, while the Acute segment remains affected by seasonal headwinds and brief disruption from the GST rate transition. Cipla has now entered the obesity market through a partnership with Eli Lilly for Tirzepatide (GLP-1), which is exclusive to the Indian market.
- **Biocon:** Reported a steady financial performance in Q2FY26, driven by strong contributions from the Biosimilars and Generics segments. The Biosimilars business grew 25% YoY, supported by the successful launches of four biosimilars — bUstekinumab, bAspart, bBevacizumab, and bAflibercept — across multiple geographies. The Generics segment delivered robust 24% YoY growth, aided by new product launches such as Liraglutide and Sacubitril + Valsartan.
- IPM registered 7% YoY growth in Q2FY26, with chronic therapies up 11% and acute stabilising at 5%. Sun Pharma, and Dr. Reddy's recorded strong India growth of 11% and 19% YoY, respectively. The quarter was impacted by channel destocking due to the GST transition.
- Looking ahead, a strong pipeline in biosimilars, GLP-1, and peptides is expected to drive growth over the next three years. Companies with larger chronic portfolios are outperforming IPM, supporting a positive outlook on names like Lupin and Aurobindo Pharma.

Healthcare: Performance Driven by Bed Additions; Margins impacted by New Additions

- **The healthcare sector delivered strong growth in Q2FY26**, with top-line revenue increasing by 19% YoY and 8% QoQ. This was driven by stabilised occupancy despite the addition of new beds over the year. Industry-level occupancy for the quarter stood at 64%, with ARPOB averaging Rs 60,300 across the sector. Operational bed days also rose significantly, up 14% YoY. Higher purchasing power and increased insurance penetration contributed to the rise in occupied beds, providing greater access to healthcare services and supporting overall growth.
- **Overall industry operating margins stood at 23.9%**, down 250 bps YoY but up 100 bps QoQ, reflecting the drag of new units on operating profitability. Max Healthcare reported an operating margin of 26.2% with an ARPOB of Rs 77,300, flat YoY. Fortis, with a 23.9% margin, achieved an occupancy rate of 71%, an increase of 100 bps QoQ, largely driven by its mature hospital units in Delhi NCR and Punjab. Similarly, Medanta reported an operating margin of 21.0%, impacted by the NOIDA hospital drag. Compared to the previous year, over 2,650 operational beds were added by top players. KIMS' operational capacity increased to 4,700 beds from 4,030 last year, while Max's aggressive expansion added 811 operational beds. Fortis lagged its peers, adding only 600 beds.
- **Insurance payers contributed 32% to total revenues this quarter**, growing 16% YoY and 5% QoQ. The ongoing issue between TPAs and hospitals regarding rate revisions impacted growth momentum, but it is expected to be resolved soon. We believe insurance penetration remains relatively low, presenting significant growth potential as awareness of health coverage increases and purchasing power improves. Additionally, high-growth therapies such as cancer and cardiac care continue to drive double-digit growth, further boosting ARPOB and occupancy rates.
- **The CGHS rate revision is a meaningful positive for the sector**, particularly for Max Healthcare, Fortis, KIMS, and Medanta, which have sizeable CGHS and other government exposure. These updates will help align reimbursements with rising treatment costs, improving realisations and easing margin pressures. We estimate an annual revenue uplift of Rs 100–200 crore for larger players, with most of the gains flowing directly to profitability. Full benefits are expected to accrue from FY27 as the new rates are fully implemented.
- We expect the healthcare sector to sustain its growth trajectory, with annual ARPOB growth of 6–7% and a 100 bps improvement in occupancy rates. Key growth drivers include a favourable shift in the payer mix, higher surgical volumes, and increasing insurance penetration. **We remain positive on Max Healthcare Institute and Fortis Healthcare Ltd.**

Short and Medium-term Outlook - Pharma

Short Term

Trend in price erosion after the normalisation of drug shortages supply in the US

India: Weak acute season and NLEM impacted growth

Better sales growth was led by gRevlimid and the launch of new products GLP-1 & Peptides

Field force expansion to drive growth in India

Better margins for the full year due to normalised cost inflation and moderation in US Price Erosion

Medium Term

Key Monitorables – Price Erosion, Margins Expansion, and Launch of New Products

Short and Medium-term Outlook - Hospitals

Short Term

Intense competition among peer hospitals and oversupplying of beds in micro markets.

Delays in commissioning beds

Higher occupancies & improved ARPOB across the industry.

Key therapies like Cardio & Oncology are growing by double digits.

Insurance payor, Purchasing Power, and Surgical mix pacing momentum are key drivers.

Medium Term

Key Monitorables – Improved Occupancies; Insurance penetration; New Hospital projects

Top Conviction Ideas: Lupin

Stock	Reco.	TP	Recommendation Rationale
 Lupin Ltd	BUY	Rs 2,400*	✓ Strong Set of Results: Lupin reported a strong performance this quarter, driven by outperformance in the US business led by high-margin complex generics (notably gTolvaptan) and robust growth across emerging markets. Strong gross margin expansion translated into a sharp EBITDA and PAT beat. Revenue stood at Rs 7,048 Cr (+24% YoY), well above estimates, while EBITDA rose 63% YoY to Rs 2,341 Cr with margins at 33.2%. Adjusted PAT came in at Rs 1,485 Cr (+73% YoY). ✓ US Market: Sales stood at \$315 Mn (+43% YoY), driven by higher-than-expected gTolvaptan contribution along with continued strength in gMirabegron and gSpiriva. Management expects US revenues to moderate but remain healthy at \$275–300 Mn per quarter in H2FY26, despite the expiry of the 180-day gTolvaptan exclusivity in Q3, supported by limited competition due to REMS complexity and market stickiness. The company launched Glucagon in Aug'25 and Liraglutide in Oct'25. It is upscaling its portfolio towards a higher share of complex Gx (expected to rise to 55% by FY30), led by inhalation, injectables, and ophthalmics. ✓ Upcoming Pipelines & Opportunities: Lupin's new launch momentum remains aligned with its strategic focus on complex and higher-margin products, enhancing medium-term growth visibility. In Q2, the company gained from the ramp-up of recent US launches such as gTolvaptan and gMirabegron, while approvals for gRisperdal Consta and the launch of gGlucagon demonstrate steady progress in developing a differentiated injectable/depot portfolio. Going forward, key growth drivers include the planned launch of gVictoza in Oct'25 and the expected approval of gSaxenda, alongside progress on gDulera (targeted for H2FY27/early FY28) and platform-based inhalation filings (Respimat/Ellipta) in FY26E. The injectables pipeline of 40+ assets is expected to contribute ~\$100 Mn annually over the next 3–4 years post the Nagpur facility scale-up. The biosimilars portfolio provides long-term upside, with bPegfilgrastim launch expected in FY26, followed by ophthalmology assets bRanibizumab and bAflibercept from FY27–FY29.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: AuroPharma

Stock

Reco.

TP

Recommendation Rationale



Aurobindo Pharma Ltd

BUY

Rs 1,345*

- ✓ **Growth Driven by Base Business:** Aurobindo reported revenue of Rs 8,286 Cr in Q2FY26, broadly in line with expectations. Revenue grew 6.3% YoY and 5.3% QoQ, supported by strong performance in its core base business. Consolidated growth was maintained despite limited contribution from Revlimid, which is expected to taper off entirely from Q3 onwards. Gross margins expanded by 88 bps YoY and 126 bps QoQ, reflecting a structural improvement driven by a superior formulation mix, a leaner cost structure, and an improved product mix across the U.S. and Europe. EBITDA stood at Rs 1,678 Cr, translating to a margin of 20.2%. Management reiterated its guidance of maintaining EBITDA margins in the range of 20–21% for FY26.
- ✓ **Ramp-up in Pen-G:** The Pen-G facility continues to progress well, currently operating at around 40–50% utilization, translating to an annualized output of approximately 6,000 MT. The company aims to gradually scale up production to 15,000 MT, contingent upon the implementation of the Minimum Import Price (MIP) policy.
- ✓ **New Launches:** On the new launches front, Aurobindo remains focused on strengthening its U.S. and European portfolios through a mix of complex generics and differentiated oral and injectable products. The company continues to enhance its presence in chronic therapies and hospital channels, while the Lannett acquisition is expected to meaningfully expand its footprint in the U.S. and Europe, steadily adding injectables and higher-margin Rx products.
- ✓ **Outlook:** Aurobindo remains well-positioned to sustain its growth momentum over the coming quarters, supported by pricing stability in the U.S. base business, continued strong traction in Europe, and healthy uptake in growth markets and ARVs. The company reiterated confidence in achieving its FY26 EBITDA margin guidance of 20%–21%, driven by an improving product mix, stronger operating leverage, and manufacturing efficiency gains. Key strategic platforms—including Pen-G backward integration, scaling of the China sterile facility, and commercialization of biosimilar and peptide portfolios—are expected to serve as meaningful value drivers over the medium term, with incremental contributions anticipated from FY27 onward. Furthermore, the Lannett acquisition is set to enhance the company's presence in the U.S. injectable and institutional channels, supporting sustained revenue visibility. Notably, no new greenfield capex is planned for the next three years, underscoring the company's focus on optimizing existing assets and driving returns on invested capital.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Max Healthcare Institute Ltd

Stock	Reco.	TP	Recommendation Rationale
 Max Healthcare Institute Ltd	BUY	Rs 1,425*	✓ Strong Revenue Growth: Max Healthcare reported net revenue of Rs 2,580 Cr, registering 21.4% YoY and 5% QoQ growth, broadly in line with expectations. The performance was supported by steady ARPOB, stable occupancy, and the addition of new beds, which together drove a 19% increase in occupied bed days. International patient revenue rose 25% YoY and now contributes 9% to overall revenue. Existing units delivered a strong 14% like-for-like revenue growth, reflecting sustained operational momentum across the network. ARPOB stood at Rs 77,300, flat YoY (with existing units delivering 3% YoY growth), while overall occupancy improved to 77% with a 19% increase in occupied bed days, and mature hospitals reported 79% occupancy. IP and OP volumes grew 22.5% and 27%, respectively. ✓ EBITDA Margins and Profitability: EBITDA margins expanded by 55 bps YoY to 26.2% and by 218 bps QoQ. EBITDA grew 24% YoY and 14.4% QoQ, while existing units delivered 19% like-for-like EBITDA growth. Reported PAT came in at Rs 473 Cr (+26% YoY), supported by a Rs 149 Cr favourable tax impact arising from the merger of CRL and JHL. Adjusted PAT stood at Rs 406 Cr. ✓ Expansion-Focused Growth with Prudent Leverage: Max Healthcare's aggressive yet capital-efficient brownfield expansion strategy supports a strong multi-year growth trajectory. The company plans to scale its bed capacity from approximately 5,000 in FY25 to 9,000–9,500 by 2028, with key brownfield additions—Nanavati Max (268 beds), Max Smart Saket (400 beds), and Max Mohali (160 beds)—either recently commissioned or coming onstream shortly. Additional projects in Lucknow and Gurgaon further strengthen the pipeline. Brownfield assets typically ramp up faster, achieve quicker EBITDA breakeven, and enhance earnings visibility. Despite deploying Rs 456 Cr toward capex in Q2, net debt remains comfortable at Rs 2,067 Cr, translating to a Net Debt/EBITDA of around 0.79x. Strong internal accruals and disciplined capital deployment are expected to keep leverage below 1x through the expansion cycle, supporting sustained growth and value creation ✓ Outlook & Guidance: Management reiterated guidance of 6–7% ARPOB growth in mature hospitals, supported by higher case complexity and an improving clinical mix, alongside sustained occupancy of around 80%. Developing hospitals are expected to ramp up gradually, driving incremental occupancy and revenue growth. The company remains focused on scaling oncology and international patient businesses while maintaining strong return ratios. The recent CGHS rate revision is expected to generate a revenue uplift of over Rs 200 Cr once fully implemented across CGHS and CGHS-linked schemes such as ECHS. Management indicated that 85–90% of this incremental revenue is likely to flow through to EBITDA, as the cost base for servicing these patients is already largely established. The full benefit, particularly from the newly introduced “super-specialty hospital” category, is expected to materialise from FY27 onward

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

Top Conviction Ideas: Fortis Healthcare Ltd

Stock	Reco.	TP	Recommendation Rationale
 Fortis Healthcare Ltd	BUY	Rs 1,070*	✓ Strong Q2 Performance: Fortis Healthcare reported revenue of Rs 2,331 Cr, which is in line with our expectations and supported by higher ARPOB and stabilised occupancy levels. ARPOB stood at Rs 68,800, up 5.9% YoY, while occupancy was stable at 71%, driven by a 13% YoY growth in occupied bed days. The Hospital segment's reported revenue and EBITDA margins stood at Rs 1,974 Cr and 22.9% with 27.3% EBITDA growth over the year. ✓ The rebranded Agilus Diagnostics reported revenue of Rs 358 Cr, growth of 7% YoY, and an EBITDA of Rs 104 Cr, reflecting a 29.1% margin, up 510 bps YoY. The margin improvement reflects operational recovery and efficiency gains as the business continues to scale post-rebranding. ✓ Aggressive Capacity Expansion: Net debt stood at Rs 2,219 Cr with Net Debt/EBITDA at 0.96x as of Sep'25, higher due to funding the acquisition of 31.5% stake in Agilus, the Fortis brand/trademark, and Shrimann Hospital, Jalandhar. 550 beds were added in H1FY26 (190 Jalandhar, 170 Greater Noida, rest organic), maintaining the FY26 target of 400–500 beds. The company signed a 15-year lease agreement for a 200-bed hospital in Greater Noida (previously O&M), which currently generates Rs 10 Cr in monthly revenue with 2–3% EBITDA, expected to reach 15% margin in six months. The annual rent for the facility is Rs 27.6 Cr. This expands the Delhi-NCR capacity to ~2,100 beds. Integration of Gleneagles O&M units is progressing well, and Fortis has forayed into Lucknow via an O&M arrangement for a 550-bedded hospital with the Ekana Group. ✓ Outlook: Management expects H2FY26 revenue growth to remain in line with H1 levels, supported by sustained volume expansion and continued ARPOB improvement. ARPOB is projected to rise 5–6% in FY26, led by a richer speciality mix in oncology and complex procedures such as robotic surgeries. Occupancy is likely to stay above 70% as new units like Greater Noida and Jalandhar ramp up. The company now expects FY26 EBITDA margins at 23–24%, aided by the strong Q2 margin and remains focused on achieving the long-term 25% margin target. For Agilus, volume growth is expected to move into early double digits over the next 6–8 quarters, as the base normalises post the exit from the low-ticket business and overall demand momentum sustains.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas
Banking, Financial Services & Insurance (BFSI)

Dnyanada Vaidya
Abhishek Pandya

Banks – Q2FY26 Performance Review

Growth Bottoms Out; Faster-than-Expected Margin Recovery Supports Earnings Growth

- **Banks** (incl. SFBs) credit growth was largely in line with our estimates, delivering an 11/4% YoY/QoQ growth in Q2FY26, thereby broadly replicating systemic growth. The PSU banks (+12/4% YoY/QoQ) under our coverage credit growth outpaced private banks, including SFBs (+11/3% YoY/QoQ), during the quarter. Credit growth was mainly driven by the Retail (largely Home Loans, LAP) and secured SME segments, while corporate loans showed early signs of revival. However, many banks indicated continued pricing pressure in the better-rated corporates, keeping growth muted in that segment. The outlook in the unsecured segments has turned optimistic, with many lenders indicating resumption of growth in H2.
- **Deposit growth** during the quarter **lagged credit growth, driving LDR higher**. Our coverage banks delivered a deposit growth of 11/3% YoY/QoQ in Q2 largely driven by healthy growth in CASA Deposits, thereby driving CASA Deposit improvement across many banks. The LDR for our coverage banks stood at 87% vs 86.1/85.5% YoY/QoQ. Banks have been optimizing their deposit mix in order to augment CoF, with lowering dependence on bulk deposits and prioritizing and working towards improving average CASA balances.
- **NIMs** surprised positively during the quarter, **reversing the trends earlier-than-expected**, supporting earnings for banks. This was driven by a sharper improvement in CoF/CoD, offsetting the impact of Jun'25 repo rate actions on lending yields. The impact of TD repricing is yet to fully reflect in the CoF and should benefit NIMs going into H2. In Q2, NIMs have bottomed out, barring further rate cuts. **The larger banks reported a contained margin decline (4-11bps), quantum being lower sequentially, supported by prudent liability management. On the other hand, most mid-sized banks (with Bandhan and IDFCFIRSB being outliers) reported a NIM improvement of 10 bps (+/-5bps) while SFBs reported a 10-20bps QoQ improvement (EQSFB being an outlier).**
- **Core fee income** growth was robust across most banks. Moreover, **controlled Opex offset the impact of lower treasury income**, driving a beat on PPOP (~5% ahead of our estimates).
- **Slippages** during the quarter were meaningfully lower sequentially, driven by improving unsecured portfolios. **The stress in the unsecured portfolios has eased across most segments (MFI, CC, and PL) and geographies (primarily TN and KA), and management commentary around it gradually normalising over H2 is encouraging.** Asset quality in most secured portfolios (ex-retail CV) and corporate portfolios continues to hold up well. Resultantly, credit costs declined significantly in Q2 and were ~45% lower QoQ for our coverage universe banks, further aiding earnings growth. Consequently, **faster than expected NIM recovery and declining credit costs upfronted earnings recovery (~15% higher than our estimates)**, contrary to our expectations of another weaker print in Q2. Our coverage banks delivered a 5/2% YoY/QoQ PAT growth during the quarter.

Green Shoots on Growth Visible; Overall H2 Outlook Optimistic

- During the quarter, disbursement growth across most financiers improved, partially aided by the festive season and some consumption boost from the GST rate rationalization. Our under-coverage **NBFCs (across financiers)** reported a healthy AUM growth of 20/4% YoY/QoQ, largely in line with our estimates. Within our coverage universe, growth was led by diversified Financiers (+23/5% YoY/QoQ), Vehicle Financiers (18/3% YoY/QoQ), and Housing Financiers (+11/3% YoY/QoQ). Microfinanciers' AUM was flat QoQ. Within the gold financiers' AUM growth (flat YoY/+4% QoQ), primarily driven by gold AUM growth (+29/9% YoY/QoQ), which continued to remain robust, with renewed focus on the higher ticket-size segment. **While concerns around SME, especially unsecured SME, have persisted, compelling lenders to trim exposure to the segment, managements have remained upbeat around demand buoyancy in the gold loans, vehicles segments following the GST rate rationalization and a growth recovery in MFI.**
- **Divergent trends were visible amongst financiers on margins. Within Diversified Financiers, while BAF maintained its margins, MASFIN witnessed a sharper-than-expected margin contraction. Similarly, while CANF reported a surprise margin improvement, Aptus' NIMs contracted (due to a policy change). Gold Financier – MANAPPURAM continued its margin contraction on the back of yield rationalization, offsetting the impact of lower CoF. Microfinancier CAGRAMEEN reported a sharp improvement in margins supported by lower interest reversals and CoF improvement, while Vehicle Financiers too reported a healthy margin improvement led by utilisation of excess liquidity and lower CoF.** The positive movement on CoF is expected to continue in H2 and early FY27 (for certain financiers). NBFCs under our coverage reported NII growth of 15/5% YoY/QoQ, in line with our expectations.
- The concerns around the **asset quality of Microfinanciers continued to settle**, with normalisation trends gradually being visible and outlook turning positive as green shoots on collections and delinquency levels are visible. The states of KA and TN have also seen encouraging signs of recovery. The **impact of extended monsoon and slower economic activity was visible on borrower cash flows (CF), which weighed on the asset quality of Vehicle financiers.** While CANF reported improvement in asset quality, Aptus' asset quality deteriorated owing to a proactive accounting policy change w.r.t write-offs. With credit costs a shade lower vs expectations (~3% lower than our expectations), **NBFCs under our coverage reported an earnings growth of 12/4% YoY/QoQ.**

Many Hits, Fewer Misses

- For **Credit Card Issuers (SBICARD)**, CIF growth remained modest with the company continuing to adopt a cautious approach in new customer sourcing, while **Spends growth was better than expected** and grew by 31/15%, driven by healthy traction on retail spends, corporate spends gaining momentum gradually, and further supported by the festive season. SBICARD witnessed an adverse movement in receivables mix, with mi of interest earnings assets declining QoQ. Despite the sharp mix shift towards transactors, NIMs remain steady QoQ at 11.2%. Yields declined by 50 bps QoQ; however was offset by a sharper CoF improvement of 70 bps QoQ. **Asset quality, which has been a cause of concern, remained steady, while credit finally turned the corner.** SBIC's credit cost concerns appear to be easing, as Stage 2 assets, forward flows, and slippages continue to decline.
- **Life Insurer (SBILIFE)** reported a **good quarter**, reporting NBP grew by 27/52% YoY/QoQ. Gross Premium (GWP) stood at Rs 250.8 Bn, ahead of our expectations, registering a 23/41% YoY growth. **VNB margins improvement was aided by a shift towards higher margin products, with strong growth in the non-PAR, Protection, and PAR business.** EV stood at Rs 760 Bn (+15/2% YoY/QoQ). 13th-month persistency for H1FY26 stood at 87.1% vs 86.4% YoY, due to the company's focus on improving the quality of business and customer retention. 61st month persistency stood at 60.6% vs 61.9% YoY.
- **Asset Management Company – NAM reported a good set of numbers.** The company's MF QAAUM growth of 20/7% YoY/QoQ. MF QAAUM market share improved by 22/2bps YoY/QoQ. The share of Equity AUMs inched up to 49.9% vs 49.2% QoQ. Equity AUM market share declined by 17bps QoQ and stood at 7.13% vs 7.04% QoQ. SIP flows were strong and stood at Rs 107.2 Bn (+19/10 YoY/QoQ) during the quarter. SIP portfolio grew by 12/1% YoY/QoQ. The company has the largest unique customer base of 21.9 Mn vs 21.2 Mn QoQ with a market share of 38.4%, flat QoQ. Revenue growth was in line with our expectations and decreased by 8% QoQ and was flat YoY, mainly owing to lower other income driven by weak equity markets and higher bond yields. Yields (as % of AUM, calc) stood at 36bps, flat QoQ. Operating profit growth was healthy at 15/11% YoY/QoQ. Operating profit margin (calc.) stood at 65.3% vs 65.5/64.0% YoY/QoQ. PAT de-grew by 4/13% YoY/QoQ.

Q2FY26 PERFORMERS – WINNERS AND LOSERS

	HITS	MISSES
Banks	STATE BANK OF INDIA	BANDHAN BANK
	BANK OF BARODA	EQUITAS SFB
	FEDERAL BANK	
	AU SFB	
	CITY UNION BANK	
	DCB BANK	
NBFCs and Diversified Financials	SHRIRAM FINANCE	MANAPPURAM FINANCE
	CAN FIN HOMES	APTUS VALUE HOUSING FINANCE
	NIPPON AMC	

** Based on Q2FY26 Performance

The Way Forward for

Banks

- ✓ After a muted H1FY26, most managements appear to be upbeat about growth momentum resuming from H2FY26. **This should be supported by (i) Falling interest rates, (ii) Consumption Demand driven by GST Rate Rationalization, (iii) Consumption boost from the tax rate cut, and (iv) Demand recovery in the unsecured segments as stress normalizes.** Thus, credit growth seems to have bottomed out and should resume its upward trajectory over H2 and beyond. **We pencil in 14% CAGR credit growth over FY26-28E for our coverage universe banks, a stark ~300bps improvement over FY25.** Deposit growth is expected to replicate credit growth, with deposit growth improving by ~200 bps over FY26-28E, with banks maintaining steady LDR. We anticipate LDRs for banks under our coverage (incl SFBs) to remain range-bound between 85% (+/-50bps) over FY26-28E.
- ✓ The faster-than-expected reversal in trends on NIMs has helped upfront earnings growth recovery. Thus, NIMs are expected to have bottomed in Q2 and improve over H2. **Margin recovery from H2 onwards should be supported by (1) Downward repricing of deposits reflected in CoF, (2) CRR cut, and (3) Improving growth in the higher-yielding unsecured products.** We expect the **larger banks to outpace PSU banks in terms of margin improvement**, with **Kotak set to benefit the most** (~25+ bps improvement over FY27-28E). The **mid-sized and SFBs are expected to witness a margin improvement of 10-30 bps over FY27-28E**, with **FB, CUB, and UJSFB being outliers**. NII growth for our coverage universe banks is expected to be ~16% CAGR over FY26-28E.
- ✓ Fee income will continue to mirror business growth, while many banks are making concentrated efforts to strengthen the core fee income profile. On the operational front, most banks have indicated that controlled Opex growth and productivity gains will continue to drive cost ratios improvement. **Thus, PPOP growth for our coverage banks is expected to remain healthy at ~15% CAGR over FY25-28E.**
- ✓ **Asset quality concerns seem to be fading, with the unsecured segment witnessing better asset quality trends and the same expected to continue. The positive commentary on MFI stress having peaked out and on an improving trend, MoM is encouraging.** Improving collections and declining SMA across most geographies (KA/TN with a lag) should drive credit costs lower. Similar encouraging trends are visible in the credit card and PL portfolio. The asset quality metrics in the secured portfolio continue to hold up well, apart from some stress cropping up in the CV and SME segments. However, the stress in these segments is expected to subside over the subsequent quarters. **We believe the earnings downgrade season is behind us and expect earnings growth for banks to be ~16% CAGR over FY26-28E, led by improved NIM outlook and declining credit costs. We expect RoAs for most banks to have bottomed out and improve hereafter.**
- ✓ On the **ECL transition**, the commentary around the potential impact has been divergent. While the **larger banks remain confident of no material impact of the ECL transition**, the **mid-sized and smaller banks remain confident of navigating comfortably through the transition**, with the overall impact being largely manageable.
- ✓ At present, we **prefer banks that demonstrate promising growth prospects, healthy deposit franchises, stable asset quality metrics, and strong and steady management teams.**

The Way Forward for

NBFCs

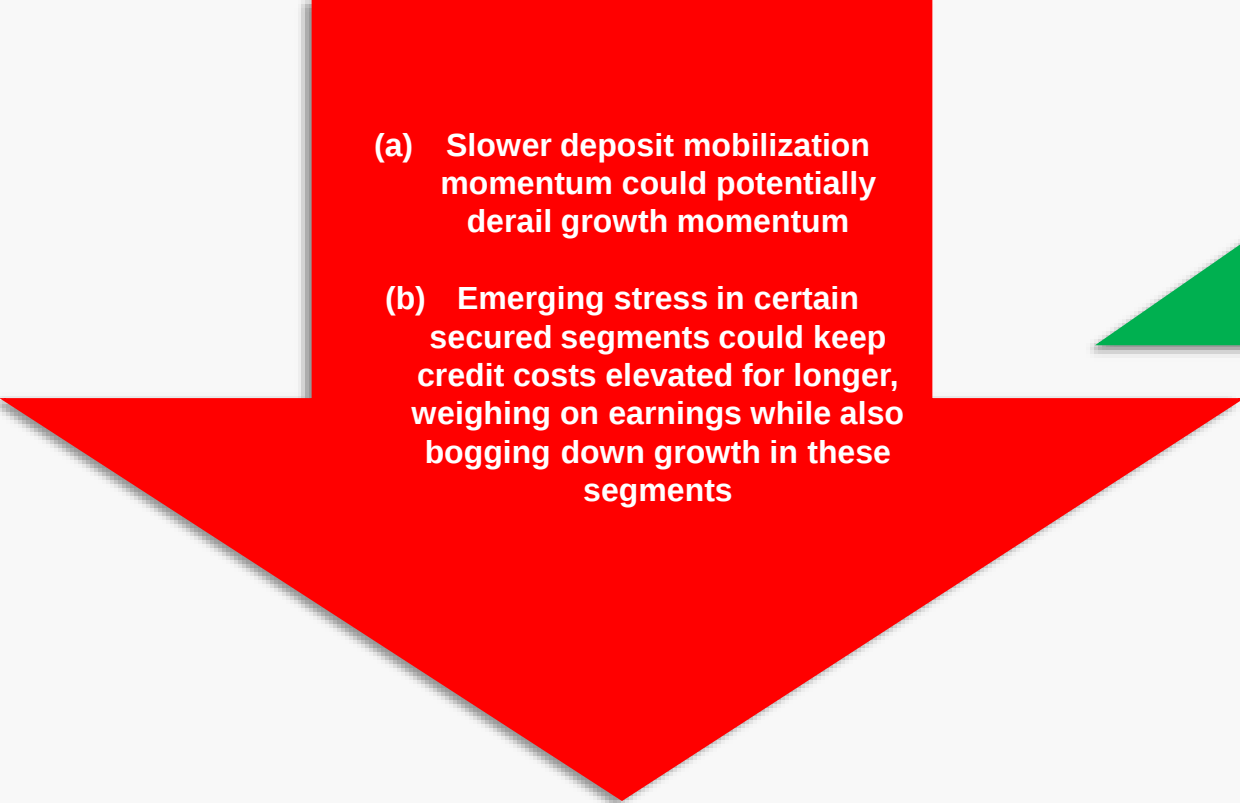
- ✓ The stress in the microfinance sector is likely to have peaked and should recede over the next two quarters. Microfinanciers have seen demand pick up in Q2; however, higher repayments kept growth muted. However, with the pace of disbursements improving, growth is expected to improve materially from H2FY26 onwards. With green shoots visible on growth, we expect Microfinancier under our coverage to deliver a healthy 18% CAGR AUM growth over the medium term, with faster growth in the non-MFI retail portfolio and core MFI growth pegged at 13-15% CAGR over the medium term. **In the secured segments, sectoral tailwinds should help diversified and home financiers (higher ticket size and geographical expansion) cumulatively deliver a healthy growth of 24% CAGR over FY26-28E.** However, a **downside risk** to our growth estimates remains **persistent stress in the SME segment**, which could **curtail growth for the diversified financiers in that portfolio**.
- ✓ **Vehicle Financiers** are expected to benefit from **(1) Improved infrastructure spending and economic activity, (2) Better rural incomes, (3) Improved capacity utilisation of fleet, and (4) Demand boost from the GST rate rationalization**, enabling them to deliver a robust 19% CAGR growth over FY26-28E. Amidst continued challenges in the MFI segment and stress remaining higher in unsecured MSME and certain sub-segments of Vehicle Finance, Gold Financier **Manappuram will focus on strengthening and growing its core gold loan business**, aiming to improve its mix over the medium term. **Overall, the NBFCs under our coverage are likely to deliver a healthy AUM growth of ~21% CAGR over FY26-28E, supported by improved growth in the unsecured portfolios and consumption demand boost from the income tax and GST rate cuts announced.**
- ✓ The positive impact of the rate cuts on CoF was partially visible in H1. With the **incremental CoF declining sharply, we expect it to reflect gradually in CoF. Moreover, financiers are proactively aligning their borrowing mix to optimize CoF. Thus, we expect the declining trend in CoF to continue.** We **foresee a positive trend in NIMs across financiers**, supported by (a) improved growth in the better-yielding unsecured segments, (b) Declining slippages resulting in lower interest reversals, and (c) Lower CoF. **NII growth is expected to remain healthy for the coverage universe NBFCs at ~21% CAGR over FY26-28E.**
- ✓ The worst for Microfinanciers and Credit Card Issuers is behind and we see light at the end of the credit costs tunnel. For other financiers, we expect gradual asset quality improvement, with recovery led by the vehicle financiers. With the outlook for H2FY26 being optimistic, we expect gradual normalisation in credit costs supporting earnings. Navigating the headwinds effectively, we anticipate **NBFCs under our coverage to deliver an earnings growth of ~25% CAGR over FY26-28E.**

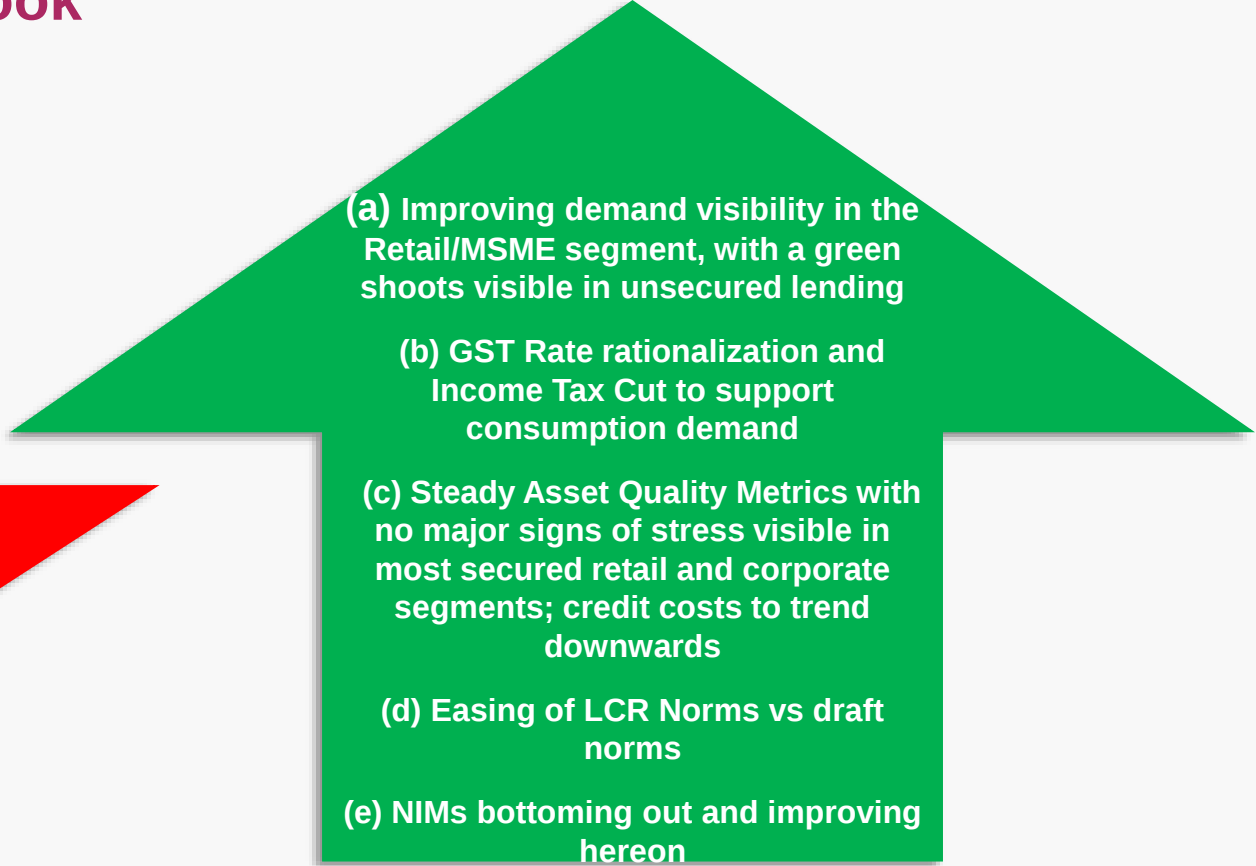
The Way Forward for

Diversified Financials

- ✓ Asset quality concerns and elevated credit costs have been weighing on profitability. However, the **management's confidence in credit costs finally turning the corner and gliding below 9% in H2 is encouraging**. Gradually normalising credit costs remains a **key lever to drive RoA improvement**. Retail spends continue to remain strong (ex-rental), and SBIC is eyeing healthy growth in the corporate spends, without compromising on profitability. SBIC is expected to deliver a receivables/NII/earnings growth of 16/16/46% CAGR over FY26-28E. Furthermore, we project SBIC's RoA/RoE to improve to 4.5+%/20+% from FY27E onwards vs. 3.2/15.1% in FY26E.
- ✓ **SBILIFE's** management has reiterated guidance for individual APE growth of around 13–14% for FY26. **VNB margins are expected to remain range-bound between 26–28%, with a positive bias supported by a product mix shift toward non-par and protection products, offsetting the impact of GST input tax credit disallowance**. The company remains **focused on expanding its agency channel** and digital sourcing to drive sustainable growth. Management guided for mid-teen growth in both the banca and agency channels in H2. SBILIFE's ULIP share in the non-SBI channel remains relatively low (<25%), and management expects ~15% growth in H2, in line with H1 performance. We expect SBILIFE to deliver a healthy 15%/13%/12% CAGR in NBP/APE/VNB over FY26–28E.
- ✓ Long-term prospects of the Indian AMC industry remain intact, given the low penetration levels in India vis-à-vis developed countries. It is a play on the financialization of savings in India, and NAM is likely to benefit from these trends, thereby facilitating market share gains. The recent SEBI consultation paper is expected to impact the revenue and profit pool of the AMCs; however, as per the management, the impact is not expected to be grossly damaging. We expect NAM to deliver a healthy MF QAAUM/Revenue/Earnings growth of 21/16/14% CAGR over FY26-28E, supported by (i) Diversified product offerings, (ii) Improving market share across segments and (iii) Focus on passive offerings, and (iv) Strong SIP franchise.

Medium Term Outlook

- 
- (a) Slower deposit mobilization momentum could potentially derail growth momentum
 - (b) Emerging stress in certain secured segments could keep credit costs elevated for longer, weighing on earnings while also bogging down growth in these segments

- 
- (a) Improving demand visibility in the Retail/MSME segment, with a green shoots visible in unsecured lending
 - (b) GST Rate rationalization and Income Tax Cut to support consumption demand
 - (c) Steady Asset Quality Metrics with no major signs of stress visible in most secured retail and corporate segments; credit costs to trend downwards
 - (d) Easing of LCR Norms vs draft norms
 - (e) NIMs bottoming out and improving hereon

Key Monitorables

- (1) Continued Pace Of Credit Growth And Further Acceleration
- (2) Growth Recovery In Unsecured Segments
- (3) RoA Improvement Trends With NIMs Bottoming-out And Credit Costs Declining

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
 HDFC Bank Ltd.	BUY	Rs 1,170*	✓ On Track to Accelerate Growth: HDFCB's credit growth lagged systemic growth, driven by its conscious decision to reduce LDR. With the LDR now <100%, the bank will look to resume its growth journey, with FY26 pegged at par with systemic growth and a further acceleration going into FY27E, with growth ahead of systemic growth. HDFCB's growth will come from segments where the bank is comfortable lending without diluting its credit standards. The bank has also seen signs of growth revival in the SME segment. The management expects a healthy growth pick-up in the segment by leveraging its footprint and clientele. ✓ NIM to Improve Hereon: In Q2, the bank's NIMs contracted by 8bps QoQ, aided by a 20bps reduction in CoF, while the yield contraction was sharper at ~30bps QoQ. The management has indicated that a bulk of the asset repricing is behind, and NIMs should benefit from the downward repricing of TDs. The rate cut actions taken by the bank have been reflected in SA rates. However, given the longer duration of TDs, the repricing benefit has yet to fully reflect. However, the management is confident exiting FY26 with better NIMs vs Q2. We expect NIMs to improve to 3.8% over FY27-28E vs 3.6% in FY26E. ✓ Focus on Granular Deposit Growth: HDFCB's focus remains on building a granular retail-dominated deposit base, while exercising a pricing discipline. The bank will look to source granular deposits by leveraging its branch network and is comfortable growing at ~15% YoY on an average deposit basis in FY26. The bank will now particularly focus on mobilising CASA deposits by up-selling to its mortgage customers, as a savings account is attached to every home loan.

* Note: Target Price is based on our Q2FY26 Result/Company Update Report

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
 Kotak Mahindra Bank Ltd.	BUY	Rs 2,575*	✓ Unsecured Book Stress Ease; Credit Costs to Taper Over H2: The stress in the unsecured portfolio has stabilised and is expected to gradually taper, driving credit costs lower. Credit costs in the MFI portfolio peaked in Q1 and declined in Q2. The management has also indicated that credit costs in the credit card and PL portfolios will improve in H2 versus H1. However, the stress in the retail CV segment remains elevated, and the bank expects higher credit costs in this segment to persist for another couple of quarters. Asset quality metrics in the secured segments (ex-retail CV) and corporate book continue to remain strong. Overall, credit costs are expected to continue their downward trajectory in H2. ✓ Meaningful NIM Improvement to be Primarily Driven by Loan Mix Shift: KMB's margins contracted by 11bps QoQ in Q2, mainly due to the full impact of the 50bps repo rate cut taken in Jun'25 and a portfolio mix shift toward retail assets. However, the extent of margin compression was significantly lower sequentially, supported by a sharp improvement in the CoF (down 31bps QoQ), driven by the full impact of the SA rate cut and TD repricing, which offset yield compression. Barring any further rate cuts, NIMs appear to have bottomed out in Q2 and are expected to resume their upward trajectory from H2 onwards, aided by TD repricing and CRR cut. The full benefit of the TD rate cut should be visible by Q4/Q1FY27. Thereafter, NIM improvement will be supported by an increasing mix of higher-yielding unsecured segments. ✓ Growth Remains Healthy; Ready to Press the Unsecured Growth Pedal: KMB remains committed to expanding its unsecured portfolio without compromising on asset quality. The credit card segment continues to be a key growth driver as the bank aims to scale the unsecured portfolio to ~15% over the medium term. KMB has revamped its credit card offerings and remains optimistic about growth resuming in the coming quarters. While the focus remains on ramping up growth in the unsecured book, KMB will continue to pursue steady growth in the secured retail and corporate portfolios. We expect KMB's overall credit growth to remain robust at ~17% CAGR over FY26–28E, supported by a gradual improvement in the unsecured portfolio mix.

* Note: Target Price is based on our Q2FY26 Result/Company Update Report

Top Conviction Ideas: PSU Banks

Stock	Reco.	TP	Recommendation Rationale
 State Bank of India	BUY	Rs 1,135*	✓ Growth Buoyancy to Continue: SBI's strong credit growth momentum is expected to sustain, driven by robust performance in (a) home loans (projected at 15-16% growth), (b) revival in Xpress Credit, and (c) improving growth traction in the corporate segment. The bank has visibility of meaningful acceleration in corporate growth, supported by a strong sanction pipeline of Rs 7.0 Tn, of which ~50% has already been sanctioned and is awaiting disbursement. The Xpress Credit segment has been a laggard, delivering muted growth. Some cannibalisation has been observed from the Xpress Credit book towards the gold loan portfolio, driven by lower rates and favourable gold prices. With strong growth visibility across segments, the management is confident of growing faster than the industry and has guided for credit growth of 12-14% for FY26 and endeavours to 2x the balance sheet every 6 years. We pencil-in healthy credit growth sustaining at ~13% CAGR over FY26-28E. ✓ Confident on Maintaining Domestic NIMs at 3%: In Q2, SBI's Domestic/Global NIMs expanded by 7bps QoQ each driven by effective liability management. The bank is taking conscious steps towards optimizing the CoF with reducing reliance on bulk deposits and focused efforts towards CASA mobilisation. The management expects tailwinds on NIMs in the form of CRR cut (benefit to flow through by Nov-end) and continued repricing of TDs to adequately offset the impact of MCLR repricing. Thus margins have bottomed out and should move with a positive bias over H2. ✓ Comfortable RoA Delivery of 1%: SBI's performance has been the best amongst the larger banks and the bank remains well-poised to sustain its performance supported by the management's focus on deepening liability franchise, allocating capital to higher RoRWA assets, maintaining a disciplined pricing approach and leveraging tech to drive operating efficiency. The bank is making concentrated efforts to contain Opex growth by focusing on improving productivity and maintaining C-I Ratio at <50% across cycles. Asset quality does not seem concerning at present and thus credit costs should stay under control. We expect consistent RoA/RoE delivery of 1-1.1%/14-16% over FY26-28E. The bank is also actively evaluating the listing of SBI MF and SBI GI..

* Note: Target Price is based on our Q2FY26 Result/Company Update Report

Top Conviction Ideas: Mid-Sized/Small Banks

Stock	Reco.	TP	Recommendation Rationale
 Federal Bank	BUY	Rs 265*	✓ NIMs Surprise; Improving Trajectory from Hereon: FB's NIMs surprised, expanding by 12 bps, led by sharper improvement in CoD/CoF against yield compression, CRR cut aiding margins by 1 bps, and optimisation of other assets and liabilities by ~2 bps. NIMs also benefited as the bank's advances repriced on a T+1 basis, and a larger hit was taken in Q1. The management continues to prioritise NIM improvement through (a) Rebalancing the asset mix; (b) Shifting away from repo-linked loans (mix down to 49% vs ~50–52% YoY); (c) Realigning the liability mix with focus on CASA deposits, primarily CA deposits. The bank's focus is on growing the medium-yielding segments, which are expected to do a bulk of the heavy lifting in NIM improvement. ✓ MFI Stress Peaks Out, Overall Asset Quality Not Worrisome: Slippages in the MFI segment peaked in May'25 and have been on an improving trend MoM thereafter. The asset quality metrics in other segments continue to behave well. During Q2, the bank proactively made an accelerated provision of Rs 46 Cr towards a standard asset for connected entities in the retail segment. The management remains confident of containing credit costs within the guided range of 55 bps for FY26. FB also indicated that the impact of the ECL provisions is not likely to be material. ✓ Strong RoA Delivery to Continue: The bank's strategy reorientation under the new management is seeing green shoots across most key metrics. NIMs have started expanding earlier than expected and should continue their upward trajectory over H2. While growth has been muted in H1, the bank will look to capitalise on growth opportunities in select target segments as it intends to gradually accelerate profitable growth. Backed by expectations of impeccable strategy execution, we expect FB's RoA improvement to 1.2–1.4% over FY27–28E, supported by (1) healthy risk-adjusted credit growth; (2) margin improvement levers playing out with portfolio mix shift towards better-yielding segments and lower CoF; (3) strong deposit franchise with improving CASA mix; (4) strengthened fee income profile; (5) stable asset quality metrics keeping credit costs under control.

* Note: Target Price is based on our Q2FY26 Result/Company Update Report

Top Conviction Ideas: Mid-Sized/Small Banks

Stock	Reco.	TP	Recommendation Rationale
 Ujjivan Small Finance Bank	BUY	Rs 60*	✓ H2 Credit Cost to be Meaningfully Lower: The largest contributors to UJSFB MFI slippages were GJ, KA, and TN. The bank also witnessed stress flowing in from non-focus markets of KL and OR. The management indicated that the slippages in most of these states peaked in Mar'25, except KA, which peaked in Q2 and is gradually reverting to normalcy. The X-bucket CE in most of the states has normalised at 99.5%, including TN, KA, Western states (ex-GJ), Eastern states (ex-OR), and North. The collections in the SMA pool have seen an improving trend. Currently, the SMA pool stands at <2%, the lowest since Q1FY25. The bank has not seen adverse trends in the secured portfolio, and slippages have averaged Rs 50 Cr/quarter over the last six consecutive quarters. Thus, with incremental stress accretion in the MFI book declining and the secured book performing well, the management remains confident of credit costs tapering meaningfully in H2 and has reiterated its guidance of credit costs settling at 2.3-2.4% in FY26 vs. ~2.76% in H1FY26. ✓ Growth Momentum to Build-up: UJSFB's loan origination continues to witness strength, with disbursements across segments improving. The bank is also seeing demand pick-up in the MFI segment and remains optimistic of growth accelerating in H2, as UJSFB looks to exit FY26 with MFI book growth of 7-8%. Within the MFI book, IL will remain the growth engine in H2. The bank is also seeing strong traction in newer segments such as Gold, Micro-Mortgage, and Vehicles. UJSFB has retained its advances growth guidance of 20% for FY26, primarily driven by secured advances growing at ~35%. As the newer products scale up and UJSFB continues to push growth in secured advances in line with its aim to improve its mix to 65-70% over the next five years, we expect UJSFB to deliver a healthy credit growth of ~22% CAGR over FY26-28E. ✓ NIMs to compress with portfolio shifting towards secured assets: The bank intends to scale up the secured portfolio and expects it to constitute ~65-70% of the portfolio mix over the longer term. This will weigh on yields. However, (i) growth in better-yielding secured segments – Micro-mortgage, Gold, and Vehicle, (ii) faster growth in IL vs. GL, wherein yield differential is ~100 bps, and (iii) gradual downward repricing of deposits driving down CoF with further benefit accruing from the granting of a universal license should enable UJSFB to maintain margins at 7.6-7.8% over FY26-28E.

* Note: Target Price is based on our Q2FY26 Result/Company Update Report

Stock	Reco.	TP	Recommendation Rationale
 Bajaj Finance Ltd.	BUY	Rs 1,200*	✓ Festive Cheer Spurs Growth: BAF reported a robust festive season (Navratri – Diwali) business growth driven by a strong consumption-led growth. This was supported by the structural reforms in income tax and GST, lifting consumer sentiment and spurring consumption. The company disbursed a record 6.3 Mn consumer loans, recording a growth of 27% YoY in volume and 29% YoY in value terms. Overall disbursement volume during this period was 7.4 Mn loans, recording a growth of 26% YoY, compared to the previous festive period. During the same period, the company added 2.3 Mn new customers, with ~52% being NTC. BAF not only witnessed a surge in disbursements, but also a premiumization trend with consumers shifting to higher-quality products. ✓ Growth Guidance Cut Due to Captive 2/3Wheeler and MSME: BAF has been witnessing stress in the SME and Captive 2/3 Wheeler business (book running down). Taking corrective measures, BAF has cut 25% of its unsecured MSME volumes in the SME business and expects growth to settle at 10-12% in FY26. The management has guided for the worst to be behind by Q4FY26/Q1FY27, post which the company will look to resume growth in the segment. Resultantly, driven by slower growth guidance in the Mortgage business (BHFL) and the SME segment (collectively contributing 42% of the portfolio), the management has cut its growth guidance to 22-23% for FY26. However, the strong traction in the newer segments of Gold, New Car Financing, LAP, and Tractor loans should partially offset the impact of slowdown from these 2 segments. ✓ Asset Quality to Improve: BAF indicated that the increase in GNPA is a seasonal phenomenon; however, a higher contribution was from MSME (+6bps) and Captive business (+12bps). However, BAF has taken significant credit actions in the MSME business and expects credit costs to gradually taper over H2. The captive 2/3 Wheeler business has been running down and expects the contribution to credit costs to be meaningfully lower in H2 (vs 9% currently) and further lower in FY27. The portfolio quality in the other segments continues to remain pristine. The management has maintained its credit costs guidance of 185-195bps for FY26, with credit costs settling at the upper end of the guidance. However, with improvement in the troubled portfolios, BAF expects FY27 credit costs to be materially lower.

* Note: Target Price is based on our Q2FY26 Result/Company Update Report

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
 Shriram Finance Ltd.	BUY	Rs 860*	✓ Growth Outlook Strong: SFL delivered healthy growth of 16/3% YoY/QoQ, primarily owing to improved growth in CVs (+14/4% YoY/QoQ) and strong growth in PVs (+22/5% YoY/QoQ), MSME (+26/5% YoY/QoQ) and Farm Equipments (+38/6% YoY/QoQ). The management remains optimistic about growth trends sustaining, driven by strong growth seen in Oct'25. SFL's H2 AUM growth is likely to be 200 bps over Q2 growth, driven by demand buoyancy in the 2-Wheelers and CV segment as the benefit of GST rate rationalisation flows in. In Q3, the 2-Wheelers and PV segment is expected to witness strong growth. We expect SFL to deliver a steady ~16% CAGR AUM growth over FY26-28E. ✓ NIMs Improve as Excess Liquidity Eases: SFL's 8 bps NIM improvement was aided by utilisation of excess liquidity, which currently stands at normalised levels, equivalent to 3 months (vs 5 months in Q1) of liability repayments. Furthermore, the company's incremental CoF stands at 8.07% vs the overall CoF of 8.83% (down 12 bps QoQ) in Sep'25. Thus, downward repricing of CoF should help support margins. The management has reiterated its exit-NIM guidance of 8.5%, while margins are likely to settle at 8.25-8.3% for FY26. SFL intends to maintain margins at current levels despite incrementally financing new vehicles, as margins are expected to be protected by declining CoF. SFL will look to optimise the mix of borrowings to maintain CoF. ✓ Asset Quality Stable; Credit Costs to be Under Control: The truck utilisation levels have been steady in rural and urban markets alike; however, certain geographies that witnessed excessive rainfall have seen temporary challenges, thereby delaying payments. In response, the company has accommodated some customer requests and offered relief measures. SFL remains cautious in the SME segment, with customers, especially manufacturers, facing headwinds due to US tariffs. So far in Oct'25, SFL has not seen an adverse impact of the tariffs and the rationalisation of GST rates has enabled SMEs to divert production towards domestic markets. SFL has been able to maintain stable asset quality and control credit costs in H1. We expect FY26 credit costs to settle at ~2.2% (+/-10 bps) and at similar levels over FY27-28E.

* Note: Target Price is based on our Q2FY26 Result/Company Update Report



Top Conviction Ideas: Infra-Road & Others

**Uttam K Srimal
Shikha Doshi**

Slower Execution Impacted Performance; Awarding Activity and Project Execution to Pick Up in Q4FY26

Financial Performance

- **Road Infra Misses Estimates:** During the quarter, road infrastructure companies under our coverage reported Revenue and EBITDA declines of 13%/17%, respectively, against our expectation of 9%/1%. The performance deviation was primarily due to slow execution and delay in receiving Appointed Dates of projects. Additionally, the revenue of KNR Constructions in the previous year included arbitration claims, leading to a wider gap.
- **EBITDA Margins:** In Q2FY26, our road infrastructure companies reported EBITDA margins of 12.4% vs. our estimate of 13.1%. The decrease was mainly due to the higher costs and slower execution.

Company-wise Performance

- **Road Sector Performance:** GR Infra, HG Infra, J Kumar Infra reported revenue growth on a YoY basis but below our expectation owing to slower execution on the back of the extended monsoon and non-receipt of the appointed date. The companies also witnessed a drop in margins. GR Infra reported PAT, which was higher YoY, due to dividends received from InvIT. PNC Infratech and KNR Constructions' revenue growth fell short of expectations owing to a delay in project execution.
- **Non-road Sector Performance:** KEC and Kalpataru Projects delivered a positive overall performance, supported by the execution of high-margin T&D projects. Ahluwalia Contracts posted revenue growth with the robust execution of a large order book. RITES reported strong revenue owing to growth in the consultancy and export segments. PSP Projects reported revenue growth as execution improved.

Short Term Outlook

- **Sluggish Project Awarding:** ICRA expects the road award by MoRTH to stand at 9,000 to 9,500 km in FY26, slightly higher than the estimated 8,500 km for FY25. A recent announcement for the construction of 25 Greenfield expressways, spanning 10,000 km and costing Rs 6 Lc Cr, including BoT projects of Rs 1.3 Lc Cr. Tighter bidding norms have been introduced by MoRTH—such as performance securities—to curb the aggressive low bidding. Most new orders are now expected under developer models, favouring financially strong players.
- **Drop in Construction of Highways:** In Q2FY26, the road infrastructure sector reported modest performance, with projects execution remaining subdued as construction activity declined to 644 km, down from 802 km in the corresponding period last year, mainly due to very subdued project awarding activity by the authorities over the past 2-2.5 years and widespread intense and prolonged monsoon across nation this year. NHAI has set an ambitious target of awarding 6,300 km length of new projects for FY26, which is expected to generate substantial new business for the industry players going forward. An improvement in road project awarding may help fuel an uptick in construction.
- **Toll Collection:** Total national highway toll collections are projected to surpass Rs 80,000 Cr for the first time in FY26, up from Rs 72,900 Cr in FY25. The number of toll users increased by 16.2% in FY26. The toll rate growth is likely to remain at 3% to 4% in FY26. At the same time, the Ministry has also asked the NITI Aayog to review the 30-year-old toll collection rules for national highways, aimed at creating a fairer pricing system to make the model more acceptable to all the stakeholders.
- **Focus on Diversification:** Companies have strategically diversified into Railways, Metros, Solar, Power Transmission, Water Projects, and Tunnelling to mitigate dependency on road projects and enhance margin profiles. Most companies expect 25–30% of revenue contribution from these segments going forward.
- **Pressure on Margins:** Margins remain under pressure due to the slow execution of projects. Amidst aggressive bidding, companies with stronger balance sheets, such as GRIL, PNC, and KNR, are better placed.
- **Favourable Tailwinds in T&D and Civil Business:** Both KEC and KPIL continue to focus aggressively on domestic and international T&D as well as Civil segment opportunities. KEC has a tender pipeline of over Rs 65,000 Cr with an order book of over Rs 29,000 Cr in the T&D business and Rs 10,000 Cr in the Civil business. KPIL has a tender pipeline of over Rs 1,50,000 Cr with an order book of Rs 26,275 Cr in T&D business and Rs 18,758 Cr in Civil business.

Long Term Outlook

- **Pace of Road Construction to Gain Momentum:** As NHAI launched a huge new projects pipeline comprising over 120 projects to be implemented on EPC, HAM, DBFOT formats with an estimated capital cost of over Rs 3 Lc Cr, the whole industry is looking for speedy conversion of this pipeline into awarding, for turnaround of the sector and to create a strong execution visibility from FY27 onwards.
- **Government Support through Increase in Capex:** In the Union Budget 2025-26, Capex for FY25 has been revised to Rs 10.2 Lc Cr, and for FY26 it has been increased to Rs 11.2 Lc Cr. A Rs 1.5 Lc Cr outlay has been proposed for 50-year interest-free loans to states for infrastructure projects, with each infrastructure ministry required to develop a three-year pipeline of PPP projects. The government will launch a National Geospatial Mission to modernise land records and develop spatial data, enhancing land governance and planning. A new Digital Network platform will also streamline export-related documentation and trade processes.
- **Road Construction Companies - Passing through Tough Terrain:** Road construction companies have faced a challenging operating environment over the past 9–12 months, driven by slower project awarding by authorities, delays in the receipt of appointed dates, prolonged monsoon conditions that hampered execution, and other operational hurdles. Despite these headwinds, the project pipeline remains robust. In light of these developments, we revise our sector outlook to cautiously optimistic from positive earlier. The near-term focus now centres on the pace of new order inflows and the timely receipt of appointed dates for already awarded projects.
- **Favourable Tailwinds in T&D and Civil Business:** Both KEC and KPIL continue to sharply focus on both domestic and international T&D orders as they foresee notable opportunities. With the heightened government thrust on renewables and the increase in power demand, business growth is assured. Going forward, KPIL expects T&D and Civil business to be a major revenue contributor, and KEC's management foresees the T&D business being driven by opportunities in India, Abu Dhabi, and Saudi Arabia. Additionally, the Power Transmission plan provides visibility of the massive investment opportunity of over Rs 9 Lc Cr of the transmission sector till the year 2032.
- **We remain cautiously optimistic about the growth prospects of the road sector and the companies operating within it. However, faster project awarding and accelerated land acquisition could significantly improve the outlook going forward. We remain positive for non-road infra companies from a medium to long-term perspective.**

Short and Medium-term Outlook

Short Term

Slow execution and a low executable order book may impact revenue growth.

Delays in appointed dates may affect revenue growth.

Medium to Long Term

Better Order Inflow: Awarding is expected to increase in H2FY26

Govt. Support: Increase in Capex through various initiatives to support growth in the sector

Transmission sector to witness better tendering and order intake

Key Monitorable - Appointed Date, Order Inflow, and Execution

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
 Kalpataru Projects International Ltd	BUY	Rs 1,475*	✓ Robust Order Book to Support Revenue Growth: As of 30th September 2025, the company's order book stands at Rs 64,682 Cr, with 40% from T&D, 29% from B&F, 13% from Water, 9% from Oil & Gas, 5% from Railways, and 4% from Urban Infra. Backed by a strong execution track record and expanding opportunities across all segments, the company is positioned for steady revenue growth, projecting a 20% CAGR from FY25 to FY27E. ✓ New Order Inflow to Sustain Growth: The YTD order inflow stood at Rs 14,591 Cr. Management expects full-year order inflow of over Rs 25,000 Cr, with a strategic focus on the T&D and B&F segments. It highlighted strong opportunities across power transmission and distribution, solar EPC, residential and commercial buildings, oil and gas pipeline networks, underground and tunnelling works, urban mobility, and select international civil projects. ✓ T&D Business to be Major Growth Contributor: T&D business remains highly optimistic across domestic and overseas markets, supported by a strong tender pipeline of over Rs 1,50,000 Cr for the next 12–18 months. The company is also competitively positioned in tenders worth Rs 5,000 Cr, primarily in the international T&D segment. High-margin T&D projects are expected to remain the key growth driver. We expect EBITDA margin expansion and PAT growth to deliver a CAGR of 25% and 47%, respectively, over FY25–27E, driven by robust execution and a healthy order pipeline.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
 KEC International Ltd	BUY	Rs 1,030*	✓ Healthy Order Backlog Ensuring Revenue Visibility: As of 30th September 2025, the company's order book stood at Rs 39,325 Cr. Additionally, it holds an L1 position in projects worth Rs 5,000 Cr, primarily in the T&D segment, offering strong revenue visibility over the next 18–24 months. Backed by its proven execution capabilities and the government's continued emphasis on infrastructure development, KEC remains well-placed to deliver consistent growth, projecting a 16% CAGR between FY25 and FY27E. ✓ Encouraging Pipeline of Tenders Enhances Order Inflow Prospects: A robust tender pipeline of Rs 1,80,000 Cr provides strong visibility for sustained order inflows in the coming quarters. Of this, Rs 22,000–23,000 Cr pertains to domestic T&D, Rs 38,000–42,000 Cr to international T&D, and the remainder to non-T&D segments. For FY26, the company has targeted order inflows of Rs 30,000 Cr, of which Rs 16,050 Cr has already been secured, reflecting continued traction and steady execution momentum. ✓ Strengthening Margins Leading to Better Bottom-line Performance: Despite challenges such as labour shortages and delays in receivables from the water segment, EBITDA margins improved, driven by strong execution in international T&D projects and a higher share of margin-accretive assignments. Margins are expected to rise to 9% by FY27, with EBITDA projected to deliver a 32% CAGR over FY25–27E.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
 Ahluwalia Contracts India Ltd	BUY	Rs 1,085*	✓ Robust Order Book to Drive Growth: The company has an order book of Rs 18,057 Cr (as of 30th September, 2025) and a YTD order inflow of Rs 4,374 Cr. The order book is primarily composed of Hospital at 9% (Rs 1,619 Cr), Commercial at 20.6% (Rs 3,711 Cr), Institutional at 3.7% (Rs 661 Cr), Residential at 43.8% (Rs 7,918 Cr), Infrastructure at 22% (Rs 3,997 Cr), and Hotel at 0.7% (Rs 150 Cr). By geography, East constitutes 15%, North 50%, West 30%, South 4%, and Overseas 1%. The robust order book provides revenue visibility for the next 2–2.5 years. Hence, ACIL is expected to deliver a strong revenue growth of 19% CAGR over FY25–FY27E and is likely to post improved margins with better execution. ✓ Strong Order Inflow: The company reported YTD order inflows of Rs 4,374 Cr and holds L1 status in 2 projects worth Rs 1,620 Cr. For FY26, management has guided for order inflows of over Rs 8,000 Cr. The bidding pipeline stood at Rs 6,000 Cr for the private segment. It aims to keep 50–60% of its order book weighted toward private sector projects, reflecting its strategic focus on private capex, where it sees stronger visibility and more scalable opportunities. ✓ Improvement in EBITDA Margins: During Q2FY26, the company reported a sharp improvement in EBITDA margins to 10.9% from 7.3% in the previous year on the back of better execution. With a large executable order book and better operating conditions in H2FY26, margins are expected to sustain, especially with the pickup of the CST project in Mumbai and other large projects. Double-digit margins are expected from H2FY26. We forecast EBITDA and PAT to grow at a 35% and 34% CAGR, respectively, over FY25–27E.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas: Chemicals & Midcaps

**SANI VISHE
SHIVANI MORE**

Chemicals Sector: Q2FY26 Review

✓ Resilient Performance Amidst Continued External Challenges

- **Resilient Performance Despite Tariff Uncertainty and China Overcapacity:** The chemicals sector delivered a mixed performance in Q2FY26, with most companies reporting results that were either in line with or ahead of expectations, despite ongoing macro and industry-specific challenges such as tariff-related uncertainty, Chinese overcapacity, weak downstream demand, and subdued pricing across several value chains. Revenue improvement was primarily volume-led, while EBITDA growth benefited from operating leverage. Softer input costs—particularly crude-linked intermediates and petrochemical derivatives—supported gross margin expansion. Select segments, including refrigerant gases, fluoropolymers, and a few agrochemical categories, saw improving demand trends. However, exporters continued to flag uncertainty owing to U.S. tariff actions, which may constrain near-term performance, although medium-term growth ambitions remain unchanged as capex plans proceed as scheduled. Excess capacity in China continues to pressure spreads across commodity chemicals. Within agrochemicals, global players outperformed domestic peers as channel inventory normalised, while heavy rainfall in key Indian states caused crop damage and drove elevated sales returns. Industry volumes in crop protection remained down in high single digits. Nonetheless, with Rabi sowing expected to progress well, demand is poised for improvement in H2FY26.
- **Chemistry Plays:** Companies with diversified product portfolios and strong innovation pipelines demonstrated better performance relative to the broader sector. Management commentaries highlighted a shift towards agility—adapting product lines and strategy to evolving end-market trends rather than relying solely on demand recovery. Discretionary sub-segments such as dyes, pigments, and polymers remained stable. Fluorochemicals and refrigerants continued to outperform, driven by robust R32 volumes and stronger pricing in R22. Domestic agrochemicals, however, remained weak due to the prolonged monsoon and weather-related disruptions.
- **Outlook & Guidance:** Global demand conditions remain uncertain, particularly due to potential direct and indirect effects of U.S. tariff regimes. Nonetheless, the medium-term sector outlook remains constructive, with companies maintaining their capex guidance to capture opportunities from global supply-chain diversification (China/Europe +1). Strategic focus continues launching new products, expanding into adjacent chemistry value chains, and enhancing margins through value-added offerings. Region-specific tariff structures are likely to influence cost competitiveness and may catalyse a realignment of global supply chains. While Indian exporters may experience near-term pressure, a stronger recovery is expected once clarity on global tariff frameworks emerges and customers reset sourcing patterns. Going forward, sector performance will hinge on companies' ability to differentiate technologically, move up the value chain, and maintain cost efficiency.

Chemicals Sector: Q2FY26 Review

✓ Financial Performance: Chemicals

- **Dhanuka Agritech's** performance was impacted by the extended monsoon season as it reported revenue of Rs 598 Cr, down 9% YoY but up 13% QoQ, missing our estimate of Rs 687 Cr. Management highlighted that higher sales returns and a temporary halt in biostimulant sales (~Rs 20 Cr impact) weighed on Q2 performance. The company expects to soon receive clearance of existing bio-stimulant products as per the new government guidelines. EBITDA came in at Rs 137 Cr, down 14% YoY but increased 64% QoQ, with improved EBITDA margins of 22.9% driven by better operating performance. Given the continuation of monsoon in October, the company revised its full-year revenue guidance downward, expecting flattish revenue growth for FY26 (vs. earlier double-digit guidance).
- **PI Industries'** performance remains muted owing to the extended monsoon and tepid demand in exports. Consolidated revenue stood at Rs 1,872 Cr was down 16% YoY but above our estimates (Rs 1,755 Cr), indicating business resilience despite challenges. Erratic and excessive rainfall impacted sales and led to higher inventory levels. Furthermore, regulatory changes in the biologicals segment weighed on growth momentum. Gross margin expanded to 57.3%, and EBITDA came in at Rs 541 Cr, down 14% YoY, with margins improving to 28.9%. The management expects a modest recovery in the global agrochemical market by Q4FY25, with normalization anticipated from the second half of CY26. Domestic prospects remain encouraging for H2FY26, supported by adequate reservoir levels post-monsoon and improved acreage for rice and corn, indicating a favourable Rabi season.
- **Navin Fluorine International Ltd (NFIL)** continued to deliver better than expected performance as revenue came in at Rs 758 Cr, registering a 46% increase YoY and 5% QoQ, beating our estimates by 6%. The revenue growth was driven by strong performance across all sectors and a notable margin expansion. EBITDA rose sharply to Rs 246 Cr, marking a robust 129% YoY and 19% QoQ growth, surpassing the estimate of Rs 177 Cr. EBITDA margins expanded significantly to 32.5% vs 20.7% in Q2FY25 and 28.5% in Q1FY26, led by operating leverage and improved product mix. The company continues to progress well on capacity expansions, which are expected to continue driving revenue growth over the medium term. The company's strong order book signals healthy revenue visibility in the medium term. The management also reiterated its confidence in maintaining EBITDA margins above 25% in the medium term, while targeting to remain in the ~30% range.
- **Aarti Industries Ltd.'s** performance exceeded expectations across all parameters. Revenue stood at Rs 2,100 Cr, up 29% YoY and 25% QoQ, surpassing estimates by 16%. The revenue growth was driven by higher volumes—particularly in the MMA business—and the recognition of bulk shipments deferred from Q1. EBITDA came in at Rs 291 Cr, up 48% YoY and 37% QoQ, beating estimates by 21%. EBITDA margin improved to 13.9%, compared to 12% in Q2FY25 and 12.7% in Q1FY26. PAT stood at Rs 106 Cr, significantly up 112% YoY and 147% QoQ, driven by improved operating leverage and the impact of exceptional items. The company continues to strengthen its presence across Europe, the Middle East, and Africa, while refining its US market strategy to maintain long-term competitiveness. Going forward, it intends to execute its growth strategy in a measured and disciplined manner, with planned capex of less than Rs 1,000 Cr for FY26. The company continues to target an annual EBITDA range of Rs 1,800–2,200 Cr by FY28.

Chemicals Sector: Q2FY26 Review

✓ Financial Performance: Chemicals

- **Apcotex Industries** reported revenue of Rs 337 Cr, down 4% YoY and 10% QoQ, missing our estimates by 14%. The company continued to focus on volume growth, with an 11% YoY increase in volumes. The revenues declined despite the volume growth, as low raw material costs resulted in lower finished goods. The company, however, achieved EBITDA of Rs 41 Cr, reflecting a growth of 48% YoY and 5% QoQ, largely in line with our estimates of Rs 42 Cr. EBITDA margins stood at 12.1%, improving 423 bps YoY and 179 bps QoQ. The management expects utilisation levels and margins to improve further in the coming quarters, driven by newly announced capacity and a higher export mix.
- **Archean Chemical Industries'** consolidated revenue stood at Rs 233 Cr, a decline of 3% YoY and 20% QoQ, missing our estimate by 34%. The company continued to face challenges driven by persistent macroeconomic pressures, supply chain disruptions, and geopolitical uncertainties. The extended monsoon worsened the challenges caused by macro headwinds, delaying the potential recovery. EBITDA stood at Rs 63 Cr, down 16% YoY and 20% QoQ, falling short of our estimates by 38%. The EBITDA margin decreased to 26.9%, a drop of 423 bps YoY. While the volumes during the quarter were impacted by adverse weather, the management expressed confidence in achieving bromine and salt volumes closer to the earlier guided range for the full year. The company is expected to continue witnessing industry-level headwinds in the near term, with meaningful contributions from the newer businesses expected in FY27.
- **Camlin Fine Sciences'** reported revenue of Rs 460 Cr in Q2FY26, up 9% YoY and QoQ, broadly in line with our estimate of Rs 448 Cr. The Blends division reported a healthy performance across major markets, led by strong traction in the CFS Vitafor portfolio. Vanillin revenues grew 41% QoQ, driven by a strong 35% increase in volumes, while realisations remained under pressure. EBITDA stood at Rs 33 Cr, down 23% YoY but up 76% QoQ, below our estimate of Rs 42 Cr due to higher-than-expected employee and other expenses. EBITDA margin contracted 296 bps YoY but improved 277 bps QoQ to 7.3%. The company reported a net loss of Rs 14 Cr after accounting for discontinued operations. Management reiterated confidence in achieving 20% annual growth in the Blends business, projecting FY26 revenue in the range of Rs 2,000–2,100 Cr. EBITDA margins are expected to expand meaningfully in the coming quarters, supported by operating leverage and improved efficiencies.
- **NOCIL's** performance continued to be impacted by aggressive dumping by foreign players and global uncertainties. The company reported revenue of Rs 321 Cr, down 12% YoY and 5% QoQ, broadly in line with expectations. EBITDA stood at Rs 22 Cr, declining 41% YoY and 27% QoQ, missing estimates by 23%. EBITDA margin compressed to 7.0% versus 10.4% in Q2FY25. PAT came in at Rs 12 Cr, down 71% YoY and 30% QoQ, compared to expectations of Rs 15 Cr. The company is expected to focus on pricing discipline, product mix optimization, and cost control to limit margin dilution in the absence of a clear recovery. While the management maintains a positive outlook on growth prospects with demand recovery in key sectors, uncertainties are expected to prevail in the near term.

Chemicals Sector: Outlook

✓ Near-Term Weakness Continues, but Structural Growth Outlook Remains Intact

FY25 remained a difficult period for the chemical sector, and the softness has extended into H1FY26, driven by muted global demand, macroeconomic weakness across key geographies, prolonged inventory destocking, excess Chinese supply, and ongoing concerns around further slowdown in end-market consumption. While near-term challenges persist, most of these pressures are expected to ease gradually over the coming quarters. The sector's medium- to long-term fundamentals remain strong, underpinned by expanding export prospects and steady domestic demand.

- **Chemicals:** Companies under our coverage are prioritizing operational discipline and innovation to navigate this transition phase as global supply chains continue to reorganize. Players are compelled to strike a balance between pricing and volume growth to safeguard margins, selectively participating in segments with sustainable profitability while accelerating cost-efficiency programs. Although commentary indicates early signs of price stabilisation, uncertainty related to U.S. tariff policies continues to cloud near-term visibility. Nevertheless, we believe the structural growth narrative for Indian chemicals remains unchanged. Firms that sustain cost discipline and enhance operational efficiency are well-positioned to benefit as demand recovers. We maintain a cautiously optimistic stance on a gradual improvement in H2FY26.
- **Agrochemicals:** Irregular and uneven monsoon rainfall across major crop-producing regions weighed heavily on agrochemical consumption, with excessive rainfall in August and September causing crop losses and limiting product application. However, improved reservoir levels and healthier soil moisture conditions set a favourable backdrop for the upcoming rabi season. Global agrochemical players outperformed domestic peers, and channel inventories are showing signs of normalisation. Elevated water storage levels are likely to drive stronger demand for fertilisers and agri inputs as acreage expands. Additionally, revisions in Rabi fertilizer subsidies remain aligned with prevailing raw material costs, alleviating margin-related concerns. We continue to believe that companies investing in R&D, enhancing differentiated product portfolios, and entering strategic partnerships are better positioned to capture demand recovery and deliver sustainable margin gains.

Chemicals - Short and Medium-term Drivers

Negatives

**Tariff-Related Uncertainties
Impacting Buying Decisions**

**Continued Inventory
Rationalizations Leading to
Slower Recovery**

**Chinese Overcapacity and
Weaker Demand Leading to
Pricing Pressure**

Positives

**Introduction of new products
with further integration in
product lines**

Domestic Demand Revival

Strategic Capex

**Efficient inventory management,
and cost rationalization**

Destocking cycle nearing its end

Key Monitorables- Chinese dumping exerting price pressures and potential Anti-Dumping Duties; Capex Plans and Execution; Demand trends across key end-user Industries; Impact of US Tariffs and any retaliatory measures on global supply chains

Financial Performance & Outlook

Praj Industries Ltd.

Financial Performance: The company reported revenue of Rs 842 Cr, up 3% YoY and 31% QoQ, surpassing estimates by 19%. EBITDA stood at Rs 56 Cr, down 41% YoY and 57% QoQ, in line with expectations. EBITDA margin declined to 6.6% from 11.5% in Q2FY25. PAT came in at Rs 19 Cr, down 64% YoY but up 261% QoQ, reflecting an overall performance ahead of estimates. Order intake during the quarter stood at Rs 813 Cr, compared to Rs 795 Cr in the preceding quarter.

Outlook: The company continues to face execution delays in the domestic bio-energy business, while projects expected from the new GenX facility have been stalled or put on hold. In H2FY26, management expects progress on the delayed projects, with execution activity likely to improve as liquidity conditions ease for customers. Although the recovery timeline for the domestic bio-energy business remains uncertain, the company is actively working on developing new growth avenues to achieve its FY30 targets.

Mold-tek Packaging Ltd.

Financial Performance: Mold-Tek Packaging results were broadly in line with our expectations across key metrics. Revenue for Q2FY26 stood at Rs 210 Cr, registering a 10% YoY growth, supported by steady volume expansion of 6.8% YoY and an improved product mix. EBITDA came in at Rs 39 Cr (+17% YoY/-16% QoQ), while EBITDA/kg moderated to Rs 39/kg from Rs 41.6/kg in Q1FY26 due to lower utilization. PAT stood at Rs 15 Cr, up 10% YoY, broadly meeting our estimate of Rs 16 Cr.

Outlook: The company anticipates an acceleration in volume growth over the next few quarters, supported by commissioning of new capacities and product launches in the F&F, Paints, and Pharma Packaging divisions. For FY26, a volume growth rate of 12% (earlier guidance of 12–15%) is expected, largely driven by increased contribution from the Pharma and F&F segments. With a focus on capacity optimisation and an improved product mix, the company expects to achieve EBITDA per kg of Rs 41 in FY26.

Welspun Living Ltd.

Financial Performance: The company reported revenue of Rs 2,441 Cr, down 15% YoY and up 8% QoQ, in line with our estimates. EBITDA stood at Rs 153 Cr, down 57% YoY and 32% QoQ, below our estimate of Rs 195 Cr. EBITDA margins contracted to 6.3%, compared to 12.45% in Q2FY25 and 9.97% in Q1FY26. Consequently, PAT came in at Rs 15 Cr, down 93% YoY and 83% QoQ, missing our estimate of Rs 42 Cr due to higher depreciation.

Outlook: Based on current demand trends in the US market, the company expects volume growth to remain muted in the near term. This is likely to weigh on profitability, prompting a focus on cost optimization measures to protect margins rather than risk customer attrition. Management remains optimistic about regaining growth momentum over the medium term.

Kirloskar Brothers Ltd.

Financial Performance: KBL's Q2FY26 performance was weaker than our expectations. It reported revenue of Rs 1,028 Cr for Q2FY26, registering a 1% YoY degrowth and 5% QoQ growth, falling short of our estimate by 14%. EBITDA stood at Rs 108 Cr, down 24% YoY and 3% QoQ, missing our estimate of Rs 170 Cr. EBITDA margin came in at 10.5%, down 317 bps YoY and 86 bps QoQ. PAT stood at Rs 71 Cr, declining 26% YoY but rising 6% QoQ, also missing our estimate of Rs 114 Cr.

Outlook: The company anticipates stronger performance in H2FY26, in line with its historical trend where ~60–62% of annual revenue is typically booked in the second half. Supported by a robust order backlog and improving execution pace, management expressed optimism about meeting guidance of double-digit revenue growth in FY26. Cost-efficiency measures and volume recovery are expected to enhance productivity and improve fixed cost absorption.

Midcap Opportunities: Review

Financial Performance & Outlook

Pitti Engineering Ltd.

Financial Performance: PEL reported Q2FY26 revenue of Rs 478 Cr, up 11% YoY and 5% QoQ, broadly in line with estimates. Capacity utilisation remained strong across operations. Sales Volume registered healthy growth across key product categories in Q2 and H1FY26. EBITDA came in at Rs 78 Cr, rising 18%YoY and 3% QoQ, also in line with our expectations. EBITDA margin stood at 16.3%, an improvement of 87 bps YoY. PAT was Rs 40 Cr, up 5% YoY and 75% QoQ.

Outlook: The company continues to see sustained order inflow and steady demand globally as well as domestically from sectors like traction motors, railway, components, data centres, and renewable energy sectors. The company is working with customers to increase the wallet share by providing value-added products and is exploring growth opportunities in the rising data centre sector. The management expects a significant ramp-up in volumes from Q4FY26, and expressed confidence in meeting the FY26 volume growth target (with the possibility of exceeding the same).

Va Tech Wabag Ltd.

Financial Performance: Consolidated revenues rose 19% YoY and 14% QoQ to Rs 835 Cr, in line with our expectations. EBITDA came in at Rs 89 Cr, down 5% YoY and 7% QoQ, below our estimates by 16%, with margins at 10.7% compared to 13.4% in Q2FY25 and 13% in Q1FY26. PAT stood at Rs 85 Cr, up 21% YoY and 29% QoQ, beating our estimate of Rs 75 Cr, supported by higher than expected other Income. Order intake for H1FY26 was Rs 3,477 Cr, taking the order book to Rs 16,020 Cr (including Framework contracts). Net Cash Position excluding HAM Projects stood at Rs 675 Cr.

Outlook: The company aims to maintain an order book at three times its revenue and projects revenue growth at a CAGR of 15–20% over the next 3–5 years. Its targeted revenue mix—over 50% from international projects, 30% from industrial clients, 20% from O&M, and one-third of EPC from EP projects—is expected to support margin expansion. The healthy order intake during the quarter and robust revenue growth indicate that the company is on track to achieve its medium-term targets.

Gravita India Ltd.

Financial Performance: Gravita's Q2FY26 performance surpassed our estimates on all Fronts. Consolidated revenue came in at Rs 1,036 Cr, up 12% YoY and flat QoQ, against our estimate of Rs 997 Cr. Adjusted EBITDA beat estimates at Rs 112 Cr, marking a growth of 10% YoY and flat QoQ. EBITDA margin stood at 10.8%, slightly above the estimated 10.5%, declining by 14 bps YoY and up 6 bps QoQ. PAT stood at Rs 96 Cr, registering a growth of 33% YoY, surpassing expectations by 10%.

Outlook: The company reiterated its medium-term targets of achieving 25% volume CAGR and 35% profit CAGR, while sustaining ROIC above 25%. Volume traction is expected to strengthen in H2FY26 as new capacities come onstream and the spillover volumes from Q2 are realised in subsequent months. Over the next 3-4 years, management intends to fully leverage growth opportunities across existing and newly launched business lines. Investments in new verticals such as paper and steel will be pursued selectively, based on visibility of sufficient demand potential. In line with this strategy, the company has reduced its capex plan to Rs 1,225 Cr from Rs 1,500 Cr for the next three years, signalling a more disciplined capital deployment approach focused on optimising returns.

Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP*

Recommendation Rationale



Aarti Industries Ltd

BUY

Rs. 530*

- ✓ **Robust Volume Growth and Margin Rebound:** Aarti Industries delivered a strong performance in Q2FY26, with revenue up 29% YoY, driven by higher volumes—particularly in the MMA business—and the recognition of bulk shipments deferred from Q1. The energy segment reported an impressive 118% YoY volume growth, while the non-energy segment grew 17% YoY, indicating a broad-based recovery across end markets. EBITDA margin improved to 14%, supported by operating leverage from higher capacity utilization.
- ✓ **De-risking Through Geographic Expansion:** Despite headwinds from US tariffs, AIL delivered healthy growth driven by diversification of its product portfolio and regional rebalancing. The company continues to strengthen its presence across Europe, the Middle East, and Africa, while refining its US market strategy to maintain long-term competitiveness. Management reiterated confidence in achieving its FY28 EBITDA targets, supported by volume growth, cost optimization, operating efficiency, and the commissioning of ongoing capex projects.
- ✓ **Gradual Capacity Enhancement Through Disciplined Capex:** During Q2FY26, the company incurred capex of Rs 267 Cr, primarily directed toward ongoing expansion initiatives. Execution at Zone-4 projects remains on schedule, with multiple projects planned for commissioning in a phased manner over the next one and a half years. These strategic expansions will be undertaken selectively and are expected to strengthen integration, enhance product diversification, and support margin sustainability.
- ✓ **Valuation & Recommendation:** We continue to value the stock at 23x Sept'27E EPS, with a target price of Rs 530/share. Accordingly, we recommend a **BUY** rating on the stock.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
 Pitti Engineering Ltd	BUY	Rs. 1,335*	✓ Robust Volume Expansion Across Core Segments: PEL delivered a resilient performance with revenue and EBITDA rising 11% and 18% YoY, respectively, reflecting strong execution despite a challenging macro environment. Backed by healthy demand across key end-user industries, the company was able to deliver around 6% volume growth and expressed confidence in reaching the targeted volume growth of 10% in FY26. During the quarter, capacity utilisation stood at 90% for machined hours, 76% for sheet metal, and 77% for casting. PEL expects to see a ramp-up in capacity utilisation from Q4FY26, which shall further drive the volume growth. ✓ EBITDA Margins Improve Despite Supply-side Issues: The company continued to face challenges related to the supply of electrical steel and has started importing material from Japan and Korea. Despite this, PEL delivered 18% YoY EBITDA growth during the quarter, with an 87 bps improvement in margins. Gains were driven by better operating leverage from increasing volumes and ongoing cost optimisation measures. ✓ Eyes On Next Leg of Growth: As the current capacities are close to optimum utilisation, the company is planning to make a capital investment of Rs 150 Cr towards capacity expansion to meet the anticipated increase in demand. This capacity expansion is expected to be executed in stages, reaching peak levels by the end of FY27. PEL is also strategically working with customers to increase its contribution to the overall value chain. The management also mentioned that there is a major opportunity arising in the data centre space, and PEL is working on realigning the capacities to cater to the anticipated increase in demand. The management is also open to inorganic growth opportunities in the related sectors to drive the growth beyond FY28. ✓ Valuation & Recommendation: We value the stock at 22x its Sept'27E EPS with target price to Rs 1,335/share. We believe that the current valuations appear attractive and have a BUY rating on the stock.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP*

Recommendation Rationale



VA Tech Wabag Ltd

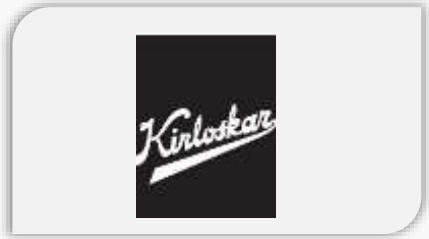
BUY

Rs. 1,930*

- ✓ **Robust Execution and Order Pipeline to Fuel H2FY26 Growth:** Wabag delivered a 19% YoY growth in revenue for Q2FY26. Revenue recognition is typically skewed towards the second half of the year, indicating strong H2. The management mentioned that margins may vary every quarter, while the medium-term margin outlook remains intact.
- ✓ **Healthy Order Wins Underpin Growth Prospects:** During H1FY26, the company secured fresh order inflows of ~Rs 3,477 Cr, ending the quarter with a diversified order book of ~Rs 16,020 Cr (including framework agreements), translating to over 4x its annual revenue. Additionally, it is the preferred bidder for orders worth over Rs 3,000 Cr, which are expected to materialise in the coming months.
- ✓ **Entering the Sunrise Sectors:** Notable wins during the quarter include a CBG production project under the BOT model in Uttar Pradesh and UPW, ETP & ZLD orders for Renewsys Solar's Hyderabad facility, marking a strategic foray into the Future Energy Solutions vertical. These new sectors hold a high growth potential and can open up a whole new set of opportunities for the company.
- ✓ **Valuation & Recommendation:** We believe the order book remains healthy and have a positive long-term view on the stock. Accordingly, we continue to value the stock at 21x Sept'27E with a target price of Rs 1,930/share, recommending a **BUY** rating on the stock.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
 Kirloskar Brothers Ltd	BUY	Rs. 2,330*	✓ Robust Order Pipeline Ensuring Revenue Visibility: KBL posted a marginal decline in revenue by 0.8% YoY in Q2FY26, impacted by seasonal factors such as a prolonged monsoon and external headwinds. Demand momentum, however, stayed firm across both the small pump and industrial segments. The consolidated order book expanded to Rs 3,564 Cr (vs Rs 3,345 Cr in Q1FY26), ensuring healthy visibility for upcoming quarters. The company's strong order book, diversified operations, and strong execution record indicate very strong growth prospects in H2FY26 and FY27. ✓ Profitability Impacted by Mix and Forex, Efficiency Measures Underway: The YoY moderation in EBITDA margin was primarily driven by product mix variations and adverse forex movements. Nevertheless, KBL continues to emphasize operational efficiency and cost optimisation initiatives, which are expected to aid margin recovery in the coming quarters. Management remains confident about achieving sustainable growth backed by balanced exposure between domestic and international markets, a strong order pipeline, and continued focus on operational excellence. ✓ Valuation & Recommendation: We value the stock at 25x Sept'27E EPS, with a target price of Rs 2,330/share. With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility. Accordingly, we recommend a BUY rating on the stock.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP*

Recommendation Rationale



Gravita India Ltd

BUY

Rs. 2,600*

- ✓ **Volume Growth in Lead and Aluminium:** The company delivered a strong operational performance, with overall volumes rising 12% YoY and revenue increasing by 15% YoY. This was primarily led by a substantial 96% YoY jump in aluminium volumes and a 10% YoY increase in lead volumes. Value-added products contributed 47% of the revenue mix for the quarter. EBITDA (including hedging gains) stood at Rs 112 Cr, supported by a higher contribution from value-added products (~47% of total revenue).
- ✓ **Capacity Ramp-up is on Track:** The current operational capacity of 3.4 Lc MTPA is set to increase by 1 Lc MTPA by year-end, with a roadmap to reach 7 Lc MTPA by FY28. The lithium-ion battery recycling pilot facility in Mundra is progressing well and is likely to become operational in Q2FY26. Similarly, the new rubber recycling plant in Mundra is on schedule and is expected to contribute from the end of FY26. The recently acquired rubber recycling unit in Romania is currently delivering an EBITDA of Rs 7–8 per kg, with expectations of improved performance in H2.
- ✓ **Growth to Accelerate from H2FY26:** In line with its long-term growth roadmap, the company is targeting a 25% CAGR in volumes and a 35% CAGR in profitability, while maintaining ROIC above 25%. Management has guided similar volume growth for FY26, the majority (~15–16%) of which would be coming from existing capacities, and the remaining (8–10%) expected from upcoming capacity additions. The contribution from new capacities is expected to pick up from Q3 onwards as new capacities start being commercialised.
- ✓ **Valuation & Recommendation:** We continue to value the stock at 32x FY27E EPS, with a target price of Rs 2,600/share. Accordingly, we recommend a **BUY** rating on the stock.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
 Mold-Tek Packaging Ltd	BUY	Rs. 850*	✓ Pharma Division – Sustained Momentum: The pharma packaging segment continued to deliver robust growth, with revenue increasing 45% QoQ to Rs 10.8 Cr. Management highlighted pharma packaging as a key structural growth driver, supported by new client additions, innovative product offerings, and increasing capacity utilization (>50%). The company reiterated its FY26 revenue target of Rs 35 Cr, with a peak potential of Rs 55–60 Cr at current capacity, indicating a meaningful contribution to margin expansion over the medium term. ✓ F&F Segment – Strong Growth Despite Weather Disruptions: The F&F segment, including Q-Pack, witnessed a 35% volume growth in H1FY26, despite a shortened summer and persistent rainfall. Strategic diversification into non-seasonal categories has reduced dependency on cyclical demand and improved business resilience. The Panipat facility, expected to become operational in Q3FY26, will further enhance capacity and market reach, supporting continued growth momentum in Q4FY26 and beyond. ✓ Paints Segment – Muted Quarter, Outlook Steady: The paints division recorded modest 3% YoY growth due to heavy rains, although performance from key client Aditya Birla Group (ABG) remained healthy. With capacity expansions at Cheyyar and Panipat now complete, utilization is expected to improve in the coming quarters. The company continues to benefit from the shift toward RCPP packaging, which aligns with customers' sustainability goals. ✓ Margins and Utilization: Capacity utilization dropped from 74% in Q1FY26 to 63% in Q2FY26, impacting operating leverage and EBITDA/kg. Despite the short-term moderation and seasonally weak quarter, margins remain higher YoY, supported by an improved product mix. Management expects EBITDA/kg to average around Rs 41/kg for FY26, with gradual improvement in profitability over the medium term as utilization levels improve. ✓ Valuation & Recommendation: We continue to value the stock at 20x Sept'27E EPS, with a target price of Rs 850/share. Accordingly, we recommend a BUY rating on the stock.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas: FMCG

Suhanee Shome

GST-led Temporary Disruptions; Rural Continue to Outperform

- **Temporary Logistic Disruptions due to GST 2.0 Reforms, Rural Stays Resilient:** Most Staples delivered single-digit topline growth in Q2FY26, aided by stable selective raw material prices with improving urban sentiment amid easing inflation, while rural demand remained more resilient. However, the Q2 was impacted due to temporary market disruptions caused by the transition to new pricing structures. Combined with unseasonal rains that hit peak summer demand, particularly in beverages and glucose. However, management commentary indicates a gradual volume recovery over the next 2–3 quarters, with a stronger rebound expected in H2FY26 on the back of lower GST rates, coupled with the festive season and easing inflation are expected to support household purchasing power, boost consumer sentiment, and accelerate demand recovery across rural and semi-urban regions. Overall, the consumption sector stands out as a key beneficiary, with branded FMCG products likely to witness stronger volume growth in the near term.
- **Rural Demand Recovery Sustains:** Easing rural inflation (with minimal impact from food inflation), higher government spending, better harvests, higher MSP and above normal rainfall outlook have improved overall sentiments in rural are expected to drive rural demand in the coming quarters as well.
- **Gross Margin Under Pressure; EBITDA Margins in a ‘Wait & Watch’ Mode:** Aggregate margins were contracted due to gross margin contraction, weak leverage, and stable advertisement spends.

How Have Companies Performed in Q2FY26?

- **Demand Recovery Likely to be in H2FY26:** FMCG topline growth remained mixed in Q2, impacted by GST-led disruptions, which dragged growth, coupled with unseasonal rains affecting summer categories, along with rising competition. However, rural consumption continues to outperform, aided by easing inflation, higher MSPs, and increased government spending, with a more broad-based recovery expected in H2FY26.
- Companies have highlighted that **volume recovery is likely to be seen in the next 2-3 quarters**, and a pick-up is expected only from H2FY26 on account of recent GST 2.0 reforms, easing inflation, interest rate cut, and above-normal monsoon, which is expected to boost consumption going forward.
- On the **Gross Margins front, most companies reported muted performance.**

What Makes the FMCG Sector a Good Bet?

- **Structural Growth Trajectory:** Indian FMCG companies are on a structural growth path, with several categories like shampoos and premium detergents still under-penetrated and underserved. Increasing rural penetration further strengthens the sector's growth potential. Additionally, government tax incentives, potential rate cuts, and the recent GST rate reduction are expected to further spur consumption.
- **Premiumisation Agenda Driving Overall Growth:** With rising purchasing power, Indian consumers are increasingly opting for premium and branded products. This premiumisation trend is expected to be a key growth driver for the FMCG sector.
- **Best-in-Class Return Ratios (ROCE, ROE):** In a volatile, uncertain, complex, and ambiguous (VUCA) environment, the FMCG sector stands out for delivering best-in-class return ratios such as ROCE, ROE, and dividend yield, ensuring long-term capital protection.

Short & Medium-term Outlook

Short term

Delayed Volume Recovery:
GST-led disruptions dragged growth

Delayed Margin Recovery:
Gross and EBITDA margins are likely to recover with a stable raw materials outlook

Domestic Consumption Play:
Better returns in this volatile environment.

Rural Demand to Pick Up:
Increase in government spending;
Consumer price inflation remains stable
Favourable monsoon and GST 2.0 rate reduction

Medium Term

Key Monitorables – Urban Recovery; Margins Trajectory; Competitive Intensity

Stock

Reco.

TP*

Recommendation Rationale



Nestle India

BUY

Rs 1,410*

- ✓ **Stellar Performance:** Nestlé posted a healthy ~11% YoY revenue increase, supported by robust double-digit growth in confectionery, beverages, and prepared dishes, alongside solid volume traction in MAGGI noodles. The Milk and Nutrition portfolio remained mixed. EBITDA rose ~6% YoY, though margins compressed by 105 bps to 22%, weighed down by a 216-bps decline in gross margins amid higher input costs and increased operational expenses from capacity expansion.
- ✓ **GST Reforms – A Structural Positive:** The GST rate reduction to 5% on packaged foods, dairy products, noodles, pasta, sauces, and ketchup is expected to enhance affordability and stimulate discretionary demand. Nestlé, with its wide presence in these categories, stands to be a key beneficiary, particularly in noodles and cooking aids.
- ✓ **Outlook:** Nestlé remains well-positioned for long-term growth, underpinned by its dominant domestic franchise, continued innovation, distribution-led market penetration, capacity expansion, and increasing out-of-home consumption. While volatile commodity prices, especially in coffee, cocoa, and edible oils, may keep near-term margins under pressure, the expected moderation in milk prices alongside its strong pricing power and efficiency initiatives should partly offset cost headwinds.

Note: The Target price is based on our Q2FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Stock	Reco.	TP*	Recommendation Rationale
 Britannia Industries	BUY	Rs 6,750*	✓ Resilient Performance amid Transitional Headwinds: Britannia posted a steady 4.1% YoY revenue growth in Q2FY26, supported by stable input costs and ongoing efficiency gains. While the GST rate cut across most of its portfolio should aid medium-term volumes, the quarter saw temporary supply-chain and trade disruptions. Management remains focused on driving volume-led growth through deeper distribution, innovation, and continued investments in core and adjacencies. ✓ Outlook: Most FMCG players like Britannia are seeing early demand recovery across urban and rural markets, supported by stable input costs and improving margins. The recent GST cuts on key food items should enhance affordability, lift consumer sentiment, and drive stronger traction in daily-use and low-unit-price SKUs. With the festive season ahead, demand is expected to accelerate, positioning branded FMCG and discretionary categories for healthier volume growth in the near term.

Note: The Target price is based on our Q2FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Stock	Reco.	TP*	Recommendation Rationale
 DOMS Industries	BUY	Rs 3,110*	The company has been executing strategic initiatives over the past few years, which are expected to drive growth in the coming years. Key initiatives include: 1) Managing end-to-end operations to enhance efficiency while maintaining high-quality standards. The new 44-acre greenfield facility will further accelerate growth. 2) Expanding beyond the small pencil segment into the larger pens category, broadening the product portfolio. Additionally, entering fast-growing segments such as bags, toys, and diapers will provide an incremental growth boost. 3) Significant potential for distribution expansion, with DOMS currently reaching 1.5 Lc outlets. The company has scope to scale up to ~3-3.5 Lc outlets, particularly in the underpenetrated east and south markets and smaller towns in India. 4) The strategic partnership with FILA, enabling DOMS to expand its global footprint while leveraging FILA's R&D capabilities, offering a long-term competitive edge.

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



Top Conviction Ideas: Retail

SUHANEE SHOME

Discretionary Witnessed Steady Performance

✓ *Financial Performance*

- **Steady Performance:** Most discretionary categories sustained double-digit revenue growth, though mass and mid-market footwear lagged amid early monsoons, geopolitical pressures, and intensifying unorganised competition. QSR demand remained resilient, while value retailers such as V-Mart and D-Mart outperformed. GST-related channel disruptions and prolonged rains weighed on the quarter, partially cushioned by an early festive season in September.
- **Premium vs. Value segment:** While the premium, luxury, and value segments remain strong, some pockets of urban consumption and footwear continue to face pressure.
- **Store Expansion Continues:** Despite the sluggish demand environment, most companies in our coverage have maintained or even increased their store opening guidance as they expand into smaller towns, supported by strong long-term growth levers.
- **Most retail companies saw EBITDA margin expansion,** driven by operational efficiencies, cost discipline, and backend optimisation.

What Makes the Retail Sector a Good Bet?

- **Rapid Formalisation Underway:** India's retail landscape remains predominantly unorganised, offering substantial headroom for growth in smaller towns and emerging markets. As disposable incomes rise and demand gradually recovers—supported by income tax cuts, GST revisions, lower interest rates, and easing food inflation—consumer preference continues to shift decisively toward branded offerings.
- **Smaller Cities Providing Huge Headroom:** Smaller cities and towns are witnessing faster growth than metros across categories such as apparel, QSR, and footwear. This trend is driven by rising aspirations for branded products and increasing disposable income, further supporting overall growth.
- **Structural Story to Continue**
 - ✓ **Higher Disposable Income:** India's average per-capita income stands at \$2,200, and any increase in income is likely to translate into higher discretionary spending, as per-capita expenditure on essential goods remains largely constant. Furthermore, the recent revision on the GST rate reduction is expected to boost discretionary demand.
 - ✓ **Increased Participation of Women in the Workforce:** Higher disposable income is driving increased sales in the women's wear segment.

Short and Medium-term Outlook

Short term

Demand:
Gradual recovery in discretionary spending supported by GST rate revision.

Margins:
Recovery in margins will be gradual

Domestic Consumption Play:
Likely to deliver better returns in this volatile environment

Rural Demand to Pick Up:

Increase in government spending and urban remittances

Consumer price inflation to start receding

RM prices remain stable

Medium Term

Key Monitorables – Demand recovery; Margins Guidance; Inflation Trajectory; Competitive Intensity

Stock	Reco.	TP	Recommendation Rationale
-------	-------	----	--------------------------



V-Mart

BUY

Rs 900*

- ✓ **Resilient Performance:** V-Mart reported 22% YoY revenue growth, and SSSG stood at 11% for both V-Mart and Unlimited stores. However, the quarter was impacted due to the temporary GST transitory, along with unseasonal rains in core Puja markets. Gross margin expanded 3 bps YoY to 33.6%, supported by planned liquidation and better realisation at the end of seasonal sales. EBITDA grew 85.2% YoY to Rs 72 Cr, with margin expansion of 302 bps to 8.9%, driven by improved gross margins and a 53% reduction in Lime Road losses.
- ✓ **Expansion Strategy:** V-Mart continued its aggressive retail expansion in Q2FY26, adding 17 new stores and 6 Unlimited outlets, taking the total store base to 533 (438 V-Mart and 95 Unlimited). The pace remained strong post-quarter, with 16 additional stores opened by mid-Q3, raising the tally to 549 stores. Backed by steady execution and healthy traction across markets, management has marginally revised its full-year target upward, now guiding for around 75 new store additions in FY26.
- ✓ **Positive Long-term View:** V-Mart is well-placed to benefit from rural recovery and market share gains from unorganised players. Strong footfalls, disciplined cost control, and steady store expansion should aid performance, while the recent announcement on GST rate cut is likely to spur consumption and boost discretionary spending.

Note: The Target price is based on our Q2FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
 Avenue Supermarts	BUY	Rs 4,960*	✓ Consistent Revenue Growth: D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment in D-Mart Ready, to support operations, working capital, and expansion, is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits. In Q2FY26, D-Mart reported ~15.5% YoY revenue growth, driven by increased footfalls. ✓ Challenges and Strategic Interventions: Despite headwinds from a muted demand environment in recent years, DMart's strategic focus on enhancing store productivity, improving profitability, and reviving the General Merchandise & Apparel (GM&A) segment indicates a clear course correction. Meanwhile, the management noted that following the recent GST reforms, the company has passed on the benefits of rate reductions to customers wherever applicable. With consumer demand improving, macroeconomic conditions stabilising, recent announcements on GST 2.0 reforms, and a robust festive season anticipated in H2FY26, these initiatives are well-aligned to support recovery and drive growth in high-margin GM&A categories. Key risks include a prolonged recovery in consumer demand and heightened competitive intensity.

Note: The Target price is based on our Q2FY26 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'



Top Conviction Ideas: Automobile Industry

Sanchit Karekar
Research Analyst

Auto Sector: Q2FY26 Review

Q2Y26 Auto OEM Review – Growth in 2W/Tractor OEMs

✓ *Financial Performance*

- **Strong Q2FY26 Outperformance Across Auto OEMs:** Revenue/EBITDA in Q2FY26 grew by 16.5%/14.9% YoY, respectively, exceeding our expectations of ~12.6%/11.2% YoY for Auto OEMs under our coverage. Revenue growth was largely driven by mid-single-digit industry growth across 2Ws/PVs/CVs and mid-teens volume growth in the tractors, and the ongoing premiumization trend. Revenue/EBITDA grew by 14.5%/18.6% QoQ against our estimates of 10.7%/14.8% QoQ, respectively. The YoY improvement in EBITDA margin was driven by richer product mix (higher exports) and price hikes implemented over the past year. PAT grew by 14.9% YoY versus our estimate of 21.2%, and increased by 4.7% QoQ (our estimate: 10.3%).
- **Margin Trends Across OEMs:** Maruti Suzuki and Eicher Motors faced downward pressure on margins by 134 bps and 139 bps, respectively. However, margins were largely positive for Escort Kubota, Ashok Leyland, TVS Motor, Hero MotoCorp, and Bajaj Auto, up 279 bps, 52 bps, 97 bps, 55 bps, and 25 bps, respectively.

Q2FY26 Auto Ancillaries Review – Mixed Performance

✓ *Financial Performance*

- **Steady Q2FY26 Growth In Line with Expectations:** The companies under our coverage reported 14.4%/13.4% growth in Revenue/EBITDA in Q2FY26, respectively, in line with our expectations of ~13.3%/13.9% YoY. Growth was supported by higher sales volumes in 2Ws and tractors, the GST rate cut, and continued premiumization. Revenue/EBITDA rose by 5.6%/4.7% QoQ, largely in line with our estimates of 4.6%/5.2% QoQ, respectively. EBITDA performance was partly impacted by a marginal impact from commodities for some auto ancillaries. PAT grew by 14.3% YoY (our estimate:15.7%) and 4.4% QoQ (our estimate:14%).
- **Mixed EBITDA Performance Across Auto Ancillaries:** Endurance Technologies, UNO Minda, Sansera Engineering, CIE Automotive, and Minda Corp delivered strong YoY EBITDA growth. Meanwhile, SSWL and Automotive axle reported a 5.5%/ 6.5% YoY decline due to an unfavourable product mix.

Sector Outlook (Q2FY26 Vs Q2FY25)

Two-Wheelers (2W)

- **Exports:** Up 25% - Sustained export volumes suggest a revival in demand from African, LATAM, and ASEAN regions, potentially helped by better dollar liquidity and macro stabilisation.
- **Domestic:** Up 7% – Supported by improving affordability and recovering demand, with motorcycles rising by 5% YoY.
- **Outlook:** **Positive**



Passenger Vehicles (PV)

- **Exports:** Up 25% - Export momentum may be driven by newer models and OEM push in Africa and South America.
- **Domestic:** Up 3% – Domestic growth strengthened due to rising demand in the SUV space and the entry-level segment, supported by the GST rate cut.
- **Outlook:** **Stable to Slightly Positive.**



Commercial Vehicles (CV)

- **Exports:** Up 20.1% - Sustained export volumes YoY, possibly from a low base and improving infrastructure push in target geographies.
- **Domestic:** Up 9% - Freight operators are showing increased activity as infrastructure work stabilises. Long-term prospects also remain strong, supported by sustained government infrastructure spending and a revival in mining and logistics.
- **Outlook:** **Company Specific Bottom Up Approach.**



Tractors

- **Exports:** Up 4.4% - Export performance improved despite ongoing softness in the U.S. and Europe, where large tractor sales continue to face pressure.
- **Domestic:** Up 31% - Domestic growth likely aided by GST rate cut, Government schemes, improved rabi output, and slightly better monsoons.
- **Outlook:** **Cautiously Positive**
- FY26 is expected to end in mid-teens double digits.



Outlook – Gradual Margin Stability with Strengthening Volume Trends

- We expect EBITDA margins to remain largely stable in the near term, supported by a richer product mix, while raw material headwinds could exert slight pressure.
- We expect 2W sales volumes to sustain mid to high single-digit growth in FY26E, supported by new premium segment launches, an extended replacement cycle, and recovery in exports. A favourable monsoon, GST rate cut, income tax relief, and increased rural spending are likely to further drive demand for entry-level motorcycles.
- Overall PV sales growth, which has been largely led by the UV segment, is expected to remain in the mid single digits in FY26E (earlier low single digit expectations) due to the GST rate cut, which may help arrest declining entry-level PV domestic sales.
- For FY26, OEMs remain optimistic about long-term structural growth drivers, including India's vast road network, policy measures aimed at reducing supply chain costs, the vehicle scrappage policy, reduced interest rate costs, and continued infrastructure Capex outlined in the Union Budget.
- Tractor/CV volumes are expected to grow in the high single digits in FY26E, supported by a favourable monsoon, lower financing costs, GST rate cut, and increased government allocations towards the farming/infrastructure sector before the state election.
- **Auto Sector:** We remain selective in our approach. Among OEMs under our coverage, our Top Conviction Ideas in 2Ws are **Hero Motocorp, Bajaj Auto**; in CVs is **Ashok Leyland**, and in the PV/tractor segment, we favour **Mahindra & Mahindra** (non-coverage), given its strong SUV product portfolio and leadership position in the domestic tractor industry. We recommend the **"Buy On Dips" Strategy** for TVS Motors and Maruti Suzuki Ltd.
- **Auto Ancillaries:** In the long run, product premiumization, strong order books, growing exports, GST rate cut, and the shift toward EVs are expected to drive higher content per vehicle, boosting profitability. Considering current valuations, our top conviction picks in the ancillary space are **Sansera Engineering Ltd.** We also suggest a **"Buy on Dips" approach for Endurance Technologies and UNO Minda for long-term gains.**

Short & Medium-Term Outlook

Short to Medium term

GST rate cut – To boost demand for small entry-level cars and 2Ws.

2W Demand – Shift towards e-2Ws, Premium scooters

Premiumisation across segments to drive ASPs higher.

Export-focused companies to benefit.

Restrictions on Rare Earth Minerals by China.

Increased competition in the SUV space in PV

Entry of Global Players in the EV may broaden Industry growth, but increase competition for OEMs

Long-Term

Key monitorables – *Rural Revival; Pick-up in Exports*

Stock	Reco.	TP	Recommendation Rationale
 Hero Motocorp Ltd	BUY	Rs 6,245*	✓ Market Momentum: Hero's VAHAN market share increased to 31.6% in Q2FY26, marking a 12-quarter high with a 70 bps sequential gain. The recovery is being supported by strong traction in the Deluxe 100cc segment and renewed momentum in the 125cc scooter and motorcycle categories (Destini 125, Xoom 125, Xtreme 125). In the EV segment, market share rose 3% YoY in Q2FY26 and further increased to 5% in H1FY26, aided by the successful rollout of Glamour X. ✓ EBITDA Margin Improvement Despite EV Investments: Hero's ICE EBITDA margin expanded to 17.7% in Q2FY26, an improvement of 121 bps, driven by lower material costs, cost efficiencies, and a favourable product mix. The company continues to invest in brand building, new businesses, and new products, while overall margins improved 54 bps to 15.0% despite EV investments of approximately Rs 252 Cr. The recent PLI certification for VIDA V2 Pro is expected to support EV profitability. ✓ Global Expansion: The company's global business maintained its strong upward trajectory with dispatch growth of 77% during the quarter, nearly three times the industry growth, driven by Bangladesh, Nepal, Sri Lanka, and Colombia. Hero also entered the European and UK markets, expanding its footprint to 52 countries. Its Dow Jones Sustainability Index score improved to 75 in FY25 from 69 in FY24, underscoring the company's leadership in sustainable business practices. Over the medium term, Hero aims to scale its global operations to contribute ~10% of overall revenue and volumes, positioning exports as a key driver of growth and diversification.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
 Bajaj Auto Ltd	BUY	Rs 9,765*	✓ International Market: Bajaj Auto posted a strong Q2 international performance, with exports up 24% YoY to 550,000+ units, its highest-ever quarterly export revenue. The company outpaced industry growth in its top 30 emerging markets, which collectively grew ~14% with Bajaj growing at 1.5x, gaining market share. LATAM posted its best-ever quarter, led by Colombia and Mexico, with Brazil crossing 8,000 units and turning profitable through localised manufacturing. Asia and Africa saw double-digit growth, led by Sri Lanka, the Philippines, and East Africa, while Nigeria remained stable despite macro challenges. The CV export segment grew 67% YoY, reflecting sustained product and channel development efforts. Management expects export momentum to continue, supported by improved market conditions, localised manufacturing, and regional recovery. ✓ 3W's Portfolio: Bajaj Auto is well-positioned across ICE autos, e-autos, and e-rickshaws. The GST rate cut is expected to lift the ICE-auto segment from ~5% decline to slight growth, which is favourable given Bajaj's ~80% market share and strong profitability in RE CNG. In E-autos, industry growth has moderated to ~50% YoY, but Bajaj expects to regain market leadership from Q3 as supply constraints ease, supported by a wider product portfolio than peers. Bajaj has entered the consolidating e-rickshaw segment and aims to capture a significant share. Management sees the 3W business as a profitable opportunity, with Bajaj's brand, product range, and distribution supporting sustained leadership. ✓ Bajaj Auto Credit Limited: A Silent Value Compounder: BACL delivered Rs 132 Cr PAT in Q2FY26, a ~29% QoQ increase. AUM stands at Rs 14,000 Cr and penetration at ~40%. Bajaj infused Rs 500 Cr this quarter to support aggressive but profitable growth. This captive NBFC flywheel is increasingly accretive to core RoE and valuations.

* Note: Target Price is based on our Q2FY26 Result Update Report

Stock	Reco.	TP	Recommendation Rationale
 Ashok Leyland	BUY	Rs 160*	✓ Market Share Gains – Outperforming Industry Trends: Ashok Leyland’s MHCV volumes are estimated to have grown by 3–5% YoY in FY26, reflecting sustained demand momentum. We expect the company to maintain its market share at ~31.1% (vs 29.8% in the previous year) over the next two years. In the LCV segment, market share improved to ~15% YoY, highlighting the brand’s strong competitive positioning and product excellence across the commercial vehicle (CV) spectrum. ✓ HFL- Strong Growth and Value Unlock Potential: Ashok Leyland’s captive NBFC, Hinduja Leyland Finance (HFL), reported 26% YoY growth in AUM during Q2FY26, reaching Rs 52,635 Cr, with HHF AUM at Rs 14,903 Cr. PAT stood at Rs 196 Cr and NNPA at 1.59%. The upcoming merger with NXTDigital will pave the way for a public listing, unlocking value and further strengthening the balance sheet, with Ashok Leyland holding a 61.1% stake. ✓ Capacity Expansion & Dealer Network – Enabling Scale: The Andhra Pradesh plant is expected to ramp up to 200 units/month by year-end, while the upcoming Lucknow bus plant (Q3FY26) will enhance bus body-building capacity from 12,000 to over 20,000 units per year. The company continues to strengthen its retail presence, adding 27 MHCV and 26 LCV touchpoints in Q2, taking the total network to 1,100 MHCV and 876 LCV outlets, with a target of over 2,000 combined touchpoints by the end of FY26.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
 Sansera Engineering	BUY	Rs 1,775*	✓ ADS Segment Demonstrates Strong Momentum and Visibility: Sansera's Aerospace, Defence and Semiconductor (ADS) segment continues to exhibit strong performance, reaffirming its position as a key growth engine for the company. Revenue stood at Rs 49.6 Cr in Q2FY26, taking H1FY26 sales to Rs 86.4 Cr, with management maintaining its full-year guidance of ~Rs 300 Cr, supported by consistent QoQ growth visibility. Segment margins remain significantly above the company average, estimated at 25–30%, and are currently trending toward the higher end of the range. The ADS business holds a robust cumulative order backlog exceeding Rs 3,950 Cr (lifetime value through FY30), ensuring strong multi-year revenue visibility. To support this growth trajectory, Sansera is expanding capacity with a new 70,000 sq. ft. facility, to be operationalised by H1FY27. Within verticals, it continues to deepen its presence in aerospace through complex machining solutions for Tier 1/2 customers such as Boeing and Airbus, while the semiconductor segment, backed by a state-of-the-art Class 1000 cleanroom, offers strong scaling potential. The defence business remains in its early stages, with a disciplined and selective approach toward customer acquisition. ✓ Diversified Orderbook: Sansera's order book totals Rs 2,146 Cr, diversified across ADS (24%), xEV (7%), auto components (10%), ICE PV+CV (31%), and two-wheelers (17%). In H1FY26, it secured Rs 1,168 Cr in new orders, highlighting strong execution amid market challenges. Key order wins included xEV programs from North American OEMs, new business from an American tractor OEM, and incremental orders from Collins Aerospace. This healthy order inflow enhances medium-term revenue visibility and further strengthens Sansera's position in premium, high-value segments expected to drive sustained margin accretion. ✓ EBITDA Margins: The company reported an EBITDA margin of 17.3% in Q2FY26, supported by strong scale-up in Sweden operations (79% YoY revenue growth), improved raw material yields, and a higher contribution from the ADS segment. Continued efforts toward manpower optimisation and enhanced capacity utilisation also contributed positively to profitability. The impact of US tariffs has been largely passed on to customers, thereby mitigating margin pressures and limiting downside risks.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas: Real Estate & Building Materials

EESHA SHAH

Real Estate Sector: Q2FY26 Review

✓ Stable Presales; Upcoming Festive Demand is Lucrative

- **Decent Pre-sales in a Relatively Slow Quarter:** In Q2FY26, our coverage universe reported pre-sales growth of ~14% YoY, amounting to ~Rs 10,100 Cr. This growth was primarily supported by healthy launches and sustenance sales traction in Prestige and Signature, which performed in line with expectations. Arvind and MCL delivered decent performance despite limited launches and slower sustenance sales during the quarter. Oberoi posted flattish growth, aided by annuity build-up. Launch activity remained subdued, but the overall financial year outlook remained positive for all players.
- **Growth Guidance Remains Intact:** Despite several companies falling short of their launch schedules in H1FY26, management commentary remains confident on achieving yearly guidance. Arvind, Signature, and MCL expect to meet their annual booking targets, supported by festive demand and an anticipated uptick in H2FY26. Prestige has already achieved ~67% of its full-year target and is on track to surpass its guidance by the end of the year. Business development remained robust for Prestige and Signature, supported by a healthy launch pipeline that aligns with their growth strategies.
- **Healthy Balance Sheet:** Most companies from our coverage universe have maintained a net debt/equity ratio of less than 0.5x. Companies have a healthy cash flow generation along with access to funds at a decent rate for further business development. This will lead to a robust pipeline for these companies for the upcoming H2FY26, and they are geared up for launches in the festive season.
- **Outlook & Guidance:** The overall performance of the coverage universe was largely in line with expectations. For FY26, estimates are retained across the portfolio. The outlook for premium and luxury residential remains cautiously positive, with new launches accompanied by sustained sales continuing to be the key driver of growth for the sector.

Real Estate Sector: Financial Performance

- **Arvind Smartspaces Ltd:** Arvind's bookings stood at Rs 432 Cr, reflecting a 147% QoQ growth and 7% YoY decline. Collections for the quarter were at Rs 236 Cr, down 5% YoY. Revenue for the quarter was Rs 141 Cr, down 47% YoY, EBITDA at Rs 30 Cr, down 55% YoY, and PAT stood at Rs 18 Cr, down 58% YoY. This is mainly due to no new projects near completion or revenue recognition threshold. The company reported operating cash flows of Rs 125 Cr for the quarter, and net debt stood at Rs 32 Cr.
- **Embassy Office Parks REIT Ltd:** The company reported revenue of Rs 1,124 Cr in Q2FY26, up 19% YoY. EBITDA stood at Rs 868 Cr, with margins at 77.2%. PAT came in at Rs 232 Cr, up 49% YoY. Distribution stood at Rs 617 Cr, translating to a DPU of Rs 6.5/unit. Leasing activity remained strong, with 1.5 Mn sq. ft. leased across 20 deals to leading GCCs and corporates. Portfolio occupancy increased to 93% by value, with a development pipeline of 7.2 Mn sq. ft. in Bengaluru and Chennai at attractive yield costs.
- **Man Infraconstructions Ltd:** The company reported revenue of Rs 183 Cr, down 47% YoY. Its EBITDA stood at Rs 41 Cr, down 51% YoY, with margins of 22% vs the previous year's 24.4%. The net profit for the quarter stood at Rs 58 Cr, down 25% YoY. For the quarter, pre-sales stood at Rs 492 Cr, covering 0.15 Mn sq. ft., with collections amounting to Rs 234 Cr.
- **Oberoi Realty Ltd:** The company reported Q2FY26 revenue of Rs 1,779 Cr, up 80% QoQ and 35% YoY, mainly due to Elysian crossing the revenue recognition threshold. It posted EBITDA of Rs 1,020 Cr with EBITDA margins of 57.4%, against Rs 520 Cr and margins of 52.7%. It reported PAT of Rs 749 Cr, up 28% YoY. Pre-sales stood at Rs 1,299 Cr, largely driven by the Elysian and 360 West collections, which together contributed Rs 1,353 Cr.
- **Prestige Estates Projects Ltd:** The company reported revenue of Rs 2,432 Cr for the quarter, up 5.5% YoY. EBITDA and PAT stood at Rs 910 Cr and Rs 457 Cr, respectively, reflecting growth of 45%/95% YoY. This was mainly driven by expansion in margins. EBITDA margin was at 37%, witnessing a 1,002 bps increase YoY. Bookings for the quarter stood at Rs 5,082 Cr (PG's share), broadly in line with estimates and the company's guidance.
- **SignatureGlobal India Ltd:** The company reported revenue of Rs 338 Cr for Q2FY26, down 55% YoY, with EBITDA at Rs (74) Cr (margins: -21%) and PAT at Rs (47) Cr, compared to Rs 4 Cr in the previous year. Pre-sales stood at Rs 2,020 Cr, and collections at Rs 920 Cr, with around 9 Mn sq ft of projects nearing completion during the period.

✓ Growth Levers Intact; Robust Demand

Subdued Quarter with Mixed Performance; Strong Upcoming Festive Outlook

- **Real Estate:** Despite the challenging environment, several companies recorded strong project launches. Demand in the premium and luxury segments continues to drive growth momentum. Rising disposable incomes and the increasing prevalence of double-income households have sustained demand for mid-income housing and nuclear homes. A rate cut environment remains favourable for the sector, with another cut anticipated. The government's proposed reduction in GST 2.0 is expected to support consumption expenditure, while the spillover of government spending into FY26 could indirectly benefit real estate demand. Urbanisation is also likely to accelerate in the coming years, creating incremental demand in Tier 2 and Tier 3 cities.
- **Annuity:** The annuity business reported healthy growth across companies. Oberoi and Prestige recorded occupancy levels of nearly 90% in their commercial offices and 99% in retail outlets. Demand for commercial spaces is rising, supported by a) Strong demand from GCCs/ITs and BFSI, b) Long-term cashflow with 3-5 year escalation clauses, c) Favourable REIT ecosystems such as Embassy, Brookfield, and Mindspace, d) Limited availability of grade 'A' office spaces, and e) Rentals offering a hedge against inflation.

Real Estate - Short & Medium-term Drivers

Negatives

Approval Delays

No Further Rate Cuts

Low Absorption in The Markets

Limited Success in Expanding To
New Geographies

More Supply Over Demand
Leading to Declining Prices

Positives

Most Delayed Launches in Later
Stages of Approval

Strong Demand for Premium
Housing

Strategic Capex into Business
Development

Strong EBITDA Margins Across
the Board

Strong Balance Sheets with
Stable Debt

Key Monitorables - Future Rate Cuts; Launch Trajectory; Price Discovery; Absorption Pattern; Realisations Growth Path

Building Materials Sector: Q2FY26 Review

✓ Gradual Growth; Setting Stage for Robust FY26

- **Subdued Growth for Polymers:** In our coverage universe, gradual growth was observed for this quarter. This was driven by improved product mix and volume growth in pipes and plumbing, especially for Astral and Prince. The delay in ADD for PVC Resin in the month of November, with a rescinded BIS mandate on several polymers, suggests that the government is not favouring ADD. This, combined with subdued demand and lack of channel inventory confidence, may limit growth. An uptick in H2FY26 will be a key monitorable for further growth in these companies.
- **MDF & Sanitaryware:** MDF benefited from BIS implementation. MDF reported good volumes, though sustained demand is yet to be confirmed. Management is focused on improving costs at higher utilisation levels to improve overall profitability. Volumes for plywood grew, but saw a downward price revision.
- **Retail Demand:** Faucetware and sanitaryware saw YoY growth in volumes, although the retail channel saw a slow pickup. Project business witnessed decent growth while end-user demand remains in a gradual recovery phase, with the festive season likely to act as a catalyst for real demand growth. Margin improvement is likely once retail demand sees growth.
- **Outlook & Guidance:** The overall performance of our coverage universe was largely in line with expectations, with Astral showing outperformance. A demand pickup is anticipated post-festivities, a period traditionally strong for home renovations. Government expenditure is expected to rise gradually, and catalysts such as the 8th pay commission and potential rate cuts should unlock further value for the sector. Rising disposable incomes and the recovery of real estate project completions remain key monitorables. We retain our estimates for the companies under coverage as their long-term outlook continues to remain positive.

Building Materials Sector: Financial Performance

✓ Financial Performance: Building Materials

- **Astral Ltd:** Astral's performance for the quarter was a beat on all fronts, driven by strong volume growth. It reported revenue of Rs 1,577 Cr, up 15% YoY, beating our estimates. Gross margins went up 72 bps YoY at 39.6%. Reported EBITDA stood at Rs 257 Cr, reflecting a 22% YoY growth, with EBITDA margins at 16.3%, up 95 bps YoY. PAT came in at Rs 135 Cr, up 24% YoY. Plumbing revenues grew 16%, with volume growth of 21% YoY, a 4% drop in realisations, and EBITDA margins at 19% versus 18.4% YoY. The Paints and Adhesives business posted a 14% YoY revenue increase, with EBITDA margins at 12% compared to 10.3% in the previous year.
- **Cera Sanitaryware Ltd:** Cera has divested from 2 of its subsidiaries and now acts as a standalone company; hence, all its figures, current and forward-looking, have been revised to standalone numbers. Cera reported Revenue of Rs 488 Cr, flat YoY. Gross margins were down 172 bps YoY, due to an increase in input costs. The reported EBITDA stood at Rs 67 Cr, declined by 4% YoY, with a marginally lower YoY EBITDA margin of 13.8% vs 14.2% in the previous year. The company reported PAT of Rs 57 Cr, down 17% YoY. This decline in PAT was driven by a one-time deferred tax income being recognised in Q2FY25. Furthermore, increasing COGS and the absence of price revision impacted the bottom line. For segment revenue, Sanitaryware/Faucetware/Tiles/Other contributed 47%/40%/11%/2%, respectively. Sanitaryware showed flat growth, while faucets showed a declining growth as a function of a high base for the previous year (price increase), but saw strong volume trends. Wellness reported 10% growth, while tiles declined by 34% YoY.
- **Greenply Industries Ltd:** Greenply reported revenue of Rs 689 Cr, up 7.5% YoY, which is in line with our estimates. The overall demand scenario in the industry saw recovery for the first two months of the quarter. Gross margins were down by 525 bps YoY. The reported EBITDA stood at Rs 57 Cr, showing a de-growth of 1.5% YoY, with a lower EBITDA margin of 8%. The company reported PAT of Rs 16 Cr, down 9% YoY. During the year, its MDF volumes saw growth of 16% YoY, whereas the plywood business saw a 7% YoY growth. Segment revenue for the Plywood business stood at Rs 542 Cr, up 5%YoY, and for the MDF business stood at Rs 147 Cr, which was flat YoY.
- **Prince Pipes & Fittings:** Prince reported revenue of Rs 595 Cr, down 4.4% YoY, missing estimates. The overall industry demand saw a slow recovery amid volatile polymer prices. Gross margins expanded by 127 bps YoY. Reported EBITDA stood at Rs 52 Cr, up 20.6% YoY, with an EBITDA margin of 9.3%, a 192 bps YoY improvement. The company reported PAT of Rs 15 Cr, flat YoY. During the quarter, volumes remained flat YoY at 42,761 MT, reflecting a higher contribution from value-added products.

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
 Prestige Estates Projects Ltd	BUY	Rs. 2,000*	✓ Quarterly Performance: Prestige reported pre-sales of Rs 6,017 Cr for the quarter (PG's share Rs 5,081 Cr), registering a 26% YoY growth. Collections stood at Rs 4,213 Cr, in line with expectations and management guidance. During Q2FY26, the company launched 3.9 Mn sq. ft. across four projects, including NCR Mayflower at Prestige City. The total GDV of launched projects stood at approximately Rs 17,590 Cr for H1FY26, with NCR contributing 24%, Bengaluru 48%, and Mumbai 28%. Key sales contributors included TPC Indirapuram, Prestige Nautilus, and Prestige Southern Star Phase 1. It has guided for a launch pipeline of GDV Rs 43,000 Cr and pre-sales of Rs 27,000 Cr for FY26; however, we expect it to surpass this guidance. Having achieved 67% of its annual target, Prestige is back on track with its growth trajectory. ✓ Annuity Gains Positive Traction: The company reported healthy occupancy levels of around 93% in its office segment across 2.3 Mn sq. ft. and a strong 99% in its retail portfolio, generating GTO of Rs 623 Cr. Exit rentals for the commercial and retail portfolios stood at Rs 525 Cr and Rs 275 Cr, respectively. The upcoming development pipeline includes 14 Mn sq. ft. of commercial and 10 Mn sq. ft. of retail space, with an annuity capex of approximately Rs 15,000 Cr. Prestige expects exit rentals to rise from the current Rs 1,091 Cr to around Rs 4,900 Cr by FY30E. In BKC, the company has pre-leased 1.6 Mn sq. ft., which is expected to be operational by FY26, while the Mahalaxmi project is expected to commence operations by FY28. ✓ Resilient Cashflows Leading to Healthy BD: The company added projects worth approximately Rs 12,600 Cr in GDV across five projects during the quarter, taking the total H1FY26 GDV additions to Rs 12,600 Cr. It has budgeted operating cash flows of Rs 7,500– 8,000 Cr for FY26, of which around Rs 4,000 Cr is allocated for BD and the remainder for capex. Free cash flows from residential (ongoing and upcoming) projects, net of spends, stand at around Rs 22,000 Cr, while the balance capex required for annuity assets is approximately Rs 10,800 Cr, providing substantial headroom for further BD and acquisitions. Net debt stands at Rs 7,320 Cr, with a net debt-to-equity ratio of 0.45x, which is expected to remain below 0.5x going forward.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
 SignatureGlobal India Ltd	BUY	Rs. 1,400*	✓ Position in High-growth NCR Markets: Signature Global continues to maintain its competitive edge through a deep, geographically concentrated presence in the Delhi-NCR region, particularly Gurugram. Its projects are strategically located along the Dwarka Expressway, Southern Peripheral Road (SPR), and Sohna Road—corridors that have witnessed price appreciation of 100–150% over the past five years. The company’s Sector 71 land bank optimisation, which increased the developable potential from 17 Mn sq. ft. to 18.5 Mn sq. ft. through improved planning, has unlocked substantial embedded value. With a total development pipeline exceeding 65 Mn sq. ft. (launched and forthcoming), Signature Global is well-positioned to capitalise on the NCR’s sustained housing demand. ✓ Strong Upcoming Launches and Execution: Signature Global has lined up around 8 Mn sq. ft. of launches for H2FY26 with a GDV of Rs 13,000–14,000 Cr across high-demand micro markets. The company achieved pre-sales of Rs 4,660 Cr in H1FY26, accounting for 37% of its annual guidance of Rs 12,500 Cr, indicating on-track performance despite a back-ended launch schedule. Recent launches since Mar’24 total over 17 Mn sq. ft., with more than 80% already sold, reflecting its strong brand equity, pricing power, and robust customer response across both mid-income and premium housing segments. With around 9 Mn sq. ft. nearing completion and a large pipeline of ready-to-launch projects, Signature Global offers strong visibility on both sales and revenue recognition over the next 12–18 months ✓ Strong Balance Sheet: The company’s financial position has strengthened meaningfully with the Rs 875 Cr (\$100 Mn) NCD issue to the International Finance Corporation (IFC) — a landmark event marking Signature Global’s first-ever listed debt transaction. This partnership enhances the company’s credibility in global capital markets and underscores IFC’s confidence in its governance standards and sustainability-focused business model. The funds will be utilised for mid-income, ESG-aligned housing projects while simultaneously supporting balance sheet strengthening and debt optimisation. Collection efficiency remains robust, with Rs 1,860 Cr collected in H1FY26, of which nearly half was reinvested into construction and another quarter allocated toward SG&A, taxes, and brokerage. After these expenditures, Signature Global generated around Rs 400 Cr of free cash flow, which was redeployed into land acquisitions and approvals to further expand its development pipeline.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Building Materials

Stock	Reco.	TP*	Recommendation Rationale
 Cera Sanitaryware Ltd	BUY	Rs. 7,900*	✓ Operational Performance: Cera's retail segment showed sluggish demand, with a flat YoY growth for Q2FY26. The overall topline contribution for sanitaryware and faucetware was 47% and 40%, respectively. The Project business contributed to 39% of the topline and maintained a healthy momentum. Wellness/Tiles reported a 10%/(34%) growth YoY. Sales from premium products contributed 42%, 36% for mid-segment and 22% for entry-level products. Tier 3 cities contributed the highest to the sales with 41%, while Tier 1/Tier 2 contributed 36%/23% of sales. Capacity utilizations stand at 85% for Sanitaryware and 97% for faucetware for the quarter. Management has guided towards an optimistic H2FY26 with a 10-12% topline growth and a 7-8% growth for the full year FY26. ✓ Premium Brands – Senator and PoliPluz: Cera's new premium brands, Senator and PoliPluz, are key growth drivers aimed at strengthening its presence in the high-end segment. Together, they are expected to contribute Rs 40–45 Cr in sales during H2FY26, with a target of around Rs 150 Cr in FY27. Both brands are expected to enjoy superior margins — Senator at about 22% and PoliPluz at around 25% — supported by differentiated design and a focused retail push. The company plans to invest Rs 10–12 Cr this year in showrooms, influencer campaigns, and branding to build strong visibility and customer recall in the premium category. ✓ Cost Discipline and Margin Focus: Cera maintained strong operational efficiency during the quarter, effectively managing expenses despite increasing input prices, especially in brass. Gas stood at 3.6% of revenues, with 80% being procured from Gail and the rest from Sabarmati. Management expects margins to stay healthy in the 14.5–15% range for FY26, supported by steady realisations and efficiency gains. In the faucetware segment, growth was modest in Q2 due to a high base and softer retail sentiment, but demand is expected to recover in H2 with festive and housing-related pickup. The company continues to focus on improving product mix, maintaining price discipline, and leveraging operational efficiencies to sustain profitability even in a cautious demand environment.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Building Materials

Stock

Reco.

TP*

Recommendation Rationale



Greenply Industries Ltd

BUY

Rs. 385*

- ✓ **Operating Leverage from MDF Capacity Expansion:** The MDF business continues to be an important growth driver for Greenply. The company has increased its capacity from 800 to 1,000 CBM per day, and the plant is now running at higher utilisation levels. Management is focusing on using the plant more efficiently, reducing costs, and selling more industrial-grade MDF, which offers better margins. With fewer imports and strong demand in the domestic market, pricing conditions have also improved. As production and sales volumes increase, fixed costs will be spread over more units, helping to improve margins and profitability in the coming quarters.
- ✓ **Structural Growth in Organised Sector:** Greenply stands to benefit from the accelerating shift towards branded players, driven by BIS enforcement and a crackdown on unorganised trade. The company's dual-brand strategy — “Green” in premium and “Ecotec” in value — enables it to tap into multiple price segments. With stable raw material prices, operational efficiency, and volume-led growth, margins are poised to expand. Rising penetration of modular furniture and urban housing recovery further support long-term demand visibility.
- ✓ **Margin Recovery Ahead:** Greenply reported Q2FY26 revenue of Rs 689 Cr, up 7.5% YoY, with EBITDA at Rs 57 Cr (margin 8.2%). While margins were temporarily impacted by one-offs in MDF (liquidation at discounts) and a lower product mix in plywood, management expects a strong H2 recovery, guiding for plywood margins near 10%, MDF margins above 16%, and steady volume growth above 10%. Overall FY26 margin guidance is at ~8.5% for plywood, and the company expects full capacity utilisation for MDF by H2FY26 with ~15% margins. With improving utilisation and working capital reduction, EBITDA margins and cash flows are likely to improve meaningfully in H2FY26, setting up a better earnings trajectory into FY27.

* Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas
IT Services & Telecom

Kuber Chauhan
Abhishek Bhalotia

✓ Green Shoots Visible, H2FY26 Profitability to Improve

- From our coverage universe, IT companies have reported a broad-based growth ranging from -3.3% to 10% YoY in constant currency terms.
- **Large-cap Performance:** In rupee terms, among the large-cap space, companies delivered mixed performance such as TCS posted a revenue growth of 2.4% YoY and a 1.5% YoY rise in profit, including one-off re-structuring expenses, cost controlling measures and currency tailwind, while Infosys led the pack with 8.6% YoY revenue growth, steady margins, and a robust \$3.1 Bn in deal wins. LTIMindtree reported 10.2% YoY, led by higher utilisation, execution on digital & AI transformation and favourable geographical mix.
- **Wipro Declines, HCL Tech Posts Strong Revenue Growth:** Wipro struggled with a revenue decline of 2.6% YoY and 1.7% YoY in constant currency and in rupee terms, respectively. HCL Tech clocked a strong 10.6% YoY revenue growth, while net income remained flat YoY due to higher interest costs.
- **Tech Mahindra Performance:** Tech Mahindra maintained modest revenue growth of 5% YoY, but the bottom line fell 4% YoY due to de-growth in the communication vertical, led by lower other income despite healthy growth in operating profit.
- **Mid-Tier IT Players Show Mixed Revenue Trends, Coforge & Persistent Lead Growth:** Across the mid-tier IT players, Cyient's revenue fell 3.7% YoY in its DET segment, led by seasonal headwinds, higher wage costs, and execution delays of projects. LTTS reported revenue of 16% YoY due to growth in its sustainable segment and in geographies of Europe, the USA, and India. KPIT Tech's revenue grew by 8% YoY; the quarter was impacted due to the discontinuation of certain programs by customers and cannibalisation of certain solutions by the company. Coforge and Persistent Systems reported revenue growth of 24% and 32% YoY, respectively, benefiting from agility in execution, sector-specific focus (particularly BFSI), and faster adoption of GenAI-powered solutions. This agility allowed them to convert deals faster and capture niche opportunities even in a weak demand environment.

IT Services: Q2FY26 Review

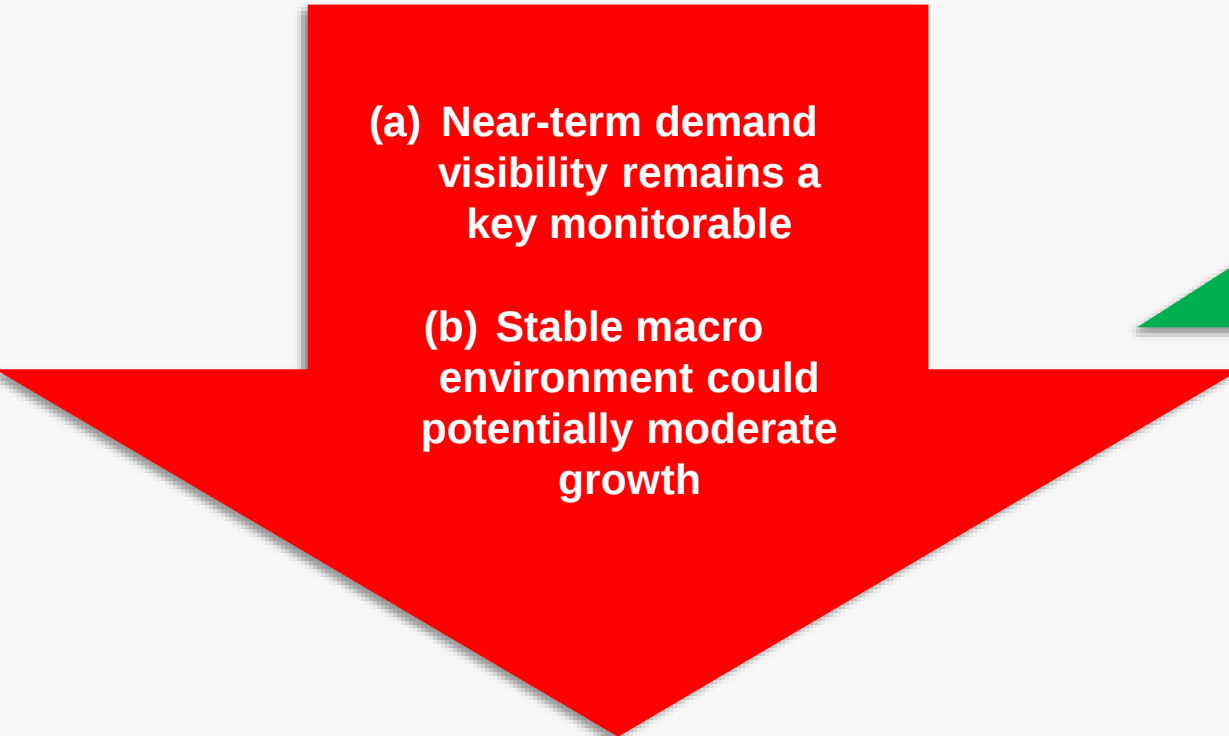
- **Steady Margins Amid Cost Pressures and Optimisation Gains:** Operating margins remained steady on a sequential basis across top tier companies on account of rising subcontracting costs, wage hikes, increased sales investment, though currency tailwinds supported to mitigate the downward impact while Tech Mahindra, LTIMindtree and HCL Tech saw a higher growth in margins, driven by cost efficiencies under the cost optimization program, deferrals in wage hikes, execution of projects despite SG&A expenses. Mid-tier firms such as Coforge and Persistent Systems continued to report relatively better margin resilience through AI-driven delivery efficiencies and faster deal execution, while Cyient and KPIT Tech saw sequential weakness on the margin front, led by lower topline growth and Caresoft's acquisition cost. The overall sector continued to operate in a stable macro-environment due to cautious client spending and pricing pressure at a broader level.
- **Segment and Regional Growth; BFSI, Hi-Tech, and AI Drive Momentum:** On the segmental front, BFSI and Hi-Tech saw healthier growth for broader large-cap players. While healthy momentum continued for mid-tier players, driven by BFSI and Healthcare, Retail, Manufacturing, and auto-related verticals lagged. AI emerged as a cross-vertical growth lever across players. Meanwhile, geographically, Europe and the UK remained soft, while North America and APAC saw higher growth.
- **Robust Deal Wins Driven by AI, Cloud, and Emerging Technologies:** Despite ongoing uncertainties and stable demand, deal wins have remained resilient across the sector. Demand for emerging technologies like AI, Cloud Transformation, Data Analytics, and IoT continues to be robust, with many companies achieving record-high deal closures. Infosys secured \$3.1 Bn in large deals, 67% of which were net new. LTTS secured the highest TCV of \$300 Mn deal. Wipro delivered \$4.7 Bn in deal wins. Mid-tier firms such as Coforge and Persistent outperformed in deal conversions, leveraging AI-led efficiencies. This indicates that once macroeconomic conditions improve, the sector is well-positioned for a strong recovery.

IT Services – Outlook

- **Moderate Spend Recovery Spurs Cost and Vendor Focus:** Demand visibility for discretionary spends is expected to moderately improve from H2FY26. Delayed decision-making has weakened revenue growth momentum, despite resilient deal wins. As a result, there has been a stronger focus on vendor consolidation and cost-optimisation deals.
- **BFSI & Hi-Tech Lead Growth; Auto and Select Verticals Lag:** Industry-wise, BFSI and Hi-tech continue to remain strong verticals, while manufacturing and retail, and healthcare saw moderate growth, while auto-related subsegments are expected to remain subdued for the next couple of quarters, led by macro-uncertainty and weak demand.
- **Focus on Utilisation Amid Seasonal and Labour Market Challenges:** Many companies are aiming to improve utilisation as deal ramp-ups continue. However, some seasonal softness may occur due to tight labour markets and competitive hiring, especially for niche skills, but the focus on efficient project staffing remains high.
- **Strategic Employee Mix to Boost Margins:** Companies are likely to strategise employee mix, growing onshore teams strategically, while optimizing offshore operations through automation and higher-value work, improving the operating margins in the long run.
- **Strong Demand for Emerging Tech to Accelerate:** Demand for newer technology services like generative AI, machine learning, IoT, and cloud transformations remains higher and is anticipated to move more swiftly as certain macroeconomic challenges ease.
- **Moderate IT Growth Driven by AI and Emerging Tech:** Overall, the IT services sector is likely to report moderate growth in FY26, led by global economic uncertainties, evolving client demands, and the accelerating integration of AI into service delivery. The companies are actively foraying into strategic investments in emerging technologies and infrastructure, coupled with adaptive business models, positioning themselves to navigate these uncertainties and capitalise on long-term growth opportunities.

Short and Medium-term Outlook

The Indian IT services industry has shown some signs of growth in a few pockets of industry areas amidst macroeconomic uncertainties. It is anticipated that this better recovery will commence in H2FY26. However, the long-term outlook remains robust, supported by operational efficiencies and broader economic recovery.



(a) Near-term demand visibility remains a key monitorable

(b) Stable macro environment could potentially moderate growth



(a) Broad-based growth led by BFSI/ Manufacturing segments

(b) Deal wins remain resilient

(c) Cost optimisation initiatives to help gain margins.

Key monitorables – (1) Development in macroeconomic conditions, (2) Ability to spend on automation by the world's largest economies.

Telecom Q2FY26 Performance Review

✓ Sequential Growth Continues Across all Verticals

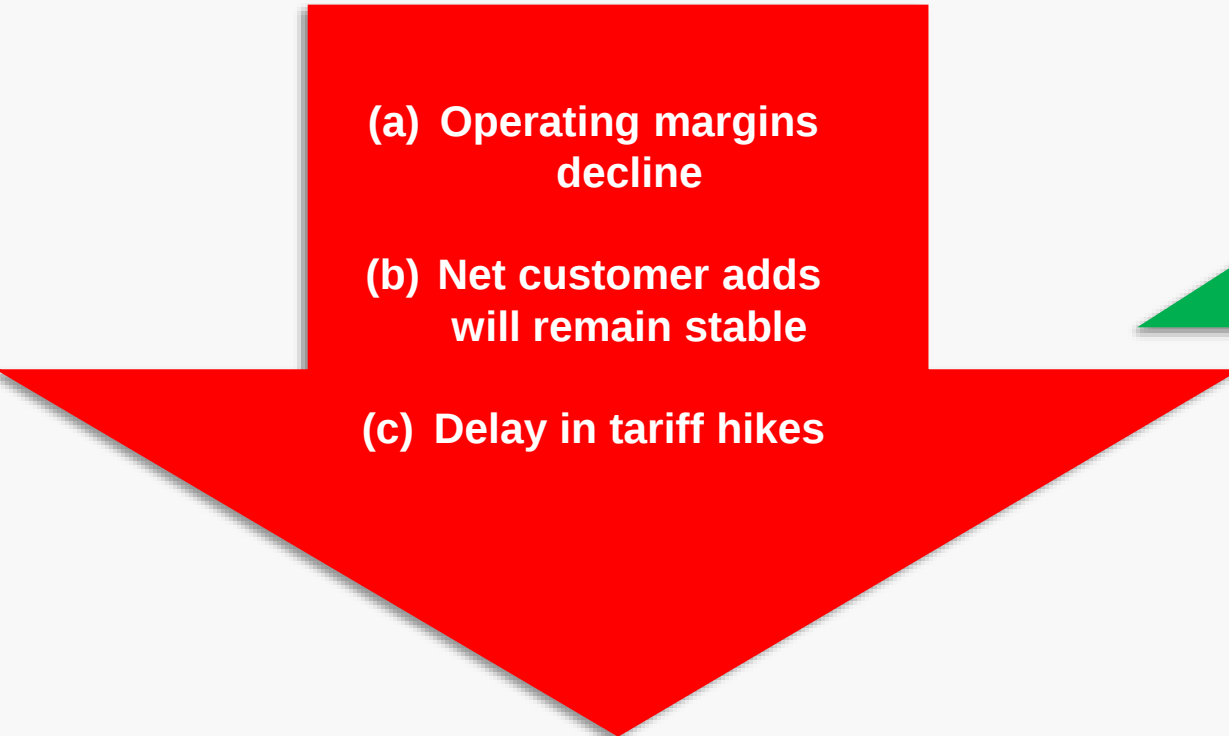
- **Airtel, Jio Drive Robust Telecom Revenue Growth:** Telecom companies continued to report strong revenue growth YoY in Q2FY26, driven by an increase in subscriber base across mobile and home segments, geographical verticals, and digital adoption. Airtel's revenue rose 26% YoY to Rs 52,145 Cr with net profit up ~2x YoY to Rs 8,651 Cr, driven by ARPU increase and strong Africa business performance. Reliance Jio's revenue grew 15% YoY to Rs 42,652 Cr with net profit up 13% YoY to Rs 7,379 Cr, aided by continued 4G/5G subscriber growth and JioAirFiber's rapid expansion to 28% QoQ to 9.5 Mn users.
- **Rapid 5G Adoption Boosts ARPU for Jio and Airtel:** Overall, Reliance Jio had 506 Mn users, of which 234 Mn were using 5G as of Q2FY26, making up more than half of the customer base, reflecting rapid network rollout and uptake, while Bharti Airtel clocked 167 Mn 5G subscribers. The ARPU for Bharti Airtel stood at Rs 256 (+10% YoY; +3% QoQ) and Jio at Rs 211 (+8% YoY, +1.4% QoQ). Bharti Airtel continues to improve ARPU through focusing on higher post-paid customers, international roaming, and upgradation to smartphones from feature phones.
- **Airtel Moderates 5G Capex; Jio Continues Heavy Investment:** On the Capex front, Bharti Airtel's wireless business will moderate, since the bulk of the 5G rollout is now completed. Future Capex will be inclined towards transport infrastructure, fibre, enterprise/data centre investments, and scaling of home broadband services. Reliance Jio to continue the Capex trajectory significantly towards 5G infrastructure investment, scaling digital services, and supporting retail network growth.
- **Airtel Expands Data Centre and Digital Offerings via Partnerships:** Airtel, through its subsidiary Nextra, announced a partnership with Google to build the data centre of 1GW of capacity, while Airtel Business will provide the fibre networks (connecting to Delhi and Mumbai) and build the cable landing station. The company also entered into a partnership with Perplexity to offer a 12-month Perplexity Pro subscription free of cost to all its Mobile, Homes, and Digital TV customers.

Telecom Sector – Outlook

- **Indian Telecom Sector Poised for 10–12% Revenue Growth in FY26:** The Indian telecom sector is expected to see steady revenue growth of around 10–12% in FY26, supported by tariff hikes, rising ARPUs, and growing monetisation of 5G services.
- **Telecoms Shift from Network Investment to 5G Monetisation:** Telecom operators like Reliance Jio and Bharti Airtel are likely to shift from network investment toward capex moderation, shifting their focus to monetising their extensive 5G infrastructure through fixed wireless access, enterprise solutions, higher customer base, and premium data services.
- **Premium Plans, 5G, and AI Boost Telecom Growth:** The ARPU gains will be driven by premium plan adoption, increased data consumption, and rational pricing discipline, while subscriber growth in rural and underpenetrated areas is expected to add incremental volumes. The enterprise segment is set to benefit from 5G deployments, cloud-edge partnerships, and integration of AI into its digital platforms.
- **Telecom Giants Set for 5G-Led Profit and Cash Growth:** The Subscriber additions, higher data consumption, and digital offerings by both the giant operators are expected to drive profitability and improved free cash flows, and reduced debt from lower capex should strengthen balance sheets. Competitive intensity is likely to stay moderate, with Vodafone Idea's slower 5G rollout limiting immediate price pressure. Overall, FY26 will be a year of 5G monetisation, margin expansion, and stronger cash generation for the major players in this sector.

Short and Medium-term Outlook

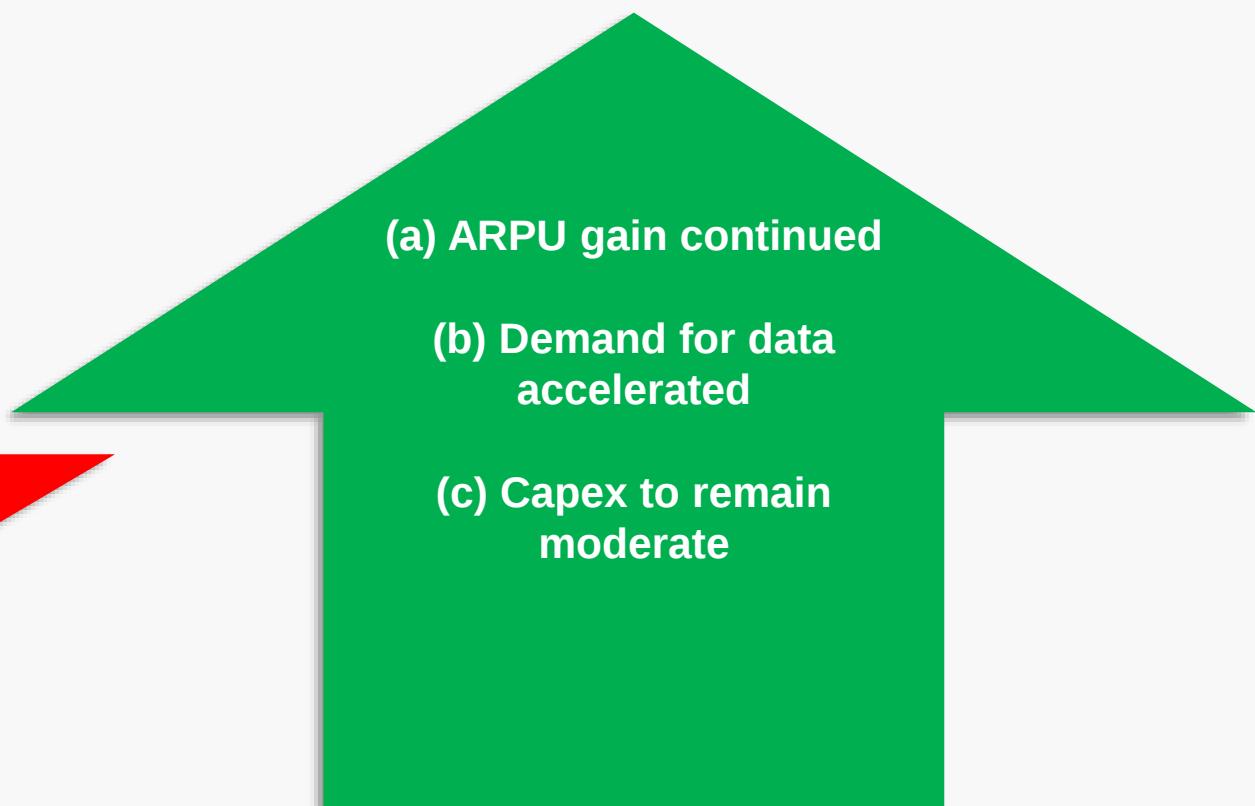
The Indian telecom industry is showing strong data consumption, and demand for data continues to accelerate. The future tariff hike will help ARPU increase meaningfully, contributing to improved operating margins and enhanced free cash flow generation.



(a) Operating margins decline

(b) Net customer adds will remain stable

(c) Delay in tariff hikes



(a) ARPU gain continued

(b) Demand for data accelerated

(c) Capex to remain moderate

Key monitorables – (1) conversion will help to gain ARPU, (2) Market share data.

Stock	Reco.	TP	Recommendation Rationale
 LTIMindtree Ltd	BUY	Rs 6,400*	✓ LTIMindtree Sees Steady Revenue and Margin Gains: LTIMindtree has witnessed consecutive growth on a sequential basis, driven by robust deal wins, cost optimisation initiatives, and strategic investments in GenAI capabilities. The company reported in-line Q2FY26 results, with revenue at Rs 10,394 Cr and EBIT margin at 15.9%, reflecting early gains from operational efficiencies and offshore leverage. Net profit rose 10.5% YoY, despite lower other income sequentially. However, in CC terms, revenue grew by 4.4% YoY and 2.4% QoQ. ✓ Robust Deal Wins and AI Initiatives Strengthen Growth Visibility: LTIMindtree reported robust deal wins of \$1.6 Bn in Q2FY26, up from \$1.3 Bn in the prior year, reflecting sustained traction in large and transformation-led programs. The company focuses on vendor consolidation and AI-driven transformation engagements, strengthening its medium-term growth visibility. Management commentary on continued deal momentum into H2FY26 further underpins confidence in revenue acceleration ahead. ✓ Deal Wins and Client Mining to Drive Revenue and EBIT Growth: The company is well-placed to deliver and encourage growth, given its multiple long-term contracts with the world's leading brands. LTIMindtree anticipates seeing further improvement in YoY growth through H2FY26, aided by large deal wins, achieving its near double-digit growth YoY target. We believe the company's revenue and EBIT to grow at a CAGR of 9% and 13% over FY25-27E on the back of continued deal wins despite a stable macro-environment, driven by improved cross-sell, up-sell, mining of large clients across end-user industries, and greater ability to bag larger deals.

•Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
 Persistent Systems Ltd	BUY	Rs 6,160*	✓ Strong Order Wins Enhance Revenue Visibility: Persistent booked healthy order wins, the Total Contract Value (TCV) stood at \$609 Mn, with new bookings at \$351 Mn. Annual Contract Value (ACV) stood at \$448 Mn, with new bookings contributing \$254 Mn, consisting of a diversified mix of large and mid-sized deals, majorly in the BFSI, Software, Hi-Tech, and Emerging Industries segments. Furthermore, the increasing share of new wins (across existing and new customers) in total TCV and ACV is expected to remain positive, resulting in revenue visibility in the long run. ✓ Strong Vertical and Regional Growth Drives Performance: On the segment front, growth was led by BFSI, which rose 30% YoY, followed by Software, Hi-Tech, and Emerging Industries, up 15.5% YoY, and Healthcare Life Sciences, which increased 6.6% YoY. The geographical performance contributed to growth across North America/Europe/India/ROW, which grew by 15.4%/37.9%/19%/19.8%, respectively. The management is focusing on new areas within healthcare services and BFSI, with an aim to deepen its presence across multiple sub-segments within these verticals. ✓ AI Platforms Boost Engineering and Business Efficiency: The company is pursuing an AI-led, platform-driven strategy focused on "AI for Technology" (enhancing engineering productivity), "AI for Business" (AI adoption and agentic AI development), and Enterprise Data Readiness for AI. It launched SASVA 3.0 last quarter, an AI-powered digital engineering platform that has delivered notable productivity improvements and was built using SASVA itself. ✓ Confident Growth Amid High Valuation: Even though the valuation remains expensive, its distinctive value proposition and ability to conclude important strategic deals amid an uncertain environment provide confidence in its execution capabilities. Management is confident of achieving its \$2 Bn revenue target by FY27 through a mix of organic and inorganic growth, driven by acquisitions and core efficiencies.

•Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
 Coforge Ltd	BUY	Rs 1,980*	✓ Robust Performance Led by TTH and Emerging Verticals: Coforge reported robust performance in Q2FY26, delivering sequential revenue growth of 4.5% QoQ in USD terms and 8.1%/5.9% QoQ in INR/CC terms, respectively. Growth was led by the TTH (Travel, Transportation & Hospitality) vertical, which rose 6.4% QoQ in USD terms, while emerging verticals such as healthcare, retail, high-tech, and manufacturing grew 5.9%. The Insurance and BFS verticals expanded by 1.8% and 4%, respectively, while the Government (outside India) vertical recorded modest growth of 0.4% QoQ in USD terms. ✓ Robust Deal Wins Drive Order Book Growth: The total order intake during the quarter stood at \$514 Mn. The company signed five large deals during the quarter, which include three in North America (two in Insurance, one in Airline) and two in APAC. The executable order book for the next 12 months will be \$1.6 Bn, up 26.7% YoY. ✓ AI-First Strategy Strengthens Competitive Positioning: The company reinforced its “AI-first” strategy, focusing on scaling enterprise-wide AI adoption by embedding AI into core delivery models. Proprietary platforms such as Code Insight AI are helping clients modernise legacy systems, while Coforge’s domain expertise continues to strengthen its competitive positioning in an evolving AI landscape. ✓ Positive Outlook Supported by Deal Wins and AI Focus: The company maintains a positive outlook, expecting recent deal wins to drive revenue growth. The management remains committed to setting new performance and capability benchmarks, aiming to be a leader in the evolving industry, especially with the pivot towards AI and maintaining the full-year EBIT margin guidance of 14%.

•Note: Target Price is based on our Q2FY26 Result Update Report

Stock	Reco.	TP	Recommendation Rationale
 Bharti Airtel Ltd	BUY	Rs 2,530*	✓ Robust Q2 Performance with Double-Digit Net Income Growth: In Q2FY26, Revenue was up 25.7% YoY and 5.4% QoQ to Rs 52,145 Cr, led by strong performance in India and Africa business. EBITDA grew 401 bps YoY and 41 bps QoQ to Rs 29,561 Cr. EBIT grew 51% YoY and 6.5% QoQ to Rs 16,379 Cr. Net income was up 108% YoY and 16.6% QoQ to Rs 8,651 Cr, driven by higher other income and lower interest expense (Est Rs 7,926 Cr). ARPU (Mobile Services) for the quarter stood at Rs 256 (9.9% YoY; 2.4% QoQ). Capex for the quarter stood at Rs 11,362 Cr. ✓ Postpaid Growth and Network Expansion Drive Airtel Performance: During the quarter, in the post-paid segment, Bharti Airtel continued to maintain net additions of 1 Mn customers in Q2FY26, bringing its total customer base to 27.5 Mn. Also, the company expanded its nationwide network by installing ~2.4K additional towers and ~20K mobile broadband stations to enhance customer experience. Smartphone data customer base increased by 22.2 Mn YoY and 5.1 Mn QoQ. ✓ Google-Airtel Deal to Expand Nxtra Data Centre Capacity: Bharti Airtel Ltd's partnership with Google in Visakhapatnam is a full composite deal. Nxtra (Airtel's subsidiary) will build the data centre, while Airtel Business will provide the fibre networks (connecting to Delhi and Mumbai) and build the cable landing station. Nxtra's current market share is 10-12%. The goal is to reach over 1 GW of capacity. ✓ Airtel Well-Positioned for Sustainable Long-Term Growth: From a long-term perspective, Bharti Airtel remains well-positioned for sustainable growth, backed by its strong digital services portfolio, disciplined capital management, and focus on high-value customer segments. The company expects gradual ARPU improvement, 4G/5G expansion, and B2B growth to drive long-term profitability. We remain optimistic about the company's future growth.

•Note: Target Price is based on our Q2FY26 Result Update Report



Top Conviction Ideas: Power & Utilities

Aditya Welekar

Power & Utilities – Q2FY26 Performance Review

Largely Muted Q2FY26: Weak Power Demand on Account of Extended Monsoon

Financial Performance

- **NTPC's** gross power generation during Q2FY26 stood at 83.2 BU, down 6%/9% YoY/QoQ, mainly due to an extended monsoon, which led to lower power generation. Consequently, the company's net sales stood flat YoY but down 5% QoQ to Rs 44,786 Cr, missing our and consensus estimates by 1% and 3%, respectively. EBITDA stood at Rs 12,816 Cr, up 10%/2% YoY/QoQ, in line with our estimate and consensus estimates by 1% respectively. EBITDA margins were 29%, up 254 bps/189 bps YoY/QoQ. PAT stood at Rs 5,225 Cr, down 3%/14% YoY/QoQ, beating our and consensus estimates by 23% and 2%. PAT adjusted for regulatory deferral movement stood at Rs 3,548 Cr.
- **NLC India's** gross generation in Q2FY26 stood at 6,767 MW, up 2% YoY and QoQ. As per CEA data, the company's Thermal Power Generation stood at 6,179 MU in Q2FY26, up 2% YoY and QoQ. Notably, strong improvement was seen in the PLF of TPS-II expansion after completion of modifications (PLF in Q2FY26 stood at 43% vs 20% in Q1FY26 and 26% in Q2FY25). Consolidated net sales stood at Rs 4,178 Cr, up 14%/9% YoY/QoQ, beating our estimates by 8% and consensus estimates by 4%. EBITDA stood at Rs 1,400 Cr, up 30%/50% YoY/QoQ, 18% beat on our estimates, and 8% beat on consensus estimates. EBITDA margins were at 33.5%, up 407bps/907bps YoY/QoQ. PAT after considering the regulatory deferral moment was down 26%/14% YoY/QoQ to Rs 725 Cr, largely due to lower other income. The regulatory deferral changes were a positive Rs 190 Cr. After adjusting for regulatory movements, the profit stood at Rs 534 Cr.
- **JSW's** Power Generation stood at 14,939 MU, up 52%/11% YoY/QoQ, despite an extended monsoon. This was driven by increased capacity and improved Hydro Power Generation due to seasonally high PLFs. Net sales grew 60%/1% YoY/QoQ to Rs 5,177 Cr, missing our estimate and consensus by 8% and 4%, respectively. EBITDA stood at Rs 2,996 Cr, up 78%/7% YoY/QoQ, 4% beat on our estimates (due to better than expected margins) and in line with consensus estimates. EBITDA margins were 57.9%, up 584 bps/366 bps YoY/QoQ. PAT was down 6%/1% YoY/QoQ to Rs 824 Cr, a 2% beat on our estimates and 3% miss on consensus estimates.

Power & Utilities – Q2FY26 Performance Review

Largely Muted Q2FY26: Weak Power Demand on Account of Extended Monsoon (Contd.)

Financial Performance

- **Inox Wind's** Q2 EBITDA stood in line with consensus estimates. Revenue stood at Rs 1,119 Cr, up 53%/35% YoY/QoQ, missing consensus by 11%. The company's EBITDA stood at Rs 228 Cr, up 32%/24% YoY/QoQ, in line with consensus. EBITDA margin stood at 20%, down 327 bps/188 bps YoY/QoQ but ahead of the guidance range of 18-19%. PAT stood at Rs 121 Cr, up 34%/24% YoY/QoQ, largely in line with the consensus.
- **Skipper Limited's** Skipper reported a largely in-line set of numbers. Consolidated net sales stood at Rs 1,262 Cr, up 14%/1% YoY/QoQ, led by consistent execution and strong orderbook, a slight 3% miss on our estimates. EBITDA stood at Rs 131 Cr, up 16%/3% YoY/QoQ, a marginal 1% beat on our estimates. The EBITDA margins stood at 10.4%, up 23bps/22bps YoY/QoQ. PAT stood at Rs 37 Cr, up 12% YoY but down 18% QoQ, a 21% miss on our estimates. However, the PAT is affected by a one-time exceptional item like the settlement of disputed tax claims amounting to Rs 11 Cr.
- **Genus** standalone net sales grew by 136%/22% YoY/QoQ to Rs 1,149 Cr, 15% beat on our estimate and 45% beat on consensus estimate, led by consistent execution and strong orderbook. EBITDA stood at Rs 244 Cr, up 200%/23% YoY/QoQ, 23% beat on our estimate and 44% beat on consensus estimates. The EBITDA margins stood at 21.3%, up 496 bps/11 bps YoY/QoQ. PAT stood at Rs 148 Cr, up 154%/15% YoY/QoQ, 14% beat on our estimates and 40% beat on consensus estimates. Genus is in the execution stage of its strong order book of Rs 28,758. Focus will be on market share as Genus aims to grab ~25% market share, in line with its past track record.

Demand and Capacity

- Cumulative all-India electricity demand over Jul'25-Sep'25 stood at 449 BU, up 3.4%/0.8% YoY/QoQ. The peak demand was 230 GW for Q2FY26 in Aug'25 (vs. 231 GW during Q2FY25 in Sep'24 and 243 GW during Q1FY26 in Jun'25), a 0.4%/5.3% YoY/QoQ decline. The weakness in electricity demand is led by an extended monsoon. The IEX DAM prices in Q2FY26 stood at Rs 3.92/KWh, declining by 12%/11% YoY/QoQ, due to strong exchange volumes, primarily driven by robust RE generation.
- The Central Electricity Authority (CEA) forecasts a peak demand requirement of 366 GW by FY32, necessitating capacity enhancements across both thermal and renewable energy sources (RES). India aims to increase its installed capacity to 610 GW by FY27 and 900 GW by FY32. The installed capacity was ~501 GW as of Sep'25.

Thermal Power

- The Thermal capacity (including gas and diesel) in the country was 245 GW as of Sep'25.
- With rising peak load demand, thermal capacity will play a crucial role in meeting the base load demand. The government plans to add 80 GW of thermal capacity by 2032 to meet this growing power demand.

Renewable Energy

- The RE capacity (excluding large Hydro) in the country increased by 18 GW in Q2FY26 to 202 GW in Sep'25, led mainly by solar capacity additions of ~11GW and the balance by wind energy. In Jul'25-Sep'25, 7,250 MW, 5,750 MW, and 3,600 MW of RE tenders were issued, respectively, under the project development category.
- The government is putting curtailments on solar power outputs during periods of lower demand to keep the power grid stable. Congestion in the grid during low-demand periods is arising due to new RE plants coming into operation ahead of schedule, while transmission lines have been delayed, leading to grid instability.

Wind Energy

- The CEA forecasts India's total Wind Energy Capacity to increase to 73 GW by FY27 and 122 GW by FY32. As of Sep'25, India's wind capacity stood at 53.1 GW. The CEA targets require an annual wind capacity addition of 10 GW per annum, which is aligned with the MNRE targets of 10 GW of wind capacity tenders up to FY28.
- ~1,449 MW of wind capacity was added in India in Q2FY26. During Apr'25-Oct'25, 8.3 GW of renewable capacity was awarded, of which ~3 GW comprised wind / FDRE related tenders (800 MW of Wind and 2,170 MW of FDRE).

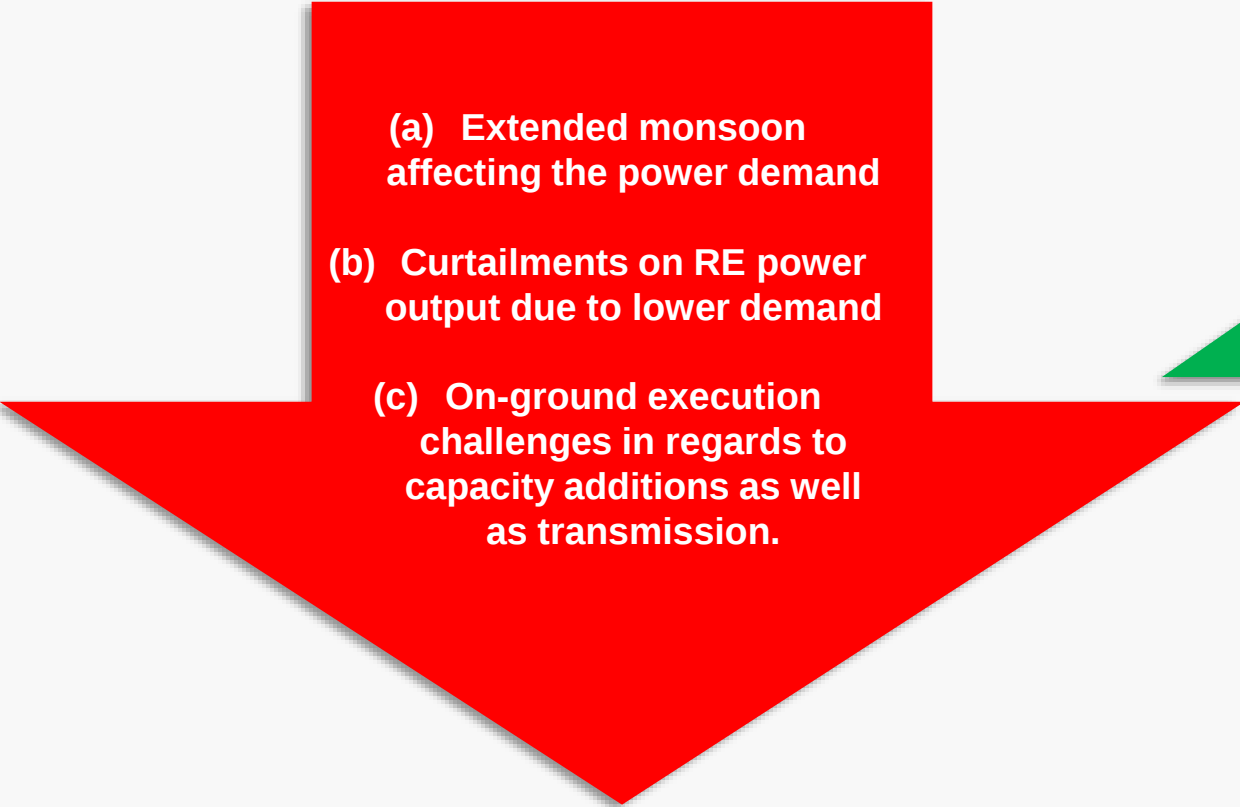
Transmission

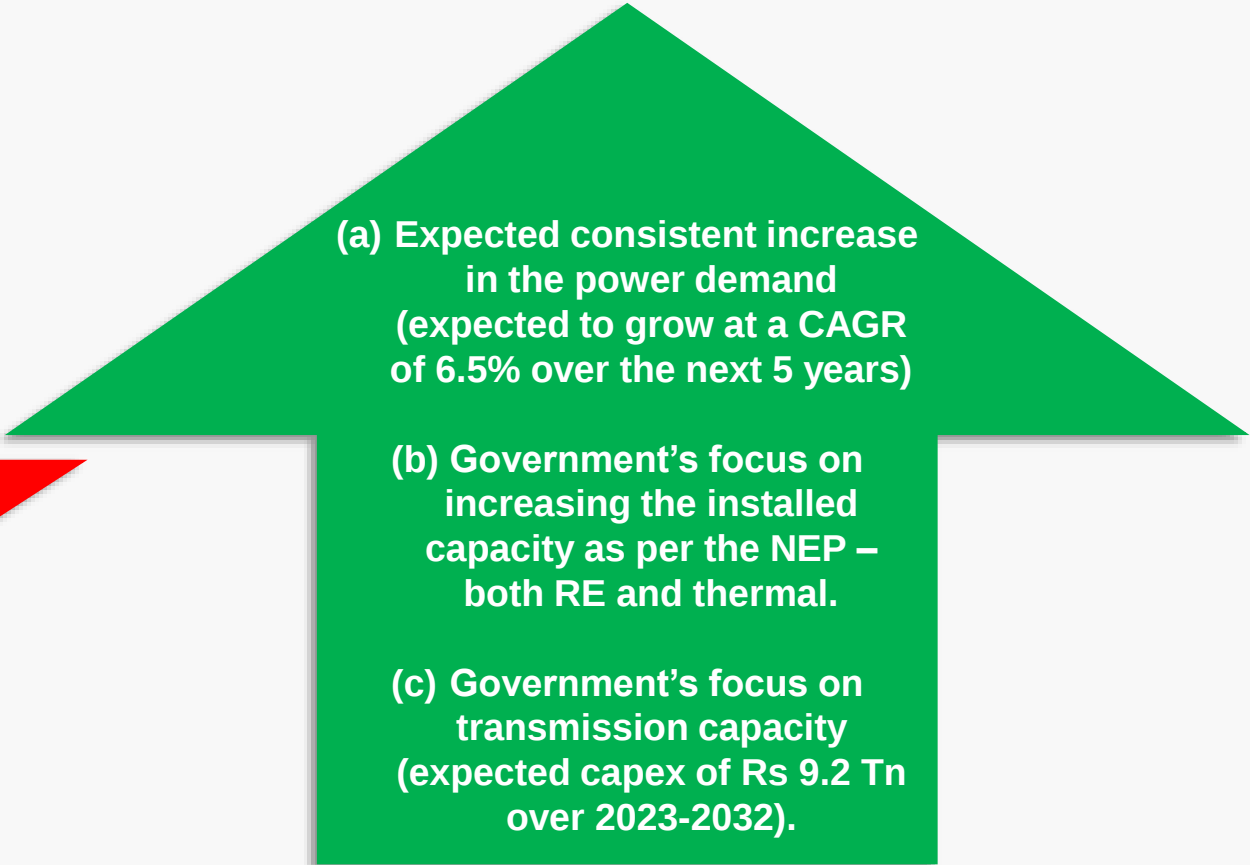
- In H1FY26, India added transmission lines capacity of 2,411 ckm (364 ckm of ISTS and 2,047 ckm of InSTS), down 27% YoY and against a target of 6,194 ckm. The FY26 official target for transmission line addition is revised downwards to 15,382 ckm from 24,400 ckm in Aug'25, citing right-of-way (RoW) challenges, which implies a 74% growth over the 8,830 ckm of actual addition in FY25. As of Sep'25, India's total Transmission lines capacity stood at 4,96,785 ckm (2,15,006 ISTS and 2,81,779 InSTS), with 220 kV at 43%, 400 kV at 42%, 765 kV at 11.5%, 500 kV at 1.89% and 800kV at 1.94% and the balance 320 kV.
- In H1FY26, India added substation capacity of 44,645 MVA (27,820 MVA of ISTS and 16,825 MVA of InSTS), up 74% YoY against the target of 68,183 MVA. As of Sep'25, India's total substation capacity stood at 13,82,158 MVA (5,83,705 MVA ISTS and 7,98,453 MVA InSTS).
- The government is gradually phasing out the ISTS waivers, which could have some impact on the Interstate transmission demand. However, it should not have a material impact, as the transmission projects are as per CEA RE additions targets, and further, even with the charges waiver being phased out, solar continues to be a cheap source of energy.

Smart Meters

- The Revamped Distribution Sector Scheme (RDSS) has a target of installing 25 Cr smart meters across India. Out of the 25 Cr smart meters, only 14.5 Cr are awarded while ~4.5 Cr are installed (as on 31st October, 2025).

Medium-Term Outlook

- 
- (a) Extended monsoon affecting the power demand
 - (b) Curtailments on RE power output due to lower demand
 - (c) On-ground execution challenges in regards to capacity additions as well as transmission.

- 
- (a) Expected consistent increase in the power demand (expected to grow at a CAGR of 6.5% over the next 5 years)
 - (b) Government's focus on increasing the installed capacity as per the NEP – both RE and thermal.
 - (c) Government's focus on transmission capacity (expected capex of Rs 9.2 Tn over 2023-2032).

Key Monitorables

- (1) Improvement in the execution and resolution of on-ground challenges.
- (2) RE capacity tendering and additions.
- (3) Addition of transmission grids in the power ecosystem.
- (4) Impact on transmission demand due to phasing out of ISTS waiver.

Valuation – Peer Comparison

Company	Price	Mkt Cap	EV	ROE (%)				P/B (x)				EV/EBITDA (x)				P/E (x)			
	Rs/sh	Rs Cr	Rs Cr	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
Power Generation Utilities																			
NTPC Ltd	328	3,18,031	5,49,685	12.62	12.40	12.42	12.32	1.85	1.66	1.54	1.45	10.21	9.40	8.55	8.05	14.97	13.68	12.63	11.84
Adani Power Ltd	154	2,96,386	3,34,594	26.95	19.17	18.01	17.51	5.55	4.38	3.55	2.87	15.32	14.95	13.53	10.88	23.26	23.44	21.45	17.85
Tata Power Company Ltd	388	1,23,929	1,93,663	12.44	12.23	12.76	13.39	3.47	3.15	2.81	2.54	14.87	13.19	11.46	10.08	29.28	27.87	23.45	20.84
JSW Energy Ltd	529	92,223	1,56,307	8.35	8.99	10.26	11.13	3.51	2.98	2.55	2.38	26.63	14.18	11.46	9.56	44.96	34.86	27.25	23.03
NHPC Ltd	80	80,546	1,25,899	8.92	10.28	12.80	14.05	1.96	1.90	1.76	1.63	20.09	16.28	11.29	9.57	23.12	19.14	14.45	12.37
Torrent Power Ltd	1,301	65,464	70,948	17.54	14.23	14.61	14.21	4.17	3.46	3.12	2.79	13.26	12.07	9.92	8.81	25.95	24.51	21.55	20.13
SJVN Ltd	83	32,743	59,046	7.00	7.94	12.67	13.31	2.26	2.25	2.11	1.97	26.60	18.96	12.14	10.53	33.38	29.06	17.19	15.26
NLC India Ltd	255	35,302	62,519	11.60	11.60	12.95	12.70	NA	1.72	1.54	1.39	14.37	10.41	7.87	7.17	17.40	14.49	11.69	10.71
CESC Ltd	174	23,086	36,985	11.86	12.55	12.83	12.95	1.90	1.81	1.69	1.56	9.71	9.16	7.96	7.15	16.47	14.88	13.40	12.49
Gujarat Industries Power Company Ltd	170	2,634	4,197	6.10	NA	NA	NA	NA	NA	NA	NA	10.56	NA	NA	NA	12.49	NA	NA	NA
Transmission Utilities/Infra																			
Power Grid Corporation of India Ltd	271	2,51,964	3,69,842	16.91	16.72	16.77	16.80	2.74	2.54	2.36	2.19	9.31	8.97	8.41	7.95	16.10	15.68	14.62	13.46
Kalpataru Projects International Ltd	1,253	21,371	24,604	10.96	13.27	15.21	16.96	3.47	2.94	2.57	2.15	13.04	10.76	8.90	7.47	34.04	22.91	17.76	14.00
KEC International Ltd	792	21,041	25,708	12.51	15.73	18.70	19.81	4.12	3.43	2.90	2.45	16.69	12.87	10.28	8.65	36.12	23.22	16.77	13.44
Techno Electric & Engineering Company Ltd	1,227	14,254	11,675	11.90	12.50	14.95	NA	3.91	3.42	3.00	NA	34.40	21.26	14.26	NA	41.32	28.18	20.93	NA
GE Vernova T&D India Ltd	3,035	77,607	76,847	38.73	48.98	40.69	35.64	45.40	28.84	20.52	15.19	97.40	53.28	43.79	36.58	137.02	71.10	59.07	49.22
Voltas Ltd	1,351	44,699	45,081	14.00	11.08	14.61	15.83	6.96	6.38	5.75	5.10	39.76	47.50	33.60	28.48	51.86	59.54	41.49	34.42
Transformers and Rectifiers (India) Ltd	318	9,538	9,714	22.05	20.07	22.03	21.20	8.45	6.35	5.04	4.53	31.94	21.72	15.10	13.88	49.33	33.03	24.11	22.49
Skipper Ltd	499	5,644	6,397	NA	16.20	19.00	NA	NA	NA	NA	NA	NA	11.21	9.05	NA	NA	26.83	19.27	NA
RE Power																			
Adani Green Energy Ltd	1,069	1,75,798	2,67,069	19.61	15.51	15.90	17.78	14.76	8.64	7.58	6.42	28.13	21.27	16.49	13.54	81.87	55.39	40.18	32.01
Ntpc Green Energy Ltd	99	82,864	1,04,454	3.10	4.78	7.53	8.35	5.03	4.54	3.07	3.63	49.34	28.12	13.51	9.69	140.71	83.30	51.84	41.62
Solar EPC/Components																			
Sterling and Wilson Renewable Energy Ltd	229	5,354	5,346	10.25	24.40	32.00	35.60	NA	NA	NA	NA	23.65	15.30	11.03	10.16	52.14	22.49	15.24	12.60
Waaree Renewable Technologies Ltd	1,163	12,111	11,953	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Waaree Energies Ltd	3,348	96,185	91,275	28.20	31.35	28.89	23.16	9.82	7.28	5.33	4.17	36.06	16.69	12.90	11.89	51.33	25.60	20.78	19.54
Premier Energies Ltd	998	44,753	44,335	51.80	38.23	36.17	28.19	15.92	10.77	7.38	5.38	25.73	18.40	12.98	10.82	48.14	33.49	24.36	22.30
Wind WTG/EPC																			
Suzlon Energy Ltd	58	78,976	78,572	29.92	31.14	27.94	25.44	13.45	9.62	7.28	5.66	44.44	24.27	18.61	16.05	56.82	33.06	27.87	24.35
Inox Wind Ltd	149	25,660	27,363	18.28	13.12	15.07	16.55	7.85	3.19	2.69	2.72	35.16	23.24	15.98	14.26	43.16	29.05	20.55	17.66

Source: LSEG Workspace

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
 NTPC Ltd	BUY	Rs 400*	✓ Total Capacity Addition: NTPC group's installed capacity grew by 1,247 MW QoQ to 83,893 MW in Q2FY26, led by 684 MW of Solar capacity additions, 250 MW of PSP, 220 MW of coal-based thermal capacity, and 93 MW of wind capacity. The 220 MW of thermal additions is net of discontinued plants and includes 660 MW of Khurja plant commissioned in and the discontinuation of 440 MW (110 MW x 4 units) of Tanda plant in Sep'25. The company's under-construction capacity stands at 33 GW, consisting of 17 GW of thermal, 14 GW of RE capacity, and 2 GW of hydro capacity. It targets to add 9,844 MW, 9,600 MW, and 10,564 MW in FY26, FY27, and FY28, respectively, aiming to reach 149 GW by 2032 and 244 GW by 2037.. ✓ Thermal and Hydro Targets: The company targets to commission 2,780 MW, 1,600 MW, and 2,120 MW of thermal capacities in FY26, FY27, and FY28, respectively. For Hydro, it plans to commission 1,000 MW in FY26 and 444 MW in FY28. ✓ RE Targets: The company has a target to reach 60 GW of RE capacity by FY32 and is well on track to achieve the same. It plans to add 6 GW of RE capacity in FY26, 8 GW in FY27, and another 8 GW in FY28. ✓ Operational Update: Gross Generation stood at 83.2 BUs, down 6%/9% YoY/QoQ. In Q2FY26, the PLFs for coal-based plants stood at 66%, 6.8% for gas-based plants, 23% for solar plants, and 105% for Hydro plants. While Hydro plants saw a strong seasonal improvement (97% in Q2FY25 and 56% in Q1FY26), coal-based plants saw a decline in PLFs (72% in Q2FY25 and 75% in Q1FY26).

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
 JSW Energy Ltd.	BUY	Rs 705*	✓ Installed Capacity grew by 443 MW, up 3% QoQ (up 71% YoY) to 13.2 GW in Q2FY26, led by organic RE capacity additions (240 MW Kutehr Hydro, 148 MW Wind, and 56 MW Solar). Installed capacity will reach 15 GW+ by the end of FY26, and it will grow by 20% CAGR to 30.5 GW by 2030, which is now already locked in. It has 12.5 GW of capacity under construction, all of which is fully tied up under long-term PPA, and the majority (~10.9 GW) of the under-construction 12.5 GW is RE capacity. Led by the increased capacity, net generation grew by 52%/11% YoY/QoQ to 14.9 BUs in Q2FY26. ✓ No Impact of RE Curtailment So Far: Due to high solar capacity additions, the grid is facing a capacity evacuation challenge, especially during solar hours, leading to grid curtailment. The Management believes that this factor needs to be assessed for the upcoming 2-3 years. However, once new connectivity is added to the grid, the evacuation will improve. Furthermore, the company is not affected by the RE curtailments as it has long-term PPAs that cover scheduling in its terms (General network access/GNA). ✓ Increasing Bids from States: JSWE has 1.6 GW/1.8 GW of Salboni and KSK brownfield thermal projects in the pipeline. The nation-wise thermal bidding has been ~11.6 GW from various states so far in H1FY26. States now prefer signing of PPAs for fresh thermal capacities for promoting investments in the state. Recent bids were seen from the states of Bihar, MP, West Bengal, Assam, UP, and Maharashtra. Further, even in RE space, boost has been seen from states for setting up of wind and solar capacities as i) ISTS waiver starts phasing out post Jun'25 (25% incremental ISTS charge payable each year for projects commissioning post Jun'25) ii) Intra-state PPAs make RPO (Renewable purchase obligation) compliance simpler.

* Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
 Skipper Limited	BUY	Rs 580*	✓ Strong Order Book: Skipper received new orders totalling Rs 1,243 Cr in Q2FY26, which included three large wins from PGCIL and key other export markets. As of Sep'25, the order book stood at its highest ever at Rs 8,820 Cr. The order book comprises 76% domestic T&D orders, 13% non-T&D orders (including Telecom, Railways, Solar, Water EPC, and other Steel Structural items), and 11% export orders. All export orders pertain to T&D. The company currently has a strong bid pipeline of more than Rs 30,000 Cr (with a 25% historical order conversion success rate). The management expects the company's orderbook to be ~Rs 9,000 Cr – Rs 10,000 Cr by the end of FY26. ✓ Capacity Expansion status: The new 75 ktpa plant is now operational and has commenced its commercial production. The 2nd 75 ktpa capacity is also expected to go online by the end of FY26, taking its total capacity to 450 ktpa. The company is confident of increasing its capacity to 600 ktpa by the end of FY29, making it the world's largest transmission tower manufacturer. ✓ Export Opportunities: Exports stood at 11% of the company's order book as of Sep'25. The company is exploring new opportunities in new markets. It already has a strong presence in the Middle East, Africa, and Latin American Markets. The company is also exploring growth opportunities in developed markets like North America and Europe; however, they may take time to materialise. The company has completed successful plant audits for new potential customers from the Middle East and North America. It targets to achieve 50% export orders in its order book in the long term.

* Note: Target Price is based on our Q2FY26 Result Update Report

Axis Direct is the brand under Axis Securities Limited, which is a 100% subsidiary of Axis Bank Limited. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks, and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with the Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Paré, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances, please call us at 022-40508080 or write to us at helpdesk@axisdirect.in.

We hereby declare that our activities have neither been suspended nor have we defaulted with any stock exchange authority with whom we are registered in the last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories, etc. have conducted the routine inspection and based on their observations have issued advice/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in the normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point in time.

Investments in the securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of a favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and/or the USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been clients during the twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without notice. The report and information contained herein are strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis for any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors, including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

Disclaimer

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that the rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made, nor is its accuracy or completeness guaranteed. This report and information herein are solely for informational purposes and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and the needs of the specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see the Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed a public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking, or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimise conflict in the preparation of research reports. Axis Securities or its associates, or its analysts, did not receive any compensation or other benefits from the companies mentioned in the report or a third party in connection with the preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and/or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance from the Research team, and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of the subject company(ies). Axis Securities or Research Analysts, or their relatives, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one per cent or more or other material conflicts of interest in various companies, including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach a different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centre on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

This research report is issued in India by Axis Securities Limited in accordance with the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. It is intended solely for persons residing in India. The report is not directed at or intended for distribution to, or use by, any person or entity resident in the United States of America, Canada, or in any jurisdiction where such distribution, publication, availability, or use would be contrary to applicable securities laws, including the U.S. Securities Exchange Act of 1934, regulations of the U.S. Securities and Exchange Commission (SEC), and regulations of the Canadian Securities Administrators (CSA).