

ILLUMINATE WEALTH

Beyond Volatility, Embracing Opportunity

Samvat 2083

AXIS DIRECT

As we bid farewell to Samvat 2082 and welcome Samvat 2083, we extend our warmest wishes for a Happy and Prosperous Diwali to all our valued readers. May the festival of lights bring happiness, good health and prosperity to you and your family. On this auspicious occasion, we are pleased to present our Diwali Mahurat Picks for Samvat 2083. These ideas reflect our preference for businesses with sound fundamentals, credible earnings visibility and the ability to create sustainable value over the medium to long term.

A Year of Market Correction, Volatility and Global Uncertainty: Samvat 2082 proved to be a challenging year for Indian equities, marked by heightened volatility, intermittent recoveries and a significant correction in benchmark indices. Indian markets faced sustained pressure from a combination of global and domestic headwinds, including escalating geopolitical tensions, elevated crude oil prices, rising global bond yields, a stronger US dollar and persistent foreign institutional investor (FII) outflows. While domestic economic fundamentals and long-term structural growth prospects remained relatively resilient, near-term geo-political uncertainties and risk aversion weighed on investor sentiment. Consequently, the Nifty 50 declined 10.3% over the year to 23rd October 2026, while the Nifty 500, Nifty Midcap 100 and Nifty Smallcap 250 fell by 7.8% 4.5% and 3.7% respectively. **The sharp sell-off towards the end of Samvat 2082 underscored the importance of earnings visibility, reasonable valuations and disciplined stock selection in navigating an increasingly uncertain market environment.**

Earnings: Q2FY27 Is a Test of Resilience, Delivery Will Matter More Than Promises : Over the next 12 months, the sustainability and breadth of corporate earnings growth are likely to be the most important drivers of equity returns. Recent results have shown resilience in parts of corporate India, but performance remains uneven across sectors and companies. The Q2FY27 reporting season and subsequent management commentary will be critical in assessing demand trends, pricing power, input-cost pass-through, wage and finance costs, order-book conversion and capital expenditure plans. Higher crude prices and rupee depreciation could pressure margins in energy-intensive and import-dependent businesses, while companies with stronger pricing power, efficient operations and robust balance sheets may be better positioned to absorb cost shocks. **As of date, 16 Nifty 50 companies have reported results, recording YoY growth of 15% in revenue, 15% in EBITDA and 19% in PAT, indicating continuity in earnings momentum from Q1FY27.**

Valuation Perspective: Correction Improves Entry Points :The market correction has improved the risk-reward in stocks, particularly where share prices have adjusted more sharply than the underlying business outlook. The Nifty is currently trading at 16.4x on a one year forward basis below its long-term average valuation multiple of 18.4x . We believe the appropriate response is neither indiscriminate buying after a correction nor a wholesale retreat from equities, but a measured approach that connects price paid with the quality and visibility of future earnings. Large-cap companies with established market positions and resilient balance sheets can provide portfolio stability, while selective mid-cap opportunities may offer attractive growth if valuations, liquidity and cash flows are supportive. SMID cap exposure calls for additional care, given the potential for sharper price swings and lower liquidity during periods of risk aversion. **A staggered investment approach and a 12-month investment horizon can help investors manage entry risk, but stock selection and valuation discipline remain essential**.

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Deputy- Head of Research|

Samvat 2083: What Could Turn The Market Outlook Positive: A market that has fallen for two straight months on an identifiable set of shocks tends to recover when those shocks reverse, not when sentiment merely improves. **We identify eight potential triggers**:

Trigger 1: Crude oil relief and de-escalation in West Asia: Brent crude surged to around US$114/bbl on 23 October amid escalating West Asia tensions, increasing inflation and earnings risks. A sustained decline towards US$85–90/bbl would ease input costs, support the rupee and improve market sentiment**.** Oil marketing companies, paints, aviation, tyres, chemicals and consumption-oriented sectors would benefit most

Trigger 2: Peak in interest rates: The RBI's October policy commentary points to limited scope for near-term easing, with a pause or further hike possible as inflationary pressures broaden. The US Federal Reserve's 27–28 October meeting is another key event. Evidence of moderating inflation and stable crude prices would improve the outlook for NBFCs, housing finance, autos, real estate and consumer durables

Trigger 3: FPI flows and rupee stabilization: Foreign investors continued to sell Indian equities, with October outflows reaching approximately ₹52,353 crore through 22 October. A softer crude trend, stable rupee and easing US bond yields could encourage foreign buying. Large-cap financials, IT and consumer stocks are potential beneficiaries, although a sustained recovery will require actual improvement in flows rather than valuation appeal alone

Trigger 4: Earnings recovery: A sustained earnings recovery will be essential for a durable market rebound. Investors should monitor Q2 and Q3 results for demand trends, margin resilience, order inflows and management guidance. Stabilisation in consensus earnings estimates would be an important positive signal.

Trigger 5: Conclusion of the India–US trade agreement : The India–US trade negotiations are near finalization as per the Central government . A final agreement that clarifies tariff commitments and improves market access could support textiles, gems and jewellery, engineering goods and other export-oriented industries.

Trigger 6: Union Budget and public capital expenditure: The Union Budget in early 2027 will be an important domestic catalyst. Continuity in public capex, infrastructure, defence, railways and power spending, alongside fiscal discipline, would support investment-led growth. Any measures that stimulate consumption or crowd in private investment could further improve sentiment towards capital goods and infrastructure stocks.

Trigger 7: Resilient domestic liquidity: Domestic flows continue to cushion foreign selling. Monthly SIP contributions reached a record ₹32,490 crore in Sept, 2026 Continued domestic investment, combined with a moderation in FPI outflows, could provide meaningful support to equities. However, sustained market weakness could eventually affect retail risk appetite

Trigger 8: Inflation normalisation: CPI inflation rose to 5.54% in September 2026, while the RBI's FY27 inflation forecast stands at 5.2%. Elevated crude prices and food inflation remain key risks. A sustained decline in energy and food prices would support household purchasing power and give the RBI greater policy flexibility, benefiting consumption-oriented sectors and the broader market.

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Relative Underperformance Provides an Opportunity to Add Equity for the Long Term: In CY25 as well as in CY26, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 35% to the EM index (PE). During Sep'24, the Indian market traded at a 97% PE premium to EM. Now, after the correction, it is trading at a 35% premium, which looks attractive compared to the past. That said, it is to be noted that relative valuation stabilisation does not necessarily translate into an immediate rally in the current scenario.

Market Outlook: Domestic Resilience Amid Global Uncertainty: Indian equities enter Samvat 2083 following a sharp correction and a period of heightened volatility. Although periods of volatility can create attractive entry points, the external backdrop remains uncertain and the market may need time to rebuild confidence. The economy continues to benefit from domestic consumption, services activity, infrastructure investment, credit availability and the gradual broadening of private-sector capital expenditure. In its October 2026 policy review, the Reserve Bank of India raised its FY27 real GDP growth projection to 7.1%, reflecting resilient domestic activity despite external headwinds. However, the outlook is not without risks: elevated energy prices and a weaker monsoon could affect inflation, rural demand and corporate margins. **The balance between resilient domestic growth and imported cost pressures will be an important determinant of market performance through Samvat 2083**

Investment Approach: Constructive, but Disciplined: The coming Samvat is likely to be shaped by the interaction of global inflation, crude oil prices, monetary-policy decisions, foreign capital flows and domestic earnings delivery. These variables may keep markets volatile and make a straight-line recovery unlikely. Yet volatility can create opportunities for investors prepared to focus on business fundamentals and maintain a medium-term perspective. **We believe returns over Diwali 2026 to Diwali 2027 will increasingly depend on buying the right businesses at sensible valuations, monitoring earnings delivery and avoiding excessive concentration in expensive or speculative ideas. Our Diwali Mahurat Picks seek to identify companies with a favourable combination of fundamentals, growth visibility and valuation support.**

Considering the positive attributes of the Indian economy, we present the following themes for Samvat 2083:

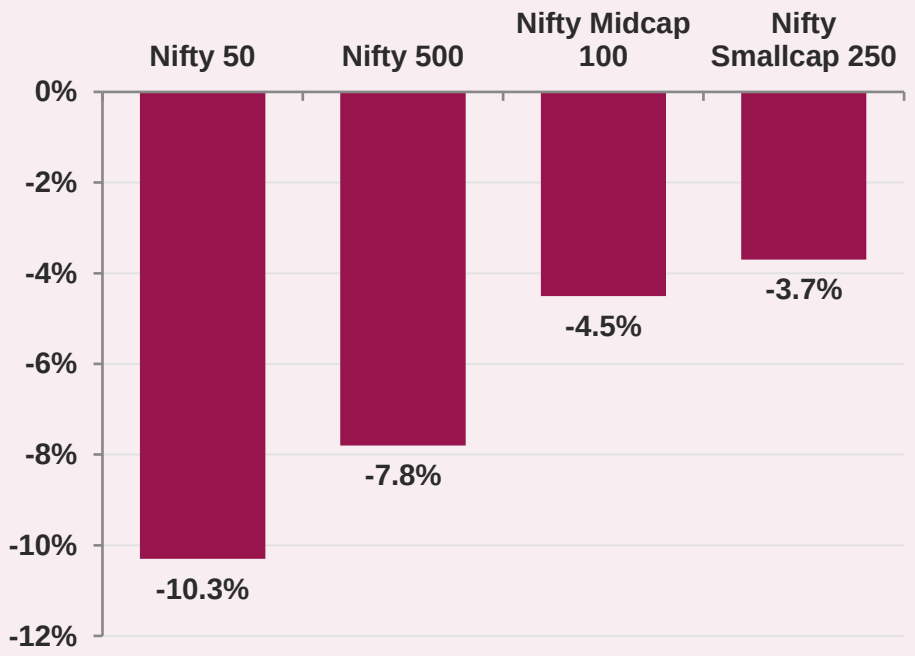
- Private banks as a play on the uptick in the credit growth cycle
- Discretionary consumption plays via Hotels, Auto.
- Play on quick commerce and capacity expansion in building material and cyclical opportunity in metal
- AI-led Transformation and a Recovery in Technology Spending
- From testing to early detection a play in the diagnostic sector

Based on these themes, our Diwali Picks are: DCB bank Ltd, Nephrocare Healthcare Services Ltd, , APL Apollo Tubes Ltd, Eternal Ltd, Elecon Engineering Company Ltd, Indian Hotel Company Ltd, Coforge Ltd, Ashok Leyland Ltd and Hindalco Industries Ltd

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Samvat 2082: A Year Of Correction And Volatility

Index returns, Samvat 2082 (to 23 Oct 2026, %)



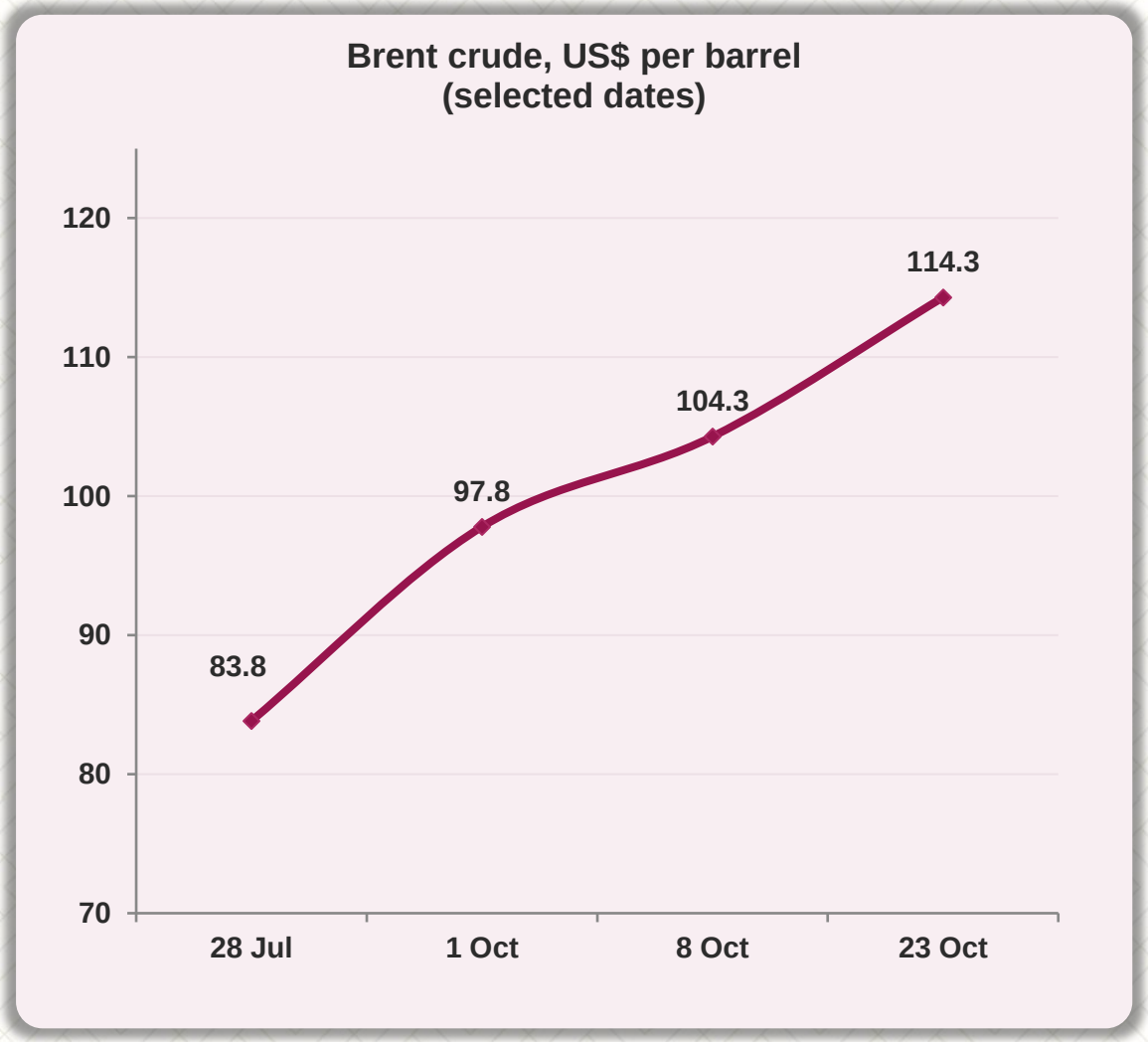
Headwinds through the year

- Escalating geopolitical tensions
- Elevated crude oil prices
- Rising global bond yields
- A stronger US dollar
- Persistent FII outflows

Domestic fundamentals stayed relatively resilient, but the sharp sell-off underscored the importance of earnings visibility, reasonable valuations and disciplined stock selection.

Source: Bloomberg, Axis Securities

Crude oil: The Master Variable



~85-90%

of India's crude needs are imported

2.72 mb/d

Hormuz flows on 7 Oct, down from 12.26 mb/d on 4 Oct (Kpler)

$110 to $120

Crude in above range could led to : current account deficit above 2.5% of GDP, CPI above 6%, rupee at 98 to 100 if prolonged

Source: Bloomberg, Axis Securities

Q2FY27: Delivery Will Matter More Than Promises

15%

Revenue growth (YoY)

15%

EBITDA growth (YoY)

19%

PAT growth (YoY)

16 Nifty 50 companies have reported so far, indicating continuity in earnings momentum from Q1FY27

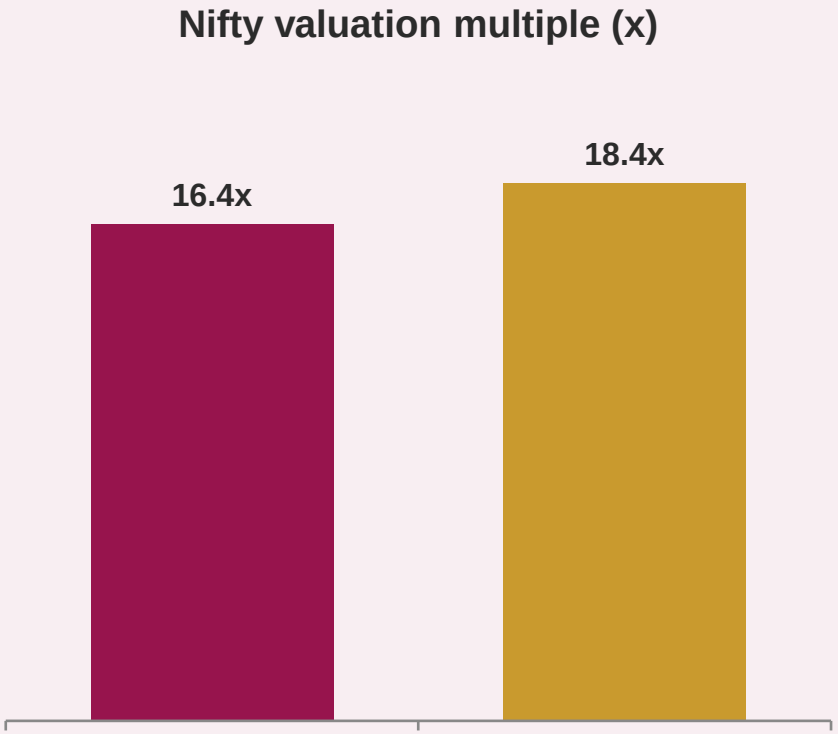
What management commentary must show

- Demand trends and pricing power
- Input-cost and rupee pass-through
- Wage and finance costs
- Order-book conversion and capex plans

Margins: pressure vs resilience

- Higher crude and a weaker rupee could pressure energy-intensive and import-dependent businesses
- Stronger pricing power, efficient operations and robust balance sheets help absorb cost shocks

Valuation: The Correction Improves Entry Points



Why this matters

- Share prices have adjusted more sharply than the underlying business outlook
- Nifty at 16.4x one-year forward is about 12% below its 18.4x long-term average
- Large caps with established positions and resilient balance sheets offer stability
- Selective mid-caps may offer growth; SMID exposure needs extra care given sharper swings and lower liquidity in risk-averse phases

The right response is neither indiscriminate buying nor a wholesale retreat: a staggered approach and a 12-month horizon help manage entry risk, but stock selection and valuation discipline remain essential.

Source: Bloomberg, Axis Securities

What Could Turn The Market Outlook Positive: Triggers 1–4

Crude oil relief and West Asia de-escalation

Brent surged to about US$114/bbl on 23 October on escalating tensions. A sustained fall towards US$85–90/bbl would ease input costs, support the rupee and lift sentiment.

Beneficiaries: Oil marketing companies, paints, aviation, tyres, chemicals, consumption

Peak in interest rates

RBI's October commentary points to limited near-term easing, with a pause or further hike possible. The US Fed meets on 27–28 October. Moderating inflation and stable crude would help.

Beneficiaries: NBFCs, housing finance, autos, real estate, consumer durables

FPI flows and rupee stabilisation

October FPI outflows reached about ₹52,353 crore through 22 October. Softer crude, a stable rupee and easing US yields could revive buying, but flows must actually improve.

Beneficiaries: Large-cap financials, IT and consumer stocks

Earnings recovery

A sustained recovery is essential for a durable rebound. Q2 and Q3 results will show demand, margins, order inflows and guidance; stabilising consensus estimates would be a positive signal.

Watch: Demand trends, margin resilience, order inflows, management guidance

What Could Turn The Market Outlook Positive: Triggers 5–8

Conclusion of the India–US trade agreement

Negotiations are near finalisation per the Central government. A final deal clarifying tariff commitments and improving market access could support export-oriented industries.

Beneficiaries: Textiles, gems and jewellery, engineering goods

Union Budget and public capex

The early-2027 Budget is a key domestic catalyst. Continued capex in infrastructure, defence, railways and power, with fiscal discipline, would support investment-led growth.

Beneficiaries: Capital goods and infrastructure stocks

Resilient domestic liquidity

Domestic flows cushion foreign selling, with monthly SIP contributions at a record ₹32,490 crore in September 2026. Sustained market weakness could eventually dent retail risk appetite.

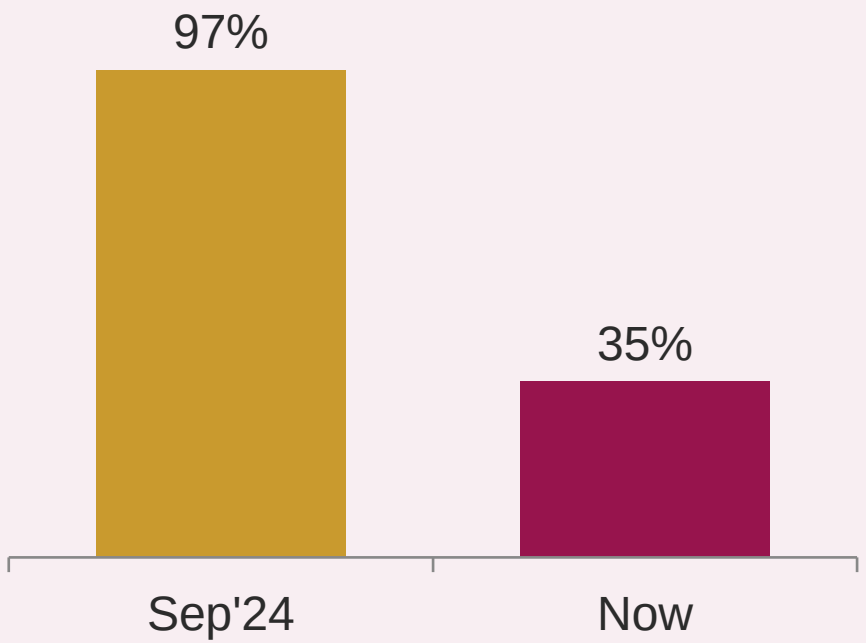
Risk: Retail risk appetite if weakness persists

Inflation normalisation

CPI inflation rose to 5.54% in September 2026 against the RBI's FY27 forecast of 5.2%. Lower energy and food prices would lift purchasing power and give the RBI more flexibility.

Beneficiaries: Consumption-oriented sectors and the broader market

India's PE Premium To EM Has Narrowed Sharply



Relative performance

- In CY25 and CY26, Indian equities underperformed the US and other emerging markets by a notable margin
- After the correction, the 35% premium looks attractive compared with the past
- Relative valuation stabilisation does not necessarily mean an immediate rally

LTCG & STT review potential: The Finance Minister acknowledged investor discussions on Long-Term Capital Gains tax and Securities Transaction Tax. Any reduction would directly boost post-tax returns.

Source: Bloomberg, Axis Securities

Outlook: Domestic Resilience, Global Uncertainty

7.1%

RBI's raised FY27 real GDP growth projection (October 2026 policy review)

What supports the economy

- Domestic consumption and services activity
- Infrastructure investment and credit availability
- Gradual broadening of private-sector capex

Risks to watch

- Elevated energy prices and a weaker monsoon could affect inflation, rural demand and corporate margins
- The external backdrop remains uncertain; the market may need time to rebuild confidence
- Periods of volatility can still create attractive entry points

The balance between resilient domestic growth and imported cost pressures will be an important determinant of market performance through Samvat 2083

Approach: Constructive, But Disciplined

What will shape the Samvat

Global inflation, crude oil prices, monetary-policy decisions, foreign capital flows and domestic earnings delivery may keep markets volatile and make a straight-line recovery unlikely. Volatility can still create opportunities for investors who focus on business fundamentals and keep a medium-term perspective.

1. **Buy the right businesses at sensible valuations**
2. **Monitor earnings delivery**
3. **Avoid excessive concentration in expensive or speculative ideas**

Returns from Diwali 2026 to Diwali 2027 will increasingly depend on these choices. Our Diwali Mahurat Picks favour companies with a favourable mix of fundamentals, growth visibility and valuation support.

Five Themes For Samvat 2083

1	**Private banks**	A play on the uptick in the credit growth cycle
2	**Discretionary consumption**	Plays via Hotels and Auto
3	**Quick commerce, building material and metals**	Play on quick commerce, Capacity expansion in building material and a cyclical opportunity in metal
4	**AI-led transformation**	A recovery in technology spending
5	**Diagnostics**	From testing to early detection

Sector Stance

Overweight

- Banks, selective: strong deposit franchises
- Select Auto & Auto Ancillaries
- Capital goods, power equipment, defence
- Metals and mining (size carefully)
- Telecom
- Healthcare and pharma

Neutral

- IT services: weak rupee helps, growth is soft
- NBFCs and housing finance: funding costs rising
- FMCG: defensive but input costs bite

Underweight

- Consumer durables
- Oil marketing companies
- Paints, aviation, tyres
- Real estate

What Would Change Our View

More positive if

- Brent falls and holds below $95, then $90, with a durable ceasefire
- FPIs stay net buyers for two weeks and the rupee holds below 95
- The Fed holds on 28 Oct and signals no December hike
- Q2 margins hold up and FY27 EPS cuts stay in low single digits

More cautious if

- Brent holds above $115 or Hormuz is disrupted again
- The RBI and Fed both hike in December, or CPI beats the RBI's 6% projection (peak level)
- The Nifty closes decisively below 22,200 and FPI selling resumes
- IPO supply and leverage unwinding keep hitting mid- and small-caps

Mahurat 2026: The Session And Its Record

Session schedule (NSE and BSE)

Date
Sunday, 8 Nov 2026

Pre-open
2:05 pm to 2:20 pm

Normal market
2:20 pm to 3:30 pm

Closing auction
3:20 pm to 3:35 pm (eligible securities)

Holiday
Tuesday, 10 Nov (Balipratipada)

Samvat	Session	Sensex	Nifty
2081	1 Nov 2024	+335 to 79,724	+about 99
2082	21 Oct 2025	+63 to 84,426	+25 to 25,869
2083	8 Nov 2026	Not yet held	Not yet held

A ritual effect, not a signal

- **Muhurat closed positive for seven years running to 2024, and again in 2025.**
- **Typical gains are small, about 0.4% to 0.9%.**
- **Samvat 2082 opened green yet the Nifty fell about 10.3% over the year.**

Long Term Stocks Ideas

DCB Bank Ltd

CMP	Target	Upside (%)
200	240	20%

Nephrocare Health Services Ltd

CMP	Target	Upside (%)
596	710	19%

Indian Hotels Company Ltd

CMP	Target	Upside (%)
782	900	15%

Ashok Leyland Ltd

CMP	Target	Upside (%)
145	170	17%

Coforge Ltd

CMP	Target	Upside (%)
1,901	2,245	18%

Eternal Ltd

CMP	Target	Upside (%)
317	365	15%

Hindalco Industries Ltd

CMP	Target	Upside (%)
870	1,000	15%

APL Apollo Tubes Ltd

CMP	Target	Upside (%)
2,034	2,340	15%

Elecon Engineering Company Ltd

CMP	Target	Upside (%)
416	500	20%

Note: CMP as of 23rd October 2026; We suggest a "Buy on Dips" strategy in the above stocks with an investment horizon of 12 months.

AXIS DIRECT

Invest in All Stock Ideas
at 1 Click with



Smallcase

(A Basket of Stocks)
Samvat 2083

INVEST NOW

DCB Bank Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
200	240	20%

Market Data

No. of Shares	32.2 Cr
Market Cap	Rs 5,309 Cr
52-week High / Low	235/153
BSE Code	532772
NSE Code	DCBBANK

Why DCB Bank Ltd

- ✓ Strong Business Momentum to Sustain
- ✓ Healthy Visibility on Sustainable 1% RoA Delivery
- ✓ Improving Asset Quality Metrics
- ✓ Attractive Valuations

About the Company: DCB Bank Ltd. (DCB) is a private sector commercial bank focused on serving self-employed individuals, MSMEs/SMEs, entrepreneurs and retail customers. The bank operates a diversified and secured lending portfolio across mortgages, MSME loans, gold loans, Agri and inclusive banking, construction finance and co-lending businesses. As of Sep'26, DCB operated a pan-India network of 483 branches with an employee strength of more than 12,000.

Investment Rationale

A. **NIM Improvement to be Visible From H2 Onwards:** In Q2, DCB's NIM stood at 3.25%, down 10bps QoQ, even as CoF improved by 8bps QoQ. This was owing to negative carry from excess liquidity, driven by FCNR(B) inflows, which persisted through most of the quarter and weighed on margins. Management highlighted that the bank had consciously accumulated surplus liquidity amid geopolitical uncertainty in Q1. DCB mobilised $194 Mn through FCNR(B) at a cost lower than its TDs. Going ahead, NIMs are expected to improve over H2 as surplus liquidity eases and floating-rate loans reprice following the pass-on of the repo rate (pass-on from Nov'26 onwards), even as the CoD trajectory reverses eventually. Moreover, DCB's NIMs should also find support from the gradual portfolio mix shift towards better-yielding segments. We expect a consistent 3.3-3.4% NIM delivery of FY27-29E.

B. **Credit Growth Healthy, Mortgages Expected to Gain Momentum:** Management has reiterated its guidance to grow its loan book at 18-20%, while emphasising disciplined underwriting and pursuing growth in segments where risk-adjusted returns remain attractive rather than chasing growth in higher-yield, high-risk segments. Growth is expected to remain broad-based, although the composition of the loan book is expected to evolve as management manages concentration in gold loans (capped at 25% vs 23% presently) and increases the contribution from mortgages and selected corporate exposures (improving to 10% vs 8% currently, with focus on NBFC-lending). We bake in a healthy ~19% CAGR credit growth over FY26-29E.

C. **Productivity Gains Help Contain Cost Ratios Despite Continued Investment:** DCB's C-A ratio remained within the guided range at <2.5% of total assets, despite continued investments in tech, cybersecurity and headcount increase. Management expects the headcount to increase to 12,800-12,900 by the end of FY27, though below its earlier indication of 13,000. Rather than relying on an aggressive branch-expansion strategy, DCB will continue to strengthen its existing branches where growth opportunity for both assets and liabilities is more attractive, with the aim of further improving productivity, and will add 20 branches in FY27, primarily in locations where the bank already has a presence. Going ahead, C-A Ratio is expected to remain steady at !2.5% (+/-5bps).

D. **Outlook:** DCB is set to enter H2 with strong business momentum, improved visibility on NIM improvement, healthy asset-quality indicators and a demonstrated ability to generate operating leverage, collectively contributing to a sustainable 1-1.05% RoA delivery. With the bank maintaining a clear focus on risk-adjusted growth, gradual improvement in portfolio mix and disciplined cost management, the earnings trajectory is expected to remain steady, with scope for further improvement in RoA from the current 1% level. We expect DCB to deliver a healthy Credit/Deposit/NII/Earnings growth of 19/18/19/24% CAGR over FY26-29E, while delivering a steady RoA/RoE of 1-1.05%/14-15% over FY27-29E.

E. **Valuation & Recommendation**: We value the stock at 0.9x Sep'28E ABV to arrive at a target price of Rs 240/share, implying an upside of 20% from the CMP. We recommend a **BUY** on the stock.

Financial Summary

Y/E March	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	RoA (%)	NNPA (%)
FY26	2,457	1,296	732	22.7	186.4	1.1	0.9	0.9
FY27E	2,943	1,583	963	29.9	214.7	0.9	1.0	0.7
FY28E	3,530	1,973	1,179	36.6	246.5	0.8	1.0	0.7
FY29E	4,145	2,357	1,391	43.2	283.0	0.7	1.0	0.7

Source: Axis Securities Research

Nephrocare Health Services Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
596	710	19%

Market Data

No. of Shares	5.7 Cr
Market Cap	Rs. 6,025 Cr
52-week High / Low	782/445
BSE Code	544647
NSE Code	NEPHROPLUS

Why Nephrocare Ltd

- ✓ Strong Revenue Growth and Recurring Demand
- ✓ Improving Profitability and Operating Leverage
- ✓ Strong Expansion and International Growth
- ✓ Organised Market Opportunity and Hospital Partnerships

About the Company: Nephrocare Health Services Limited, incorporated in 2010, is India's largest dialysis-care provider, offering comprehensive renal-care services through a wide network of clinics across India and select international markets. Its services include haemodialysis, peritoneal dialysis, home dialysis, on-call and mobile dialysis, pharmacy support, diagnostics, and wellness management. The company operates through hospital-based clinics, standalone centres, and public-private partnership (PPP) facilities, serving approximately 10% of India's dialysis patient load. It follows a recurring-revenue business model, supported by long-term hospital partnerships, government contracts, and centres in high-demand markets, including Tier-II and Tier-III cities. Nephrocare is also Asia's largest dialysis chain and ranks fifth globally by annual treatments.

Investment Rationale

A. **Strong Revenue Growth and Recurring Demand:** Revenue grew 23.7% YoY to Rs 282 Cr, driven by 13.3% growth in treatments and a 9.2% increase in revenue per treatment. The recurring nature of dialysis, with patients typically requiring treatment three times a week, provides predictable demand and revenue visibility.

B. **Improving Profitability and Operating Leverage:** Adjusted EBITDA grew 30.7% to Rs 65 Cr, with margins expanding by 120 bps to 23.1%. Scale-driven procurement, in-house equipment maintenance and staff training help control costs and improve operating efficiency as treatment volumes increase.

C. **Strong Expansion and International Growth:** Nephrocare operates 550 clinics across 357 cities in 5 countries, with international markets contributing approximately 45% of revenue. Planned clinic additions, selective acquisitions and entry into new countries provide multiple growth avenues, supporting management's medium-term growth target of 15-20%.

D. **Organised Market Opportunity and Hospital Partnerships:** A significant share of India's dialysis capacity remains unorganised or hospital-run, creating opportunities for outsourcing and consolidation. Nephrocare leverages over 300 private hospital partnerships, PPP contracts and standalone centres, particularly in Tier 2 and Tier 3 cities, to expand access and gain market share.

E. **Outlook**: Nephrocare is well-positioned to benefit from growing demand for dialysis, increasing outsourcing by hospitals and the expansion of organised healthcare in India. Its international presence, recurring treatment demand and improving operating margins provide a strong growth platform. However, high working-capital requirements, execution risks in new markets, and the sustainability of margin expansion remain key monitorables.

F. **Valuation & Recommendation:** We value the stock at 33 P/E to arrive at a TP of Rs 710/share. We recommend a BUY on the stock, with the TP implying an upside potential of 19% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBITDA (X)
FY25	756	167	67	8.3	0	11	0	0
FY26	999	227	77	8.5	60	7	4	19
FY27E	1,178	271	146	14.6	41	12	5	20
FY28E	1,401	343	217	21.6	28	15	4	15

Source: Axis Securities Research

Indian Hotels Company Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
782	900	15%

Market Data

No. of Shares	142 Cr
Market Cap	Rs. 1,11,597 Cr
52-week High / Low	794/565
BSE Code	500850
NSE Code	INDHOTEL

Why Indian Hotels Company Ltd

- ✓ Leadership in Hotels
- ✓ Robust Pipeline
- ✓ Shift to an Asset Light Model
- ✓ Significant Cash Reserves

About the Company: Indian Hotels Company Limited (IHCL), part of the Tata Group, is one of India's leading hospitality companies, with a portfolio spanning luxury, upscale, midscale and budget hotels, alongside related hospitality businesses. IHCL's operations are spread across four continents, 12 countries and over 100 cities. IHCL's portfolio consists of 390 operational hotels and the company on track to cross the 400-hotel milestone in Q3FY27. Its flagship brand, Taj, is a prominent name in India's luxury hospitality segment.

Investment Rationale

A. **Unmatched Leadership in Hospitality and Diverse Brand Ecosystem:** The Indian Hotels Company Limited (IHCL) is India's largest hospitality network, built on iconic brand equity, service excellence, and a highly diversified portfolio. The company operates a comprehensive brand ecosystem, with Taj (recognized as the world's strongest luxury hotel brand), Vivanta, SeleQtions, Gateway, and a rapidly scaling select-service business including Ginger and Tree of Life. Nearly 68% of its domestic hotel revenues are anchored in key business cities, allowing IHCL to aggressively capture corporate and MICE (Meetings, Incentives, Conferences, and Exhibitions) demand, alongside a dominant presence in leisure destinations. It offers an integrated experiential ecosystem, combining luxury palaces, premium business hotels, homestays (amã Stays & Trails), and culinary/catering excellence. This continuum of offerings drives deep customer stickiness—further boosted by the Tata Neu loyalty program—and positions IHCL as the premier destination for domestic travelers, delivering a robust 18% YoY Growth in management fees in FY26 and an industry-leading 78% occupancy in FY26

B. **Scalable Growth Driven by Asset-Light Model and Strategic Expansion:** Scalable Growth Driven by Asset-Light Model and Strategic Expansion: IHCL leverages a highly capital-efficient asset-light strategy, where over 70% of its hotels are asset light, thus driving IHCL's income by management contracts. This model maximizes high-margin fee income, optimizes capital deployment, and supports rapid geographic expansion, delivering structurally superior operating EBITDA margins. IHCL is on track to cross 400 operational hotels in Q3FY27, with a target of 50 new openings in FY27 alone. IHCL also plans on executing a strategic merger with Oriental Hotels Limited (OHL) to consolidate its Southern India presence. The combination of a scalable, low-capex pipeline and targeted acquisitions makes IHCL a compelling long-term structural play in the Indian hospitality sector

C. **Strong Cashflow with Robust Balance Sheet**: IHCL's asset-light, capital-efficient model sets it apart from peers, limiting heavy capital obligations while maximizing return ratios. The company maintains a formidable balance sheet with gross cash reserves exceeding Rs 4,300 Cr and generated a healthy Rs 517 Cr in free cash flow during the half-year. This immense liquidity allows IHCL to self-fund strategic greenfield developments, execute high-ROI renovations across iconic assets (such as Taj Palace New Delhi and Taj West End Bengaluru), and pursue strategic M&A without relying on debt.

D. **Outlook:** While Taj-SATS is expected to experience a muted year due to geopolitical disruptions affecting air travel, IHCL is well-positioned to deliver healthy growth, supported by strong occupancy trends across key tier-1 cities, improving contributions from newly opened hotels, and its focused diversification into select-service segments. We expect revenue growth of17% and 14% YoY in FY27E and FY28E with EBITDA Margins of 34.4% and 35% respectively

E. **Valuation & Recommendation**: We value the stock at 28x FY28E EBITDA to reach a target Price of Rs 900/Share an upside of 15% from the CMP

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBITDA (X)
FY25	8,335	2,769	1,733	12	58	16	9	36
FY26	9,689	3,196	2,248	16	44	17	8	32
FY27E	11,342	3,907	2,661	19	38	17	6	24
FY28E	12,931	4,529	3,142	22	32	17	5	21

Source: Axis Securities Research

Ashok Leyland Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
145	170	17%

Market Data

No. of Shares	587 Cr
Market Cap	Rs 85,142 Cr
52-week High / Low	215/136
BSE Code	500477
NSE Code	ASHOKLEY

Why Ashok Leyland Ltd

- ✓ Leadership in MHCV Segment
- ✓ Strong Product Portfolio Across CVs
- ✓ Expanding EV & Defence Presence
- ✓ Improving Financial Services Contribution

About the Company: Ashok Leyland Ltd. is India's second-largest commercial vehicle manufacturer and a flagship company of the Hinduja Group. Established in 1948, the company has evolved into a leading player in the commercial vehicle industry, with a diversified portfolio spanning medium and heavy trucks, buses, light commercial vehicles, defence mobility solutions, and power solutions. Ashok Leyland has built a strong competitive moat through its engineering expertise, extensive distribution and service network, and established presence in defence and specialised applications, supported by its growing international footprint across 50 countries.

Investment Rationale

A. **Product Innovation & Network Expansion:** Ashok Leyland introduced an industry-first MAV air suspension offering a 4-ton incremental payload vs ~2 tons for competing solutions. Developed over 2.5-3 years, it is expected to aid MAV market share and margins. Taurus tippers and Hippo tractors are gaining traction on superior power and torque, with higher-horsepower volumes expected to improve mix and margins from Q2FY27. The company added 33 touchpoints in Q1FY27, taking its network to 2,137 (1,177 MHCV and 960 LCV), with a focus on North and East India. North market share has risen from ~15% four to five years ago to 27–30%, with further gains targeted in Central and East India.

B. **Pricing, Cost Savings & Diversification:** Despite sharp steel and natural rubber inflation, material costs remained at 71.5% of revenue, broadly in line with Q4FY26, aided by lower-cost inventory. Inventory rose from 6,000 to 8,000 units, covering ~20–25% of quarterly requirements. Price hikes of 1-1.25% in Q1FY27 and >1% for MHCVs and >2% for LCVs in July took cumulative FY27 increases to ~2% and >3.5%, respectively. The "Achieve 2K" programme and centralised negotiations on administrative expenses above Rs 50 Lc help offset 4-5% employee cost inflation. Diversification across Defence, Power Solutions, Aftermarket and EVs reduced domestic MHCV monthly break-even volumes from 6,000-7,000 to 1,000-1,500 units. Switch Mobility secured a 650 e-bus order and delivered 225 e-buses and ~300 e-LCVs in Q1; OHM Mobility added >500 units, taking its operational fleet to >1,900 e-buses.

C. **CV Demand & Financial Services:** MHCV volumes rebounded >20% in June–July after a temporary May slowdown. Management expects high-single-digit MHCV and stronger LCV growth in FY27, supported by replacement demand from an ageing ~10-year truck fleet. GST 2.0 improves the economics of replacing BS3/BS4 trucks with BS6 vehicles, while TCO focus supports pricing despite Rs 30,000-50,000 increases for mandated AC cabins. HLF AUM grew 20% YoY to Rs 60,310 Cr, PPOP rose 56% to Rs 587 Cr from Rs 376 Cr, and PAT increased 37% to Rs 123 Cr. HHF AUM rose 13% to Rs 16,157 Cr, with gross income of Rs 470 Cr and PAT of Rs 69 Cr. Over four years, HLF delivered 34% AUM CAGR and 24% net worth CAGR; both businesses maintained consolidated net NPA at 2.1%.

D. **Outlook:** We remain constructive on Ashok Leyland's long-term prospects, supported by MHCV replacement demand, higher-horsepower products, LCV share gains and exports, Defence, EVs and financial services. Commodity inflation remains a near-term risk, partly mitigated by price hikes, cost savings and inventory management. Management expects high-single-digit MHCV and stronger LCV growth in FY27, supported by the ~10-year-old truck fleet, GST 2.0 and infrastructure demand. We estimate ~7% volume CAGR and Revenue/EBITDA/PAT CAGRs of 9%/14%/17%, respectively, over FY26-28E, driven by premiumisation, export recovery, operating leverage, richer product mix and growing contributions from Defence, Aftermarket, Power Solutions, EVs and financial services.

E. **Valuation & Recommendation**: We value the stock on a P/E basis to arrive at a TP of Rs 170/share, implying an upside of 17% from the CMP. We recommend a **BUY** on the stock.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBITDA (X)
FY26	38,753	4,931	3,224	5.5	15.6	30.8	4.4	9.9
FY27E	44,007	5,732	3,824	6.1	23.0	29.6	6.7	15.0
FY28E	49,890	6,295	4,285	7.3	19.9	28.1	5.2	13.0
FY29E	52,325	7,514	5,227	8.9	16.3	27.8	4.2	10.5

Source: Axis Securities Research

Coforge Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
1,901	2,245	18%

Market Data

No. of Shares	44 Cr
Market Cap	84,199 Cr
52-week High / Low	2,022/1,008
BSE Code	532541
NSE Code	COFORGE

Why Coforge Ltd

- ✓ Strong Presence in Niche Segments
- ✓ Key Acquisitions to Enhance Operational Capabilities
- ✓ Continues Deal Wins, Strategic investments and AI Pivot

About the Company: Coforge is a global IT services provider delivering digital solutions through a product engineering approach, leveraging Cloud, Data, Integration, and Automation technologies to help client businesses become intelligent, high-growth enterprises. The company maintains a strong presence across key industry verticals and their sub-segments, including BFS, Insurance, TTH, overseas government, and others. Its geographical footprint spans America, EMEA, APAC, and India. Coforge is also empaneled as a preferred technology services partner for multiple Fortune 500 clients.

Investment Rationale

- **Strong Deal Pipeline and AI Capabilities Support Growth:** In Q2FY27, the company signed a record eight large deals, including a US$230 Mn engagement with the UK public sector. Deal wins were spread across public sector, BFSI, high-tech and retail, indicating broad-based demand across key verticals. Europe and North America contributed US$485 Mn and US$455 Mn, respectively, to quarterly order intake, while the Rest of World contributed US$101 Mn. Management expects to sign at least eight additional large deals in Q3, supporting continued business momentum. We believe the company's strong order book conversion capabilities and expanding order book are likely to support revenue growth in the coming quarters.
- **AI Investments Driving Delivery Efficiency:** Coforge deployed over 520 active AI engagements across 225 clients, with 260 AI agents deployed in live environments. Its AI ecosystem combines the Nuuron enterprise autonomy suite, Agentic AI tools, Momentum Blue engineering teams, and the AI Launchpad model ecosystem. Client deployments have delivered measurable productivity gains, including faster API modernisation, automated advisory workflows, and significant reductions in turnaround times.
- **Encora-Coforge Synergies Unlock New Opportunities:** Q2FY27 was marked as the first full quarter of Encora's consolidation, with the acquired business generating approximately US$147-148 Mn in revenue, broadly flat sequentially, as planned. Encora exceeded expectations on margin expansion, while integration initiatives reduced combined general and administrative expenses to 6.3% of revenue. Synergies are also emerging through cross-selling opportunities, including delivery to Coforge's largest healthcare client and participation in a pipeline deal exceeding US$230 Mn. Management expects Encora's revenue growth trajectory to align with Coforge's organic business from Q3FY27.
- **Outlook:** From FY20-26, Coforge has delivered a Revenue/EBIT/PAT CAGR of 26%/26%/24%, led by healthy momentum in deal wins and client additions across key verticals, particularly BFS and travel, transportation and hospitality. The company continues to maintain a strong command across its revenue verticals, with a strong, executable order book pipeline. Moreover, the company has raised its FY27 EBIT margin guidance from 15.5% to 16.0%, reflecting stronger operating leverage and benefits from AI-led productivity. Additionally, companies AI led productivity and contribution from Encore underpins revenue visibility and supports growth prospects in long run. On the valuation front, the company trades at FY27E/FY28E P/E multiples of 29x/23x, respectively.

A. **Valuation & Recommendation**: We value the company at 27x FY28E EPS, and recommend a **BUY** rating on the stock with a TP of Rs 2,245/share, implying an upside of 18% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBIT (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBIT (X)
FY25	12,051	1,266	963	27	71.1	19	10.7	53.4
FY26	16,403	2,254	1,675	46	40.9	21	7.2	30.0
FY27E	25,173	3,950	2,854	64	29.3	28	7.6	20.9
FY28E	30,168	4,972	3,661	83	23.0	30	6.3	16.2

Source: Axis Securities Research

Eternal Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
317	365	15%

Market Data

No. of Shares	965 Cr
Market Cap	Rs 3,06,302 Cr
52-week High / Low	344/213
BSE Code	543320
NSE Code	ETERNAL

Why Eternal Ltd

- ✓ Quick Commerce Leadership
- ✓ Rapid Blinkit Store Expansion to Unlock New Geographies
- ✓ Diversified Growth Drivers and Initiatives to Enhance the Platform

About the Company Eternal Ltd. (formerly Zomato) is an Indian multinational technology and consumer-services holding company based in Gurugram, Haryana. It operates as the parent entity for several digital platforms in India, including the restaurant aggregator and food delivery service Zomato, the quick-commerce grocery delivery service Blinkit, the business-to-business (B2B) food supply platform Hyperpure, and the live events and online ticketing platform District.

Investment Rationale

A. **Blinkit Remains the Key Growth Catalyst with Aggressive Store Expansion:** Blinkit's quick commerce NOV grew 79.3% YoY and 22.2% QoQ to Rs 20,940 Cr in Q2FY27, supported by 399 Mn orders and 37 Mn monthly customers, with NOV per store per day up 17% YoY to Rs 9 Lc against the steady-state target of Rs 11 Lc. Management raised its store target to 3,500+ by Mar'27 (from 3,000) and 5,000 by Mar'28, with most additions in smaller cities and newer categories. These stores are reaching 1,000 daily orders at a pace similar to metro stores, with average order values at 85–90% of metro levels and similar customer retention, while capex remains at a blended Rs 2.5 Cr per store. The long-term target of US$1 Bn EBITDA by FY29 remains unchanged.

B. **Healthy Food Delivery Franchise and Scaling New Verticals:** Food delivery NOV grew 21.5% YoY to Rs 11,445 Cr with adjusted EBITDA of Rs 627 Cr (5.5% margin vs 5.6% in Q1), and monthly transacting customers rose 16% YoY to 28 Mn. Margins are expected to remain broadly stable over the next 1–2 years as management focuses on growing absolute EBITDA. District's NOV grew 58% YoY to Rs 3,259 Cr, with management confident of its FY30 target of Rs 28,000 Cr NOV and Rs 1,400 Cr adjusted EBITDA, while Hyperpure's revenue grew 22.7% YoY to Rs 1,154 Cr, serving 85,000 restaurants.

C. **Increasing Investment in Tech Platform & Consumer Applications:** Eternal is developing enterprise AI capabilities, including Nugget, while prioritising technology investments over expanding into additional physical service lines. Management introduced Dark.ai (a privacy-focused AI platform designed to improve employee productivity and automate internal workflows), a potential multi-billion-dollar opportunity, while remaining prepared to discontinue the initiative if it fails to gain traction. Separately, the Zomato app's AI chatbot is undergoing product changes, although users currently continue to prefer visual browsing over conversational ordering. Such investments are expected to improve user experience and provide clear practical benefits.

D. **Dark.Ai and New Tech Platforms Provide a Potential First-Mover Advantage:** Dark.ai is a privacy-focused AI assistant built using fine-tuned open-weight models on Eternal's own infrastructure. It is aimed at power users and is expected to launch globally in 2026. Current costs are low and included under Others, while any increase in spending would mainly be on hardware and computing. Management sees Dark.ai as a high-risk initiative and plans to discontinue it if it fails to gain traction. The next 12 months should also provide more clarity on the growth potential of Nugget and other AI initiatives.

E. **Outlook:** Higher discounting to drive customer acquisition and order frequency is delivering positive outcomes in user growth and engagement. EBITDA margins are likely to remain broadly flattish over the next 1–2 years as the company prioritises market expansion and absolute adjusted EBITDA growth. We believe such investments are strategic in nature and position the company for stronger earnings growth over the medium to long term.

F. **Valuation & Recommendation**: We recommend a **BUY** on the stock with a TP of Rs 365/share based on an SOTP valuation, implying a 15% upside from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBITDA (X)
FY26	54,364	1,208	366	0.4	NM	1.2	9.9	NM
FY27E	1,03,990	3,362	1,350	1.4	226.8	4.3	9.5	90.5
FY28E	1,52,184	5,285	3,172	3.3	96.5	9.4	8.6	57.2
FY29E	1,94,441	6,753	4,489	5.0	63.3	12.8	7.7	44.2

Source: Axis Securities Research

Hindalco Industries Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
870	1,000	15%

Market Data

No. of Shares	225 Cr
Market Cap	Rs 1,95,475 Cr
52-week High / Low	1,176//770
BSE Code	500440
NSE Code	HINDALCO

Why Hindalco

- ✓ Capacity Expansion at Bay Minette to Drive Growth
- ✓ Margin Improvement Driven by Ramp-up of Downstream Operations
- ✓ Long-term Demand Prospects for Aluminium & Copper, Driven by Higher Usage in EVs and Renewable Energy

About the Company: Hindalco, part of the Aditya Birla Group, is India's largest integrated aluminium and copper manufacturer. Its wholly owned US-based subsidiary, Novelis, is the world's largest producer and recycler of aluminium flat-rolled products.

Investment Rationale

A. **Aluminium: Capacity Expansion to Drive Long-term Growth:** India's aluminium operations contributed 20% to consolidated FY26 sales. In Q1FY27, downstream volumes increased 3% YoY to 104 kt, while upstream volumes rose 3% YoY to 335 kt. EBITDA per tonne reached an all-time high of $2,331, supported by higher LME aluminium prices ($3,565/t, up 46% YoY and 12% QoQ) and strong operational efficiencies. The cost of production (CoP) increased ~4% QoQ in Q1FY27, slightly below the company's guidance of 5%. However, CoP is expected to rise another 5–6% QoQ in Q2FY27, primarily due to seasonal increases in coal prices in northern India during the monsoon. To support long-term growth, the company is undertaking a two-phase expansion at the Aditya Aluminium smelter, with a capex of Rs 20,000 Cr, increasing primary aluminium capacity from ~1.3 MT to 1.7 MT by FY29.

B. **Novelis - Margins Expected to be Resilient, Driven by Bay Minette Expansion:** Novelis, the world's largest producer and recycler of aluminium flat-rolled products, contributed 56% to consolidated FY26 sales. In Q1FY27, adjusted EBITDA per tonne stood at $563, up 30% YoY and 4% QoQ, significantly exceeding the estimated $501/t. The performance was driven by structural cost-reduction initiatives, favourable scrap spreads and insurance recoveries. Rolled product shipments rebounded 9% QoQ to 916 kt, although they remained down 5% YoY, following the successful restart of the Oswego hot mill in Jun'26. The facility is targeting full utilisation by Q4FY27. Management retained its long-term EBITDA per tonne guidance of $600+, supported by annualised cost savings of $225 Mn, with a target of $350–400 Mn by the end of FY28. Additionally, the 600 kt Bay Minette plant is progressing towards commissioning, with commercial shipments targeted for Q1FY28. Novelis aims to achieve positive free cash flow by the end of FY27, while the Bay Minette expansion is expected to support its next phase of growth.

C. **Copper - Near-term Volume Weakness Offset by Stronger Realisation:** Copper contributed 24% to consolidated FY26 sales. In Q1FY27, segment sales volumes declined 15% YoY to 105 kt, primarily due to scheduled maintenance shutdowns and subdued demand. Despite lower volumes, segment EBITDA per tonne increased ~20% QoQ to $926, supported by higher by-product realisation amid elevated sulphuric acid prices. Looking ahead, the company is expanding its copper smelting capacity by 300 kt by FY29 to capitalise on rising long-term domestic demand and strengthen its position in India's growing copper market.

D. **Outlook:** While LME aluminium prices have corrected amid easing supply concerns in the Middle East and higher aluminium production from China and Indonesia, Hindalco is expected to deliver stable performance, largely supported by Novelis. The commissioning of Novelis' much-awaited 600 kt Bay Minette facility is expected to drive overall volume growth and improve operational performance. Additionally, the gradual ramp-up of downstream aluminium capacity is likely to support EBITDA growth in the Indian operations. Given these growth drivers, we maintain a positive outlook on the stock.

E. **Valuation & Recommendation**: We value the stock on a SoTP with a 12MF EV/EBITDA target of 6.5x/5.5x/6.0x on Mar'28 EBITDA for Indian Aluminium, Copper, and Novelis. We recommend a **BUY** on the stock with a TP of Rs 1,000/share, implying an upside of 15% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PBT (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PE (x)	Div. Payout (%)	RoE (%)	EV/EBITDA (x)
FY25	2,38,496	32,824	23,216	16,002	72.1	12	6.9%	13.9	7.5
FY26	2,74,944	35,202	25,459	13,391	60.3	14	1.7%	10.3	7.8
FY27E	3,29,409	48,599	37,822	26,231	118.2	7	0.9%	17.5	5.8
FY28E	3,26,302	45,847	30,352	21,582	97.2	9	1.0%	12.5	6.1

Source: Axis Securities Research

APL Apollo Tubes Ltd

CMP (Rs)	Target (Rs)	Upside (%)
2,034	2,340	15%

Market Data

No. of Shares	27.8 Cr
Market Cap	Rs. 56,467 Cr
52-week High / Low	2,301/1,690
BSE Code	533758
NSE Code	APLAPOLLO

Why APL Apollo Tubes Ltd

- ✓ Dominant Market Leadership
- ✓ Robust Capacity Expansion
- ✓ Resilient Balance Sheet
- ✓ Strong Margin Visibility

BUY

About the Company: APL Apollo Tubes Limited (APL Apollo), incorporated in 1986 and headquartered in Delhi-NCR (Noida, Uttar Pradesh), is India's largest branded manufacturer of structural steel tubes, commanding ~65% share of the organised domestic market. The company operates 11 manufacturing facilities with ~5 MTPA (including one plant in the UAE) and supplies a wide range of ERW structural tubes, hollow sections, galvanised and colour-coated products across urban infrastructure, real estate, housing, commercial construction, and solar applications, distributed through a pan-India network of 800+ distributors.

Investment Rationale

A. **Record Q2FY27 Sales Volume Performance After a Soft Q1:** While Q1FY27 sales volumes were soft at 745k Tn (down 6% YoY and 19% QoQ) due to geopolitical overhangs and a challenging macro environment, APL Apollo bounced back strongly by registering its highest-ever quarterly sales volume of 963,143 Tn in Q2FY27. This marks a 13% YoY and 29% QoQ growth. During Q1, EBITDA stood at Rs 411 Cr (up 11% YoY), with an EBITDA/ton of Rs 5,522 (up 18% YoY), and the ASP of Rs 73,013/t (up 16% YoY) beat estimates, suggesting that pricing and product mix held firm even as absolute earnings softened QoQ basis.

B. **Management Guides H2FY27 Recovery and Capacity Expansion:** Demand conditions are expected to improve in the coming quarters, driven by better government budget allocations for the infrastructure sector. The company's management has explicitly guided that H2FY27 is expected to perform much better than H1FY27. The long-term growth thesis remains firmly intact with a capacity expansion plan to reach 8 MT by FY28, up from the current 5 MT.

C. **Balance Sheet Resilience Provides Cushion:** The company's financial foundation remains exceptionally solid, providing a strong cushion against near-term volatility. Although net cash saw a slight dip to Rs 1,410 Cr from Rs 1,530 Cr due to an inventory buildup that pushed operating and free cash flows negative for the quarter, the company demonstrated self-reliance by funding its capex entirely from its existing cash balance rather than depending on the quarter's operations. Operational efficiency remains a strong suit, with improvement in Net Working Capital (NWC). Additionally, the company continues to generate highly attractive return ratios for investors.

D. **Outlook:** Management has highlighted war-driven global disruptions and near-term sector headwinds, such as steel price increases, channel destocking, and energy/labour shortages. As a result, the earlier FY27 volume growth guidance of 20% YoY was revised to the lower end of 15-20%. However, management emphasised that margin guidance is more reliable in current conditions and has maintained its EBITDA/t guidance at Rs 5,000-5,500/t. The FY27 EBITDA growth guidance remains robust at 20-25%, with PAT expected to grow by 25-30% YoY.

E. **Valuation & Recommendation**: On the valuation front, the stock is currently trading at 35x its 12-month forward consensus EPS compared to its TTM of 43x. Based on the P/E multiple approach for valuation and the company's strong long-term growth trajectory, we recommend a **BUY** on the stock with a Target Price of Rs 2,340, implying an upside of 15% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBITDA (X)
FY25	20,690	1,199	757	27	56	19	10	36
FY26	22,460	1,802	1,203	43	47	25	11	32
FY27E	28,430	2,170	1,482	53	38	25	9	26
FY28E	32,238	2,579	1,796	65	32	24	7	22

Source: Axis Securities Research

Elecon Engineering Company Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
416	500	20%

Market Data

No. of Shares	22.4 Cr
Market Cap	Rs 9,340 Cr
52-week High / Low	580/352
BSE Code	505700
NSE Code	ELECON

Why Elecon Engineering Company Ltd

- ✓ Structural Growth
- ✓ Robust Order Backlog
- ✓ Global Expansion
- ✓ Proven Manufacturing Capabilities & Diversified Customer Base

About the Company: Elecon Engineering Company Ltd. (Elecon), established in 1951, is a leading Indian manufacturer of industrial gear systems and material handling equipment. As Asia's largest gear manufacturer, it caters to critical sectors, including Power, Steel, Cement, and Mining. The company has built a strong global presence through subsidiaries in Europe and the U.S., strengthened further by the Benzlers–Radicon acquisition.

Investment Rationale

A. **Robust Order Book and Strong Inflows Enhance Revenue Visibility:** Elecon's consolidated order book strengthened 34% YoY to Rs 1,635 Cr as of Sep'26, supported by healthy order inflows across both divisions. The Gear segment's order book increased 37% YoY to Rs 1,056 Cr, while MHE order backlog grew 27.3% YoY to Rs 579 Cr. Consolidated order inflows remained healthy, with Gear order intake at Rs 493 Cr and MHE order intake rising 32.5% YoY to Rs 253 Cr during Q2FY27. The improvement in order replenishment, particularly in MHE and overseas markets, provides better execution visibility for the coming quarters. We believe the strong order pipeline, coupled with management's expectation of improved project execution in H2FY27, should support sustained revenue growth.

B. **Gear Division Drives Margin Expansion; MHE Execution Recovery Offers Upside:** The Gear division continued to anchor performance, with Q2FY27 revenue growing 10.6% YoY to Rs 488 Cr and EBIT increasing 27.2% YoY to Rs 108 Cr, translating into a 290-bps expansion in EBIT margin to 22.1%. Improved pricing discipline, normalisation of steel price volatility and a favourable execution environment supported profitability. Meanwhile, MHE revenue grew 10.4% YoY to Rs 151 Cr, while order intake rose 32.5% YoY to Rs 253 Cr, indicating healthy underlying demand despite execution-related variability. Management expects MHE execution and margins to improve in H2FY27, with EBIT margins guided at 22-24%. We believe sustained Gear profitability, alongside an expected recovery in MHE execution, should support consolidated earnings growth.

C. **Overseas Business Strengthens as Elecon Progresses Towards Its FY30 Ambition:** International operations continued to outperform, with overseas revenue rising 30.6% YoY to Rs 159 Cr in Q2FY27 and contributing approximately 25% of consolidated revenue. H1FY27 overseas revenue increased 26.2% YoY to Rs 309 Cr, while H1 overseas order inflows rose to Rs 420 Cr from Rs 291 Cr in the corresponding period last year. Growing international order inflows and improving execution across overseas markets strengthen the company's diversification beyond domestic demand. Elecon is targeting revenue of Rs 5,000 Cr by FY30, with overseas markets contributing approximately 50%, supported by organic expansion and potential acquisitions or strategic tie-ups in the US and Europe. We believe increasing export contribution, coupled with a healthy balance sheet and ongoing capacity investments, provides a platform for medium-term growth.

D. **Outlook:** Elecon is well-positioned to capitalise on sustained domestic investments in steel, power and cement, alongside improving overseas enquiries and recovery in global markets. Supported by its leadership in Gear and MHE, advanced manufacturing capabilities, and customised engineering solutions, the company expects ~15% revenue growth in H2FY27, driven by accelerating MHE execution, while targeting a minimum consolidated EBITDA margin of ~22.1%. Its record open order book of Rs 1,635 Cr (+33.4% YoY), coupled with an expected ~8% CAGR in the domestic heavy-duty gearbox industry through FY30, provides strong growth visibility. Elecon remains focused on expanding its international footprint, targeting a 50% overseas revenue mix and reaffirming its Vision FY30 goal of Rs 5,000 Cr in consolidated revenue.

E. **Valuation & Recommendation**: We value the company at 22x Sep'28E EPS and recommend a **BUY** on the stock with a TP of Rs 500/share, implying an upside of 20% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/B (X)	EV/EBITDA (X)
FY26	2,366	523	341	15.2	27	16	4.0	18
FY27	2,580	579	391	17.4	24	16	3.6	16
FY28E	3,213	803	565	25.2	17	20	3.0	12
FY29E	3,662	949	676	30.1	14	20	2.5	10

Source: Axis Securities Research

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UTTAM KUMAR SRIMAL

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