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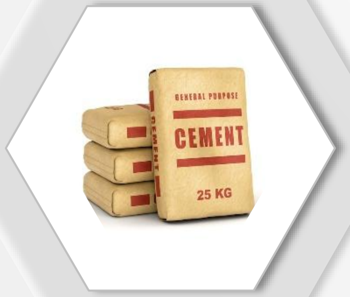
AUGUST 2026

Top Conviction Ideas

Q1FY27

(Consolidated)



Top Conviction Ideas: Q1FY27 (Consolidated)

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Top Conviction Ideas: Q1FY27 (Consolidated)

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AUGUST 2026

Top Conviction Ideas: Cement

Uttam K Srimal

Cement Sector: Q1FY27 Review

Q1FY27 Cement Review – Volume Momentum Remained Strong Amid Cost Headwinds

✓ ***Financial Performance***

- **Companies under our coverage reported** Volumes/Revenue growth of 8%/9% while EBITDA/PAT de-grew by 1%/7% . This compares with our forecasts of 9% volume, 8% revenue, -4% EBITDA, and -11% PAT growth.

- **EBITDA/tonne during the quarter declined by 7% QoQ and 16% YoY** to Rs 1,005/tonne owing to elevated costs. EBITDA margins contracted by 200 bps YoY and up 80 bps QoQ.

- **Blended Realisation per tonne improved by 5% QoQ and was flattish YoY at Rs 5,700,** as most regions experienced improvement in cement prices QoQ. Cost per tonne was Rs 4,695, showing a 7% increase QoQ and 5% YoY owing to higher P/F and other expenses. P/F costs increased by 11%/24 QoQ/YoY to Rs 1,190/tonne. Q2FY27 to see the impact of higher fuel prices by another Rs 100-125/tonne.

- **Performance across the coverage universe was mixed.** Notably, Dalmia Bharat, JK Cement, UltraTech Cement, JK Lakshmi performed well, while Ambuja Cement and Star Cement underperformed; Shree Cement and Birla Corp's performance was mixed during Q1FY27.

- During the quarter, UltraTech Cement commissioned 8.7 mtpa cement grinding units, while earlier announced capacity expansion plans by various companies remain largely on track.

- The management highlighted that **cement prices have improved across regions during the quarter** and are **currently stable,** offsetting the impact of higher fuel and packaging costs. While demand remained robust in Q1FY27, the industry is guiding for volume growth of 7–8% in FY27.

Volume Improved YoY with Cost of Production Mounting

Cement Volume Growth and Cost Pressures: In Q1FY27, cement volumes across our coverage universe grew by 8%. Blended realisations improved by 5% QoQ and remained flattish YoY, as cement prices were increased to offset higher power/fuel, diesel, and packaging costs. We expect demand conditions to remain benign in FY27, supported by increased government spending on infrastructure and steady housing demand. During the quarter, cement production cost on a per-tonne basis stood at Rs 4,695, higher by 11% QoQ and 5% YoY.

Cement Demand Remained Resilient in Q1FY27

- **Volume-led Growth:** The Indian cement industry witnessed healthy demand momentum in Q1FY27, supported by strong government infrastructure spending, improving construction activity, and a recovery in rural demand. Industry cement demand is expected to grow by around 7–8% in FY27. While Q2FY27 is likely to witness some seasonal moderation due to the monsoon and scheduled plant maintenance, demand is expected to regain momentum from Q3FY27 and strengthen further into Q4FY27. Management commentaries across leading cement players remain positive, with growth supported by sustained infrastructure investments, housing demand and an expected improvement in industrial and commercial activity.
- **Realisation improved QoQ:** After remaining under pressure for a large part of FY26, cement prices improved meaningfully during Q1FY27 across most regions. Price hikes were undertaken primarily to offset rising fuel, logistics, and packaging costs. While the sustainability of these hikes remains region-specific, realisations improved sequentially for most cement companies during the quarter**.** Cement prices remained flattish YoY but improved 5% QoQ for our coverage universe, with most of the regions witnessing an improvement in prices during the quarter. Currently, Cement prices are stable across the region. Market dynamics and the demand-supply scenario will dictate the pricing environment.
- **Regional Demand Dynamics**: There were regional variations in demand. While the North, Central, and West regions saw strong demand supported by infrastructure activity, the South and East regions witnessed softness owing to a slowdown in infrastructure-related spending.

Cement Sector Outlook

Input Cost

During the quarter, power and fuel costs increased by 11% QoQ to Rs 1,190/tonne for our coverage universe, while on a YoY basis, costs were higher by 4% on a per-tonne basis, as fuel costs for both Pet Coke and Coal remained elevated, though they have moderated since then. The impact of higher fuel prices is expected in Q2FY27, as international Pet Coke prices remained elevated at $130-135/tonne. Freight costs are expected to increase in FY27 owing to higher diesel prices, while raw material costs remain slightly elevated. Other costs were also negatively impacted by an increase in packaging costs. Overall, the cost impact is estimated at Rs 100-125/tonne, which is expected to be reflected in Q2FY27.

Outlook

- **Cement Demand Remains Strong:** We expect cement demand to remain strong in FY27, supported by sustained government infrastructure spending, steady housing demand, and a recovery in rural consumption and industrial and commercial construction activity. These positive drivers are likely to keep the industry on a solid growth trajectory. We forecast volume growth in the range of 7-8% across our coverage universe in FY27. The industry added ~35 MTPA of new capacity in FY26, with a further ~40-45 MTPA expected in FY27. This sustained capacity expansion reflects confidence in long-term demand growth and continued investment momentum across the sector.
- **Sector Outlook:** The medium-term to long term outlook for the Indian cement sector remains positive; however, profitability will depend on Sustained pricing discipline, Stability in fuel costs, Demand absorption of new capacities, and Regional supply-demand balance. We remain positive as long-term demand drivers are intact and expect cement demand to grow at a CAGR of 7%-8% over FY24-28E. 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 input costs will be key monitorables.

Short and Medium-term Outlook

Short term

- Decline in Cement Prices
- Higher Competitive Intensity
- Rise in input prices

- Govt Capex Trajectory will Drive Cement Demand
- Premiumization, Higher blending ratio, More use of green energy to support margin stability

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 14,000*	✓ **Capacity Expansion to Support Higher Volume Growth:** The company's capacity expansion programme is progressing as planned. It commissioned 8.7 MTPA to reach a total consolidated grey cement capacity of 205.5 MTPA as of June 30, 2026. The company plans to add 15.9 mtpa in FY27 and 29.8 mtpa in FY28. Upon completion of the third and fourth phases of expansion, the total consolidated Grey Cement grinding capacity is expected to reach ~242 mtpa ✓ **Market Leadership on Track:** The enhanced scale and wider regional footprint are likely to reinforce market leadership, with market share targeted to increase from ~28% to ~32%. We estimate volume growth at a CAGR of ~13% over FY25–28E, driven by timely capacity commissioning and sustained demand momentum. ✓ **Margin Expansion to be Driven by Efficiency Gains, Premiumization & Cost Optimisation:** The company is targeting a cumulative cost reduction of over Rs 300/tonne over the next 2–3 years. The company aims to reach EBITDA/tonne of Rs 1,400 by Mar'28 in the normal course of business. Margin expansion is expected to be driven by a higher blending ratio, a rising share of premium products, and increased adoption of green energy. We estimate EBITDA margins to expand to ~21% by FY28, supported by operating leverage from higher volumes, improved realisations, and sustained cost-optimisation initiatives. ✓ **Market Share Gains Continue:** Between 2013 and 2024, the market share of large players increased from 46% to 57%, 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 Q1FY27 Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
Dalmia Bharat Ltd	BUY	Rs 2,260*	✓ **Capacity Expansion to Drive Volume Growth:** Dalmia Bharat is well positioned to deliver above-industry growth through its ongoing expansion projects and the acquisition of JP Cement's Central India assets. The company is on track to increase cement capacity to 67mt by Q3FY28, while the acquired assets are expected to contribute meaningfully from Q3FY27. We estimate the company to deliver a volume CAGR of 6% over FY25-28E ✓ **Improving Profitability through Premiumisation and Cost Leadership:** The company continues to strengthen its earnings profile through an increasing share of premium cement, which now contributes 25% of total sales, alongside disciplined pricing. Simultaneously, initiatives such as fuel mix optimisation, renewable energy adoption, procurement efficiencies and operational improvements generated cost savings of over Rs150/tonne during the quarter. These measures are expected to cushion input cost volatility and support gradual margin expansion. Accordingly, we estimate EBITDA margins in the range of 19–21% over FY27–FY28E ✓ **Healthy Industry Outlook with Strong Balance Sheet:** Management remains optimistic on the domestic cement sector, expecting around 7% industry demand growth in FY27, driven by infrastructure spending and housing demand. Despite the JP Cement acquisition, the company maintains a healthy financial position with Net Debt/EBITDA of 1.47x, providing sufficient flexibility to fund future growth. Supported by a robust demand outlook, disciplined capital allocation, and steady execution, Dalmia Bharat remains well-placed to deliver sustainable earnings growth over the coming years.

Note: Target Price is based on our Q1FY27Result Update Report

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
JK Cements Ltd	BUY	Rs 6,150*	✓ **Volume Growth Visibility Remains Intact:** The company's ongoing capacity expansion program is progressing well, targeting an addition of 7 MTPA, and will raise its total Grey Cement capacity to 39.3 MTPA from the current 32.3 MTPA, implying a 14% capacity CAGR over FY20–FY28. The ramp-up of the recently commissioned capacity, along with the ongoing 7 MTPA expansion, is expected to support strong volume growth in the future. As a result, JK Cement is projected to deliver a volume CAGR of 13% over FY25–FY28E. ✓ **Margin Expansion Expected Amid Cost Optimisation:** JK Cement delivered an in-line operating performance during the quarter, supported by healthy volume growth and improved realisations. The company is well positioned to sustain this momentum through FY27, aided by robust cement demand and continued market expansion. Management has guided for cost savings of Rs 150–200 per tonne over the next two years through various operational efficiency initiatives ✓ **Regional Expansion Supports Growth:** Post-expansion, Central India will account for ~40% of JK Cement's grey capacity, while entry into the Eastern region strengthens its long-term growth footprint. Supported by rising infrastructure-led demand, the company is well placed to capture higher cement consumption, underpinning a 15% revenue CAGR over FY25–FY28E.

Note: Target Price is based on our Q1FY27 Result Update Report

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August 2026

Top Conviction Ideas: Metals & Mining

Aditya Welekar
Keval Barot

Q1FY27: Solid Operational Performance Continues; Metal Prices Remain Elevated

✓ *Financial Performance*

- **For Aluminium companies under coverage:**
  - ✓ **Hindalco** reported a strong set of numbers. Consolidated Revenue stood at Rs 84,825 Cr (up 32%/9% YoY/QoQ), in line with our estimate. EBITDA stood at Rs 13,972 Cr (up 73%/37% YoY/QoQ), beating our/consensus pre-Novelis results estimate by ~30%, led by strong upstream aluminium and copper performance. Reported PAT stood at Rs 7,013 Cr (up 75%/170% YoY/QoQ), led by higher EBITDA.
  - ✓ **NALCO's** consolidated revenue stood at Rs 5,302 Cr (up 39% YoY, up 6% QoQ), in line with consensus estimates (and a 4% beat vs. Axis Est). EBITDA stood at Rs 2,708 Cr (up 81% YoY, up 15% QoQ), a marginal 3% miss vs. consensus (a 13% beat vs. Axis Est). NALCO delivered solid cost discipline with employee benefit expenses declining (down 11%/15% YoY/QoQ) due to superannuations and lower actuarial provisions, while other expenses moderated (down 7%/23% YoY/QoQ). However, power & fuel expenses surged (up 32%/59% YoY/QoQ) on raw material inflation. Consolidated PAT stood at Rs 2,003 Cr (up 91% YoY, up 16% QoQ), matching consensus estimates.
- **For Steel companies under our coverage:**
  - ✓ **Tata Steel's** consolidated EBITDA stood in line with our and consensus estimates at Rs 9,264 Cr (up 25% YoY, but down 6% QoQ). Consolidated revenue stood at Rs 60,794 Cr, up 14% YoY, but down 4% QoQ, 5% ahead of consensus. QoQ EBITDA decline was anticipated due to lower volumes led by maintenance shutdowns in a seasonally weak Q1. Underlying PAT stood at Rs 2,664 Cr (up 21% YoY but down 18% QoQ), mainly driven by higher EBITDA.

Q1FY27: Solid Operational Performance Continues; Metal Prices Remain Elevated

Financial Performance

- **SAIL** Adj. revenue (exl rail provision) stood at Rs 26,555 Cr, up 3% YoY but down 14% QoQ. Adj EBITDA stood at Rs 4,462 Cr, up 72%/1% YoY/QoQ, 11% beat vs. consensus. Underlying PAT stood at Rs 1,644 Cr, up 121% YoY but down 10% QoQ, beating consensus by 6%.
- **Coal India** reported muted EBITDA, as was largely expected. Consolidated revenue stood at Rs 46,255 Cr, up 8% YoY, down 1% QoQ (not comparable to our estimate). EBITDA, excluding stripping activity, stood at Rs 10,238 Cr, down 9%/17% YoY/QoQ, largely in line with our estimate. Reported EBITDA stood at Rs 12,069 Cr (down 4%/5% YoY/QoQ), a 2% miss vs. consensus, mainly due to higher RM, contractual and other expenses. Attributable net profit stood at Rs 8,852 Cr, up 1% YoY, down 18% QoQ, 2% ahead of the consensus estimate due to higher other income. The board declared an interim dividend of Rs 5.5/share.
- **APL Apollo Tubes** reported largely in-line EBITDA vs. our estimates. Consolidated revenue stood at Rs 5,438 Cr, up 9% YoY but down 10% QoQ, beating our and consensus estimates by 8%/5%, indicating the ability to get better sales realisation. EBITDA stood at Rs 411 Cr, up 11% YoY, but down 20% QoQ, largely in line with our and consensus estimates. EBITDA/t stood at Rs 5,522/t, up 18% YoY and flat QoQ, underscoring the company's strong brand positioning, freshness of product offerings, and a strict focus on margin protection. VAP share improved to 65% (vs. 55% in Q4FY26). PAT stood at Rs 263 Cr, up 11% YoY, but down 26% QoQ.

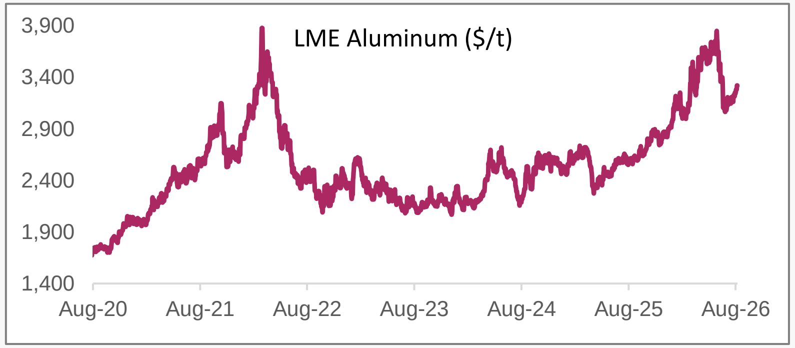
Steel Sector Outlook

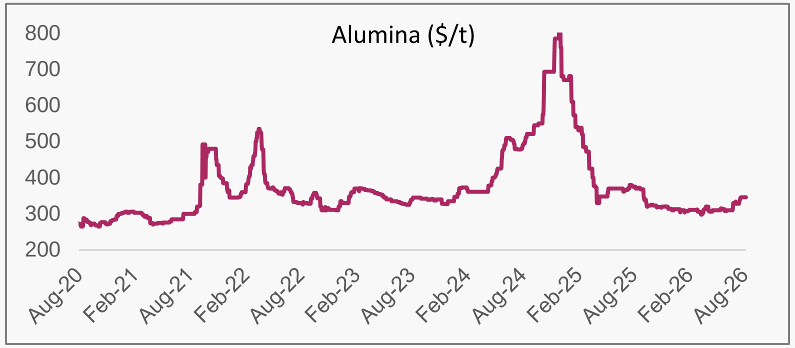
- **Steel prices remain elevated:** Domestic HRC price momentum remained resilient in Q1FY27 (prices increased by 9%/7% YoY/QoQ), building on the strong performance of the previous quarter. This comes on the heels of an 11% YoY and 12% QoQ surge recorded in Q4FY26. The price resilience was supported by strong exit-demand in Q4FY26, a delayed monsoon, and regulatory protection via the imposition of a safeguard duty. **Prices remain resilient amidst a seasonally weak monsoon quarter:** Amidst the monsoon, steel prices have witnessed a minor retracement, with average HRC prices in Q2FY27 (so far in Jul-Aug'26) down slightly by 0.7% QoQ and averaging at Rs 56,824/t. Aided by the protective safeguard duty, Indian HRC prices are currently trading at an 8% discount to Chinese landed prices, providing a comfortable buffer against cheap imports.
- **Steel raw material prices:** Coking coal prices in Q1FY27 averaged at $239/t, up 29%/6% YoY/QoQ, however in Q2FY27 so far (Jul-Aug'26 so far) prices have corrected and averaged at $225/t, down 5.4% QoQ. Iron ore prices have stood strong in Q1FY27 at $105/t (up 10%/2% YoY/QoQ); however, prices have corrected materially by 7.3% QoQ and averaged at $97/t in Q2FY27 so far (Jul-Aug'26 so far).
- **Company outlook:** In Q2FY27, the steel company's margins could come under slight pressure mainly due to lower steel prices amidst monsoon, while coking coal costs on a consumption basis remain stable. Coking coal prices, however, are declining currently. (spot $217/t) **Tata Steel:** India - NSRs: Domestic steel realisations are expected to soften by ~Rs 1,500/t QoQ due to monsoon-led seasonal weakness in long products. Auto contract price revisions negotiated in Q1 will partially offset this in Q2. Input Costs: Coking coal consumption costs are projected at ~$184/t (+$5/t QoQ). Earnings: Higher delivery volumes post-maintenance normalisation are expected to drive absolute EBITDA growth QoQ. Europe: UK steel prices are expected to improve by £70–80/t in Q2FY27 following safeguard revisions, while Netherlands realisations are expected to increase by ~€10/t and coking coal cost will rise by $10/t QoQ. **SAIL:** Management expects Q2FY27 NSR to be down by Rs 1,000–2,000/t overall QoQ, though recent upward price momentum in Long products (+Rs 500–1,000/t) offers support. Blended imported coking coal consumption cost in Q1FY27 stood at Rs 21,300/t (up Rs 3,200/t QoQ from Rs 18,100/t in Q4FY26). However, with global coking coal indices softening, management expects progressive cost relief of Rs 1,000–2,000/t in imported coal consumption costs during Q2FY27 (starting August/September). **APL Apollo tubes:** Management attributed the Q1FY27 volume decline to a combination of near-term disruptions. Despite these headwinds, management maintained its FY27 guidance of 15-20% volume growth and 20%+ EBITDA growth YoY, maintaining EBITDA/t guidance at Rs 5,000-5,500/t.

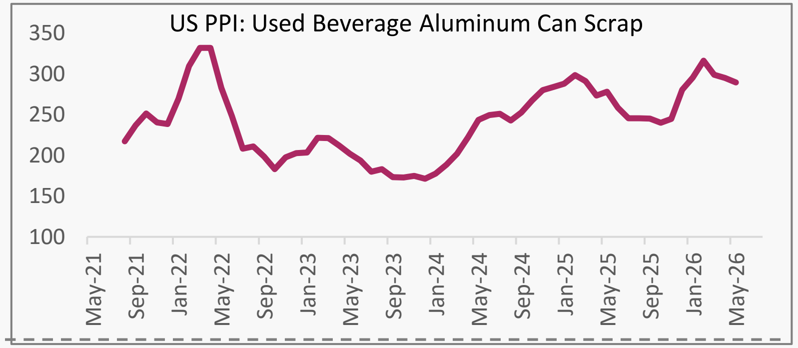
Aluminium Sector Outlook

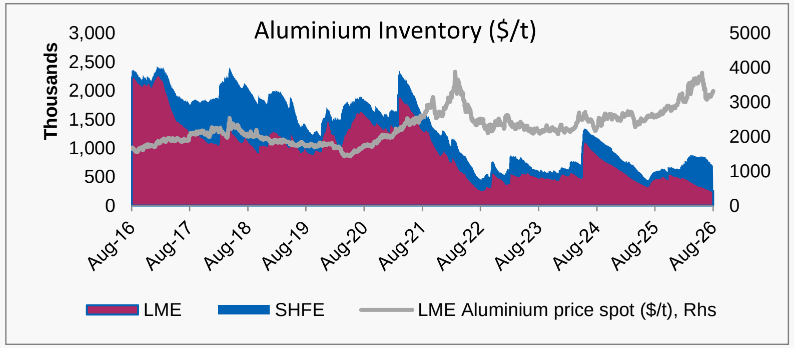
- **Aluminum :** Average LME aluminium prices stood strong in Q1FY27, surging by 46%/12% YoY/QoQ. This rally was primarily driven by supply disruptions in the Middle East, a crucial region that accounts for 9% of global output. Spot aluminium prices peaked at a four-year high of $3,850/t on June 2, 2026, fueled by mounting signs of a severe supply crunch. However, prices have since retraced due to easing geopolitical and macroeconomic drivers and dropped to $3,066/t on 1st Jul'26. Prices have increased once again since 1st Jul'26 and rose to $3,264/t following the recurrence of geopolitical tensions in the Middle East region.
- **Alumina prices range-bound at lower levels**: Alumina prices in Q1FY27 averaged $311/t (down 13% YoY, flat QoQ) and have largely been range-bound in recent quarters. Alumina spot prices, however, have increased to $348/t, driven by production curtailments in Russia and China, along with higher Guinea bauxite prices. Recently, alumina prices saw increased volatility. Norsk Hydro's Alunorte refinery in Brazil - the world's largest alumina refinery outside China (6.3 mt/year capacity) - was forced to temporarily cut production by 50% due to natural gas supply shortages from its supplier. Alumina spot prices had recently been trading near 10% of primary aluminum prices (below the historical average of 14-16%). This pricing gap made alumina markets hyper-sensitive to sudden supply disruptions. However, as reported on 14th Aug'26, Alunorte was able to secure temporary terminal access to normalize gas supply and begin ramping back up to full production; supply-deficit concerns eased, softening spot alumina price surges.
- **Company outlook: Hindalco** - Aluminum cost of production (CoP) in Q1FY27 increased ~4% QoQ (slightly better than the ~5% guidance). Q2FY27 CoP is expected to rise by another ~5–6% QoQ, primarily driven by seasonal increases in northern region coal prices during the monsoon period. At Novelis, Management maintained its long-term EBITDA/t guidance of $600+/t, supported by run-rate cost savings hitting $225 Mn (on track for $350–$400 Mn by FY28 exit) and commissioning progress at the 600 kt Bay Minette plant (commercial shipments targeted for Q1FY28). **NALCO:** Trial runs are underway at the 1.0 mtpa 5th stream Alumina refinery, following mechanical completion across 50+ packages. Full mechanical completion is now targeted for Sep'26 (vs. Jun'26 earlier), followed by a 3-4 month integrated commissioning phase. Commercial rollout is expected from Dec'26, with the unit delivering ~0.2 mt of alumina in FY27 (unchanged from previous guidance) before scaling to its full 1.0 mtpa operational benefit in FY28.

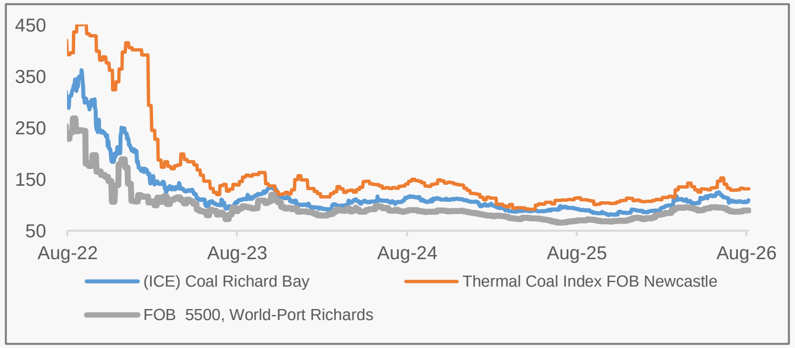
Metals & Mining Key Charts

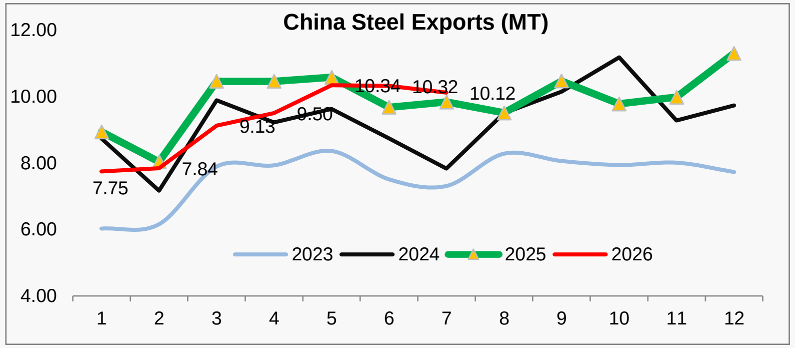


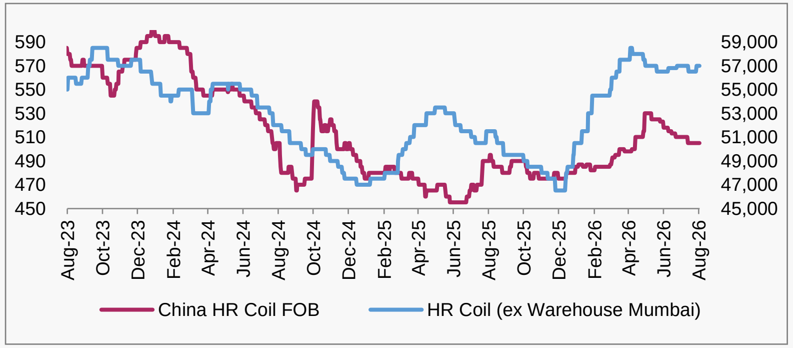


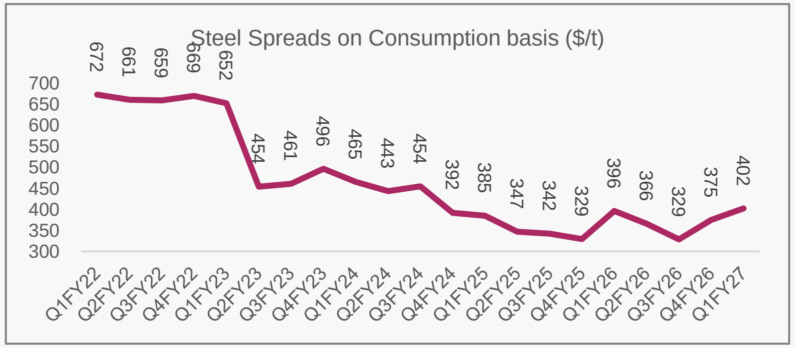


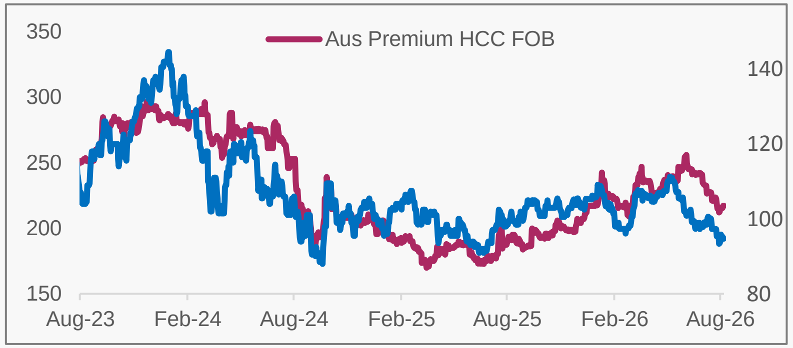












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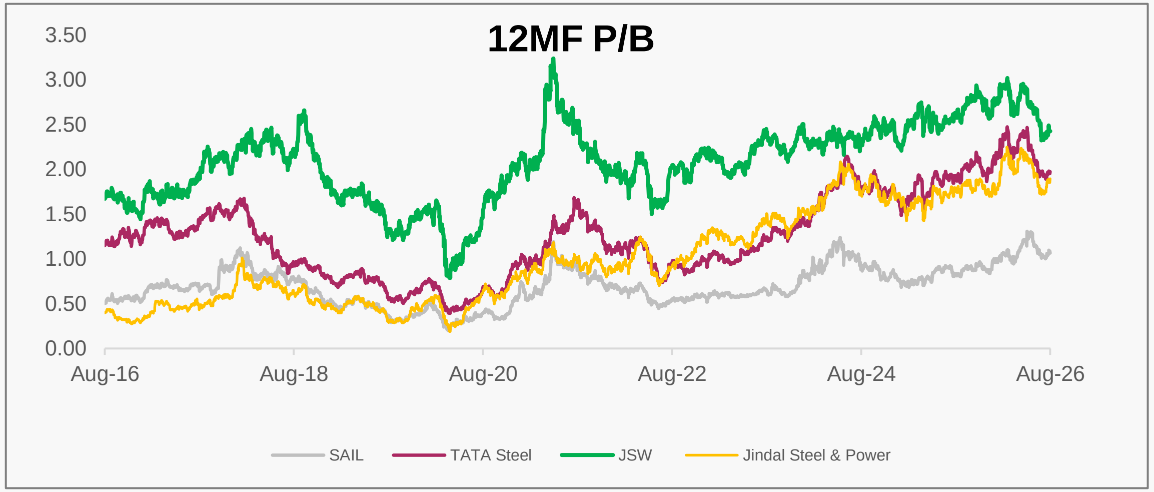
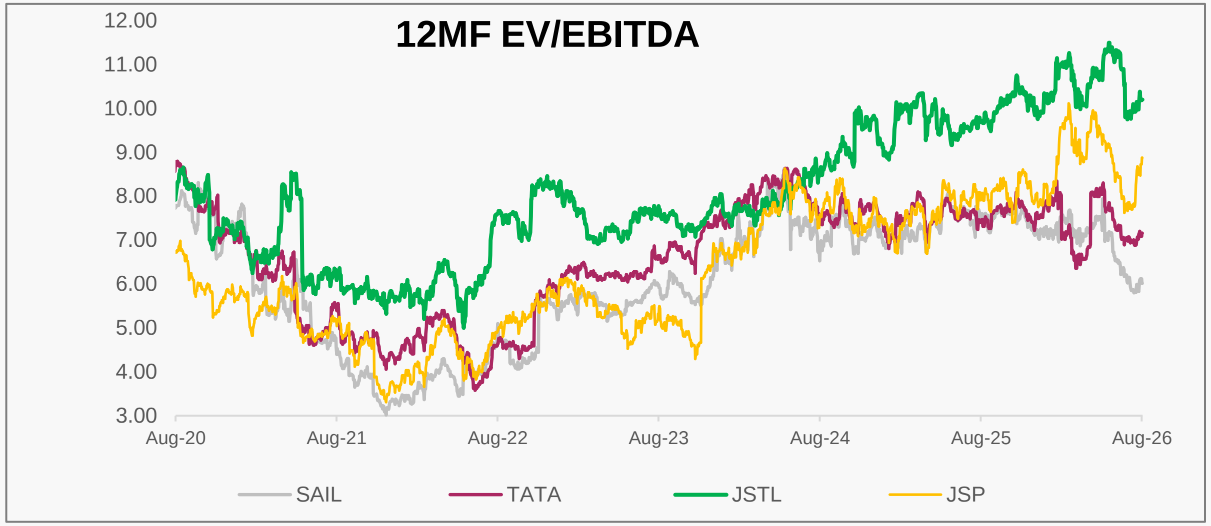
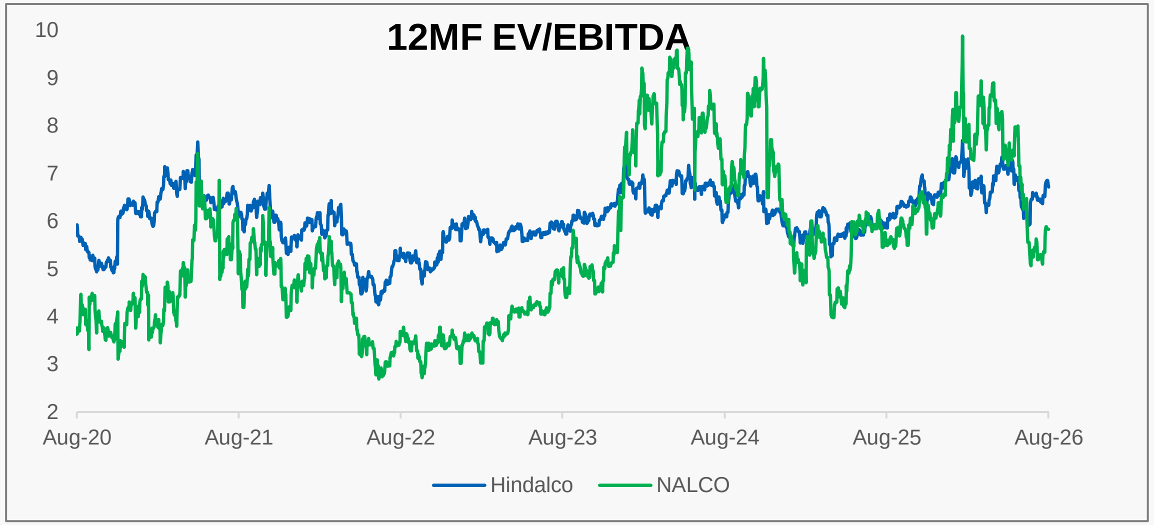
Steel Valuations above +1 SD over LT average P/B

- SAIL is trading at P/B of 1.07x vs LT average of 0.7x
- Tata Steel is trading at P/B of 1.98x vs LT average of 1.25x
- Jindal Steel is trading at P/B of 1.9x vs LT average of 1.02x
- JSW Steel is trading at P/B of 2.43x vs LT average of 2.09x

Both Steel and Aluminum companies Valuation have factored in the positive price outlook and risk reward at this juncture looks balanced.







Source: LSEG Workspace

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
APL Apollo tubes	BUY	Rs 2,250*	✓ **Volume Decline Led by Transient, Industry-Wide Headwinds; Recovery Already Visible:** Q1FY27 sales volume fell to 745KT (-6%/-19% YoY/QoQ), driven by: (i) UAE business disruption due to the Middle East geopolitical situation, costing ~25kt; (ii) SG Premium weakness as a widening primary-secondary steel price gap pushed customers toward cheaper unorganized players; (iii) North India's energy crisis curbing demand for roofing/structural products (~25-30kt lost); and (iv) Sharp steel price inflation led to dealer destocking and deferred purchases by EPC contractors and real estate developers, resulting in a temporary demand slowdown. Management indicated that this trend was visible across the industry rather than being company-specific. However, volumes have shown a healthy recovery, with July dispatches rising ~20% MoM and UAE dispatches resuming. Management has guided for volumes of around 1.0 MnT in Q2FY27 and 1.05 MnT in Q3FY27, with an even stronger Q4FY27 supported by new capacity additions. Accordingly, the company has reiterated its FY27 volume growth guidance of 15–20% YoY. ✓ **Strategic Focus on Margin Protection:** Given the uncertain geopolitical situation and elevated inflation during the quarter, management prioritized margin protection. The company's gross profit increased by Rs 1,000/t on a QoQ basis. This strategic maneuvering helped sustain EBITDA/t above the Rs 5,500 mark despite negative operating leverage stemming from lower volumes. Management indicated that EBITDA spreads will remain in the sustainable range of Rs 5,000-5,500/t for FY27. ✓ **Capacity Expansion & De-commoditization to Counter Steel Price Volatility:** Capacity expansion remains on track to scale from 5 MTPA to 8 MTPA by FY28, 2 MTPA via greenfield/brownfield additions (East: Gorakhpur, Siliguri; South: Malur; Western coastal) and 1 MTPA through debottlenecking/plant modernization. To structurally insulate against steel-price-driven demand swings like Q1FY27's, management continues pushing the value-added product mix from ~65% toward a 75-80% target, offering better pricing power and margin stability versus commodity tubes.

Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
Hindalco	BUY	Rs 1,155*	✓ **Upstream Aluminium** EBITDA/t jumped 59%/33% YoY/QoQ to an all-time high of $2,331/t, driven by higher LME Aluminium ($3,565/t, up 46%/12% YoY/QoQ) and strong operational efficiencies. Third-party shipments were flat YoY but down 6% QoQ at 219 kt. Q1FY27 Cost of Production (CoP) increased ~4% QoQ (slightly better than the ~5% guidance). Q2FY27 CoP is expected to rise by another ~5–6% QoQ, primarily driven by seasonal increases in northern region coal prices during the monsoon period. ✓ **Aluminium Downstream Mix Improvement & Premiumisation Continues:** EBITDA jumped 30%/17% YoY/QoQ to an all-time high of Rs 298 Cr, despite 3rd party shipments dropping 16% QoQ (up 3% YoY) to 104 kt (in line with domestic demand). EBITDA/t surged 15%/34% YoY/QoQ to $303/t, driven by a favourable product mix, higher FRP volumes, and premiumisation benefits. While management guided near-term sustainable EBITDA/t to normalise around ~$250/t as new facilities ramp up, it expects long-term margins to remain above $300/t. ✓ **Copper:** Despite planned smelter shutdown, EBITDA reached a record Rs 918 Cr (up 36%/1% YoY/QoQ), pushing EBITDA/t up 46%/20% YoY/QoQ to $926/t. Total metal shipments declined 16%/18% YoY/QoQ to 105 kt due to a planned smelter maintenance shutdown, though Continuous Cast Rod (CCR) shipments recovered 5% QoQ (down 8% YoY) to 96 kt on strong market demand. Profitability was sustained by higher CCR contributions, operational efficiencies, and elevated sulphuric acid by-product credits, which helped offset historically low/negative Tc/Rc. Management expects operational volumes to recover sequentially in Q2FY27. ✓ **Novelis:** Strong Recovery & Profitability Beat: Adj EBITDA/t came in at $563/t (+30%/+4% YoY/QoQ), well ahead of the estimated $501/t, driven by structural cost reduction initiatives, positive scrap spreads, and insurance recoveries.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

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AUGUST 2026

Top Conviction Ideas

Banking, Financial Services & Insurance (BFSI)

Dnyanada Vaidya
Abhishek Pandya

Banks: Q1FY27 Performance Review

Growth Accelerates; Asset Quality in a Sweet Spot – SMID Banks Lead the Charge

- **Banks** (incl. SFBs) fared better across parameters in a seasonally weak Q1, with the key highlight of the quarter being robust credit growth momentum across the board and strong asset quality performance. **Credit growth accelerated to ~18/3% YoY/QoQ, largely driven by Corporate, SME, and select Retail Segments, with banks seeing a revival in unsecured segment growth as asset quality concerns normalised**. The Small/Mid banks outperformed their larger peers with growth robust at 27/4% and 20/4% YoY/QoQ respectively, closely followed by PSBs (+18/2% YoY) and larger private (pvt.) banks (+17/4% YoY/QoQ) under our coverage. The outlook in the unsecured segments continues to remain optimistic, with lenders indicating improved disbursement momentum going through FY27. Secured growth outlook remains constructive, while lenders continue to watch out for headwinds owing to uncertain macros and weather-related challenges.
- **Deposit growth remained muted, following seasonal trends, and continued to lag credit growth. However, Q1FY27 deposit growth trends were better vs historical Q1 performance for most banks.** Within our coverage banks, deposit growth of 12/1% YoY/QoQ was primarily driven by TDs, as CASA deposits declined owing to seasonality. CASA Ratios for most banks declined by 1-2% QoQ, with AUSFB, Bandhan, and SBI being outliers. SFBs' deposit growth remained healthy in the range of 3-5% QoQ, followed by mid-sized banks growing at 1-3% QoQ, with IDFCFB being an outlier wherein deposit growth resumed post the one-off fraud event. Lenders highlighted that FCNR(B) deposit flows continue to remain encouraging and should further accelerate going into Q2, thereby supporting deposit growth.
- **NIM** trends appeared divergent during Q1; even as the full impact of the rate cut has already been absorbed, higher growth in the corporate segment, pricing pressures, and limited benefit from deposit repricing weighed on NIMs. **Mid-sized banks fared better in defending their margins QoQ** (FB being an outlier with 13bps NIM improvement), while **larger pvt. banks** witnessed a **sharper-than-expected 12-14bps** margin compression, except ICICIB, which was an outperformer. Amongst the PSBs, **SBI posted a positive surprise as it clawed back margins** post a disappointing performance in Q4, while BoB continued to report margin compression of 12bps. SFBs' margins reflected the inch-up in CoF, reflecting the rate actions taken, even as interest reversals declined and MFI growth remained strong.
- **Core fee income** growth was healthy across most banks, and better performance on treasury supported operational profitability. Banks continue to exercise control over opex, though continued investment in tech, AI, digitization, automation, and franchise building continues in a calibrated manner. **Cost ratios trended lower across most banks, supported by controlled opex growth and improving operating leverage**. Resultantly, **PPOP growth improved by 9%** QoQ, and remained flattish YoY.
- **Slippages** during the quarter were controlled across most banks, with **stress in the unsecured portfolios having normalised and collections holding up well across geographies and customer segments.** Asset quality in most secured portfolios and corporate portfolios continues to remain resilient. Resultantly, credit costs continued to decline by >50% YoY (~13% lower vs our estimates) for our coverage universe banks, aiding earnings growth. Our coverage banks delivered an **8/-2% YoY/QoQ PAT growth during the quarter, though core earnings (ex-treasury) growth momentum remained strong**.

NBFCs: Q1FY27 Performance Review

NBFCs Start the Year on a High Note

- NBFCs **outperformed our expectations in a seasonally weak Q1 and made a strong start to the year**, with growth remaining robust across financiers and improving asset quality keeping credit costs controlled, driving a strong earnings beat. While disbursements tempered sequentially (due to seasonality), AUM growth continued to show strength, with our coverage NBFCs registering a strong growth of 21/5% YoY/QoQ, with growth led by Gold Financiers (+57/9% YoY/QoQ), Diversified Financiers (+24/7% YoY/QoQ), Vehicle Financiers (+18/4% YoY/QoQ). Growth pick-up was seen in Housing Financiers (+13/2% YoY/QoQ), though it remains soft due to elevated prepayments, while Microfinanciers (+16/2% YoY/QoQ) continue to gather growth momentum. The impact of the West Asia conflict and monsoon-related headwinds remained contained in Q1, with no material impact visible on business or asset quality. However, lenders remain watchful of potential second-order impact due to external headwinds.
- **NIM trends remained divergent and were primarily an outcome of effective liability management, pricing discipline, and asset deployment strategies.** Within our coverage universe, **housing financiers were outliers** reporting a **sharper-than-expected decline in margins** of 30-40bps QoQ, due to yield adjustments, transition impacts from annual-to-quarterly interest rate resets, and competitive pricing pressures, though lower CoF helped insulate overall spreads. On the other hand, **Microfinanciers (+20bps QoQ) and Gold Financiers (+73bps QoQ)** reported **margin improvement** led by a combination of stable CoF, lower interest reversals, and upward yield recalibrations. **Vehicle Financiers maintained strong margin profiles** (ex-CIFC), due to efficient deployment of fresh equity capital, temporary relief from lower CoF, and positive mix shifts toward higher-yielding products. **Diversified Financiers reported steady to expanding margins.** MAS' margins expanded significantly through yield optimization and reduced CoF, while BAF's margins remained resilient by optimizing product mix to balance rising incremental CoF. NII growth remained strong, growing at 25/9% YoY/QoQ in Q1, marginally ahead of our estimates.
- Healthy fee income traction, though with some seasonal moderation on a sequential basis, controlled opex growth and improving operational efficiency collectively aided healthy PPOP growth. Financiers maintained tight cost controls, keeping cost ratios well-contained despite front-loaded IT investments, digital platform rollouts, and frontline sales staff attrition challenges. **Investments made so far are beginning to yield results, driving tangible efficiency gains.** Resultantly, in Q1, PPOP growth was strong at 25/9% YoY/QoQ.
- **Asset quality trajectories diverged between microfinance/diversified segments and housing lenders.** Microfinanciers and Diversified Lenders showed noticeable improvements in asset quality, as stress continued to subside, with collections holding up well. **Vehicle Financiers navigated typical Q1 seasonality**, with asset quality metrics remaining manageable or flat QoQ. Overall collections remained steady, allowing credit costs to trend lower YoY. **Housing Financiers saw a steady to minor temporary deterioration in asset quality metrics** due to quarter-end collection disruptions and bounce rate spikes in low-ticket portfolios. Favourable asset quality outcomes supported by disciplined underwriting and recovery in MFI, despite minor seasonality and temporary collection disruptions in select segments, resulted in an improvement in credit costs, which de-grew by 14/2% YoY/QoQ, supporting earnings growth of 45/10% YoY/QoQ.

Diversified Financials: Q1FY27 Performance Review

Stronger Than Expected Q1

- Credit card issuer **SBICARD reported a strong earnings recovery, with the highlight of the quarter being lower credit costs (< 7%) (at a multi-quarter low).** Q1 performance was **driven primarily by asset quality improvements and lower provisioning**, even as **NIMs compressed by 30bps QoQ** to 10.8% due to higher CoF and lower yields given an unfavorable receivables mix. On the operational front, business momentum picked up sharply as SBIC registered its **highest card additions in the last five quarters** with 10.2 Lc new cards, driving CIF growth of 7/2% YoY/QoQ. **Total Spends were up 27.1% YoY, boosting SBIC's spends market share to 19.5% (+140/290bps YoY/QoQ).** Spends growth was driven by resilient retail spends (+14/5% YoY/QoQ) and healthy corporate spends (+125/-4% YoY/QoQ). **Receivable growth was weak, though slightly better than expected** at +3% YoY/QoQ each, with the mix of interest-yielding assets steady at 55%, flat QoQ. In Q1, Opex increase was largely in line with business momentum improvement, reflecting higher customer acquisition costs, elevated spend-related opex, and an increase in employee provisioning following changes under the labour laws. **Asset quality showed substantial improvement**, with GNPA/NNPA moderating QoQ to 2.04/0.83% respectively, supported by decadal-low entry rates into the first delinquency bucket.

- **Life insurer SBILIFE demonstrated healthy performance in Q1**, driven by robust momentum across its key distribution channels and proactive channel diversification. The **agency channel maintained significant traction** behind strategic investments like Agency 2.0 and Agency Next, benefiting from widespread agent additions and expanding branch footprints. Concurrently, SBILIFE reinforced its core bancassurance strength through SBI and Regional Rural Bank branches, while continuing to scale third-party non-SBI bank partnerships and strategic tie-ups. From a product strategy standpoint, **performance was marked by a favorable shift toward traditional Non-ULIP offerings**, including Participating and Non-Participating products. While underlying individual business margins continued to trend positively, overall **VNB margins experienced temporary pressure, primarily attributable to an unusually high share of lumpy, lower-margin group business alongside residual GST impacts.** Opex saw a structural step-up, largely driven by regulatory labor code compliance costs and higher stamp duty obligations tied directly to the sharp expansion in sum assured.

- **Asset management company NAM delivered a strong operational performance in Q1, driven by continued market share gains, robust retail participation, and ongoing strategic investments in scaling its franchise.** The quarter was marked by a beat on most parameters vs our estimates, supported primarily by stronger-than-expected revenue growth driven by a rebound in other income. MF QAAUM grew by 23/4% YoY/QoQ, driving overall market share up by 15 bps QoQ. Growth was led by an expanding equity mix rising to 48.9% of total AUM and boosting equity market share to 7.38%, alongside continued expansion in ETF market share to 21.35%. Blended revenue yields remained stable, aided by a favorable asset mix toward equity funds, while recent expense-ratio adjustments were passed through commission realignments to limit operational impact. Opex growth was slightly elevated during Q1, reflecting employee increment cycles alongside deliberate, ongoing spending on technology, digital infrastructure, and brand building to support long-term positioning.

Q1FY27 PERFORMERS: WINNERS AND LOSERS

	HITS	MISSES
Banks	ICICI BANK	BANK OF BARODA
	STATE BANK OF INDIA	
	CITY UNION BANK	
	FEDERAL BANK	
	IDFC FIRST BANK	
	UJJIVAN SMALL FINANCE BANK	
NBFCs and Diversified Financials	SHRIRAM FINANCE	APTUS VALUE HOUSING FINANCE
	CREDITACCES GRAMEEN	
	BAJAJ FINANCE	
	NAM-INDIA	
	MANAPPURAM FINANCE	

** Based on Q1FY27 Performance

BFSI Sector Outlook: Banks

The Way Forward

- ✓ After a strong pick-up in credit growth, most management teams appear upbeat about growth momentum remaining strong, notwithstanding the external headwinds from the continued West Asia conflict and weather-related disruption. **This should be complemented by demand recovery in the unsecured segments, sustained momentum in corporate credit and continued strength in MSME and the retail segments. We pencil in ~16% CAGR credit growth over FY26-28E for our coverage universe banks, with larger private banks (16% CAGR) marginally outperforming PSBs (15% CAGR), while mid-sized private banks (19% CAGR) and SFBs (24% CAGR) should continue to report stellar growth.** Deposit growth is expected to continue to lag credit growth, settling at ~14% CAGR over FY26-28E, with near-term support from FCNR (B) deposit mobilisation. The systemic deposit growth since the start of FCNR (B) flows has improved by ~1.7% MoM (15 Jul'26 vs 15 Jun'26). This should help ease the pressure on bulk deposit rates and support near-term credit growth (at least in Q2) as lenders deploy these funds through banks' international branches and also towards domestic corporate credit.

- ✓ With the repo rate cuts having already been absorbed, **yield movement hereon would remain a function of the portfolio mix and pricing dynamics**. **CoD/CoF have bottomed out and are likely to remain largely range-bound, between remaining sticky and moving up marginally,** reflecting the TD/SA rate hikes taken by many banks. However, FCNR (B) mobilisation is likely to offset some pressure on near-term CoD. Going forward, banks will continue to build retail-led liability franchises with primary focus on CASA accretion and lowering dependence on higher-cost bulk deposits. We expect **better NIM performance from the mid-sized banks, with improvement between 10-30bps collectively driven by a favourable portfolio mix, optimal deposit mix enabling lower CoF, and improved growth in unsecured segments**. **SFBs** are expected to largely maintain NIMs at **current levels (+/-10bps)** as MFI growth picks up and lower interest reversals offset CoF pressures and a gradual shift towards secured products. **Larger pvt. banks** are expected to **largely defend margins**, with a slight positive bias. Though we **do not see much scope for margin improvement in PSBs** given elevated LDRs and growth in the lower-yielding corporate segment.

The Way Forward

- ✓ Fee income will continue to be healthy with concentrated efforts to strengthen the core fee income profile. Banks will continue to leverage their investments in tech to drive operational efficiency and enable lenders to maintain opex growth below top-line growth and drive cost ratio improvement. However, continued investments in tech, automation and franchise build-out will continue in a calibrated manner. **We expect 2-5% improvement in cost ratios for our coverage universe banks** (ex-IDFCFB and EQSFB, where improvement is expected to be sharper by FY29E vs FY26). **PPOP growth for our coverage banks is expected to remain healthy at ~21% CAGR over FY26-29E**.

- ✓ **With healthy collection trends sustaining and forward flows contained, credit costs are expected to stabilise, thereby supporting earnings growth. The unsecured segments, a major contributor to the elevated credit costs, are now out of the woods,** while the secured and corporate segment asset quality remains well resilient. While the impact of the West Asia conflict has not been visible on borrower cash flows and collections so far, **weather-related challenges could play spoiler in the near-term and warrant caution**. Multiple **lenders have strengthened their provision buffers in Q1**, as they prepare for the ECL transition along with uncertainties arising on account of continued geopolitical conflict and weather-related headwinds. However, private banks appear better placed to navigate the transition.

- ✓ **We believe improving operational efficiency and stable credit costs should largely offset the softer performance on NIMs, driving a 16% CAGR earnings growth for banks under our coverage. We expect RoA to improve by ~10- 20 bps by FY29E for the SMID banks, while larger pvt banks and PSBs could see a modest 5-8bps improvement over the same period.**

BFSI Sector Outlook: NBFCs

The Way Forward

- ✓ **The medium-term growth outlook for NBFCs under our coverage appears constructive across financiers supported by expanding distribution networks and healthy underlying credit demand. Gold Financiers are set to lead expansion** while targeting loan growth of 25-30%, driven by branch rollouts, increasing borrower awareness of gold loans with support from regulatory push, and structural demand from MSMEs/businesses. However, we **remain watchful of the intensifying competitive landscape**. The non-core portfolios for Gold Financiers are expected to grow in a selective and calibrated manner, with financiers prioritizing asset quality over portfolio expansion. **Diversified Financiers continue to target strong mid-20% growth,** supported by multi-engine execution, AI-led digital origination, MSME recovery, and new product scale-up. AI-led origination and underwriting should remain a key growth enabler. **Vehicle Financiers** are expected to deliver steady growth aided by **resilient CV demand, deep rural penetration, and strategic scaling of new vehicle financing and cross-sell offerings**. **Microfinanciers** are experiencing **re-acceleration in growth momentum**, supported by steady new borrower additions and expanding presence outside core top states. Beyond core MFI loans, growth is catalyzed by a Retail Finance (RF) customer graduation strategy, which is expected to grow at a faster pace, thereby improving its mix in the overall portfolio. **Housing Financiers' growth momentum is expected to pick up,** underpinned by strong underlying disbursement momentum across affordable housing and customer segments, leveraging geographic expansion, connector networks, and stepped-up disbursements to counter elevated portfolio run-downs and part-prepayments. Geographically, growth will be driven by improving penetration in existing core markets and improving penetration in newer geographies. **While effectively maintaining a prudent balance between portfolio expansion, competitive pressures, and asset quality, we expect NBFCs under our coverage to deliver a healthy AUM growth of ~21% CAGR over FY26-29E**.

- ✓ **While NIM performance in Q1 was better than expected, we do not see much support for margins through FY27.** Thus, we **expect NIMs to range from remaining largely steady to calibrating marginally,** with the trajectory driven by the effectively balancing effects of higher incremental CoF being partially offset by favorable portfolio mix shifts toward higher-yielding segments such as gold, MSME, and microfinance loans. **Margin compression is expected to be largely visible in H2FY27**. Furthermore, **prudent liability management, competitive borrowing rates, and disciplined capital deployment will cushion spreads across lenders**. **We pencil in NII growth of 21% CAGR over FY26-29E.**

BFSI Sector Outlook: NBFCs

The Way Forward

- ✓ Operating efficiency is likely to strengthen steadily, **driving cost ratios lower across lenders (lower by 100-400bps across financiers)**. Rapid network expansion is increasingly being absorbed by improved business volumes and branch productivity gains as newer branches mature and contribute to overall business growth. Concurrently, continuous investments in digital infrastructure, AI-led sourcing, and workflow automation are lowering customer acquisition and servicing costs and are expected to generate tangible operating leverage over the medium term. PPOP growth for our coverage NBFCs is expected to remain healthy at 22% CAGR over FY26-29E.

- ✓ **Asset quality outlook remains favorable and resilient across lenders, with credit costs expected to follow a benign, normalizing trajectory over the medium term.** Seasonal or transitory spikes in delinquency metrics are expected to fade, supported by healthy collection trends and tighter, data-driven credit underwriting procedures. While stress in specific segments persists, lenders continue to make focused efforts to contain it through proactive credit filters and portfolio rebalancing toward secured, higher-vintage borrowers, keeping overall asset quality and provision coverage ratios stable. Overall, **lenders' structural pivot toward disciplined credit underwriting, stronger collection mechanisms, and sufficient provisioning buffers ensures that overall balance sheet quality will remain robust despite macro and weather-related uncertainties. We expect earnings growth to remain robust, led by operational efficiencies and well-contained credit costs, despite NIM pressures, with our covered NBFCs likely to deliver a ~27% CAGR over FY26-29E.**

BFSI Sector Outlook: Diversified Financials

The Way Forward

- ✓ **SBICARD's** operating environment is gradually improving, with moderation in credit costs, healthy retail spends momentum, and an improving customer acquisition engine providing a better foundation for earnings recovery. NIM expansion is likely to remain constrained by a slight upward bias to CoF, though SBIC has levers in the form of portfolio mix optimisation, higher EMI penetration and disciplined yield management to cushion the impact. Cost ratios should remain broadly steady and range-bound. With asset quality metrics continuing to improve, credit costs are expected to moderate further, supporting earnings recovery and improvement in return ratios. We expect RoA/RoE to gradually improve to 4.1-4.5+% over FY28-29E vs 4.0% in FY27E. **Given strong visibility on a rebound in earnings, consistent performance on asset quality and the ability to protect NIM hold key for re-rating in the stock**.

- ✓ **SBILIFE remains a market leader amongst private players and remains well-positioned to deliver healthy and profitable growth, supported by a balanced product mix, a strengthening agency franchise, and stable bancassurance momentum.** Management has reiterated its FY27 IRP growth guidance of 14-15%. In FY27, VNB margins are likely to remain moderated by the residual GST impact and elevated group business contribution in H1; management expects margins to improve over the remaining quarters and trend towards the upper end of the guided 26-28% range. We expect SBILIFE to deliver a healthy NBP/APE/VNB growth of 14/14/13% CAGR over FY26-28E.

- ✓ **NAM remains well positioned to sustain industry-leading growth, supported by continued gains in market share, diversified distribution strength, and a robust retail franchise**. Continued investments in tech, digital capabilities and brand building should strengthen its competitive positioning and support long-term growth. Leadership in ETFs and a gradual yet foray into the SIF businesses with differentiated product roll-out provides additional growth levers. We expect NAM to deliver a healthy MF QAAUM/Revenue/Earnings growth of 20/17/17% CAGR over FY26-29E, supported by (i) Diversified product offerings, (ii) Improving market share across segments, (iii) Focus on passive offerings, and (iv) Strong SIP franchise.

AXIS DIRECT

Medium Term Outlook – Banks and NBFCs

(A) Impact on Steady-state Credit Costs Given ECL Transition

(B) Headwinds For Growth And Asset Quality Due To Continued Impact of West Asia Conflict and Monsoon-related Challenges

(C) CoF Trajectory and Impact on NIMs

(A) Healthy Demand Visibility in The Corporate and SME Segment, With Optimism Around Unsecured Lending Picking Up Meaningfully

(B) Strong Asset Quality Metrics with No Major Signs of Stress Visible Across Segments; Credit Costs To Remain Stable

(C) Healthy FCNR (B) Deposit Mobilisation

(D) Gradual RoA Improvement

Key Monitorables

(1) FCNR (B) mobilisation, CoF and NIM Trajectory

(2) Growth Recovery in Unsecured Segments

(3) Impact on Asset Quality and Growth, Especially in the Oil-Sensitive Sectors

(4) RoA Recovery Supported by Declining Credit Costs and Improving Operating Efficiency, Offsetting Impact of NIM Headwinds

Top Conviction Ideas: Private Banks

Stock	Reco.	TP	Recommendation Rationale
Kotak Mahindra Bank Ltd.	BUY	Rs 500*	✓ **Core NIMs Maintained; Improvement Levers Present:** In Q1, KMB maintained core NIMs at 4.53% (flat since Q2FY26) vs 4.54% QoQ (adjusted for day-count anomaly). The steady CoF (+1bps QoQ) was a result of sustained improvement in liability mix and efforts towards granular deposit mobilisation, while a disciplined and agile pricing approach on both assets and liabilities supported spreads. The bank reiterated that the views expressed around margin compression were more from an industry perspective and not KMB-specific. While the management refrained from giving a NIM guidance, margin movement would largely be a function of its ability to mobilise CASA deposits and resume growth in the unsecured segments amidst tighter risk filters. ✓ **Credit Costs Contained; Asset Quality Stable:** KMB's credit costs remained contained at 46bps, a slight inch-up QoQ owing to the seasonal weakness in the tractor and CV segment. The Collection Efficiency (CE) in the CV segment has been consistently improving, and the bank expects the slippages in the portfolio to continue declining QoQ. The management also indicated that the unsecured retail portfolio continues to witness consistently improving trends following underwriting recalibration over the past several quarters, and remains optimistic about growth in the PL and Credit Card portfolio picking up in the coming quarters. On the ECL transition, the bank reiterated that the one-time transition impact would be limited to <2% of the net worth and the ongoing impact on steady-state credit costs would be ~12-15bps. ✓ **Unsecured Portfolio Stabilises; Gradual Scale-up Ahead:** KMB continued to prioritise responsible, profitable and quality-led growth, with incremental capital being deployed towards businesses capable of delivering superior risk-adjusted returns rather than pursuing irrational growth. Credit growth was largely driven by the Corporate and SME segments, while the retail unsecured portfolio also witnessed encouraging traction. The management highlighted that the recent clean-up efforts, including the closure of dormant accounts and rationalisation of the MFI customer base, have reduced the overall customer count but improved the quality of the franchise. Over the medium term, the management remains confident of delivering loan growth ahead of systemic growth through a combination of organic expansion and inorganic opportunities.

Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report

Top Conviction Ideas: Private Banks

Stock	Reco.	TP	Recommendation Rationale
ICICI Bank Ltd.	BUY	Rs 1,800*	✓ **Credit Growth-Broad-Based; Momentum Sustainable Through FY27:** ICICIB's credit growth momentum accelerated further, with advances growth robust at 20/5% YoY/QoQ, best amongst the larger pvt. banks. Growth remained broad-based across segments. Growth was led by Business Banking (+28/7% YoY/QoQ), Rural Loans (+35/6% YoY/QoQ) and Domestic Corporate book (+18/7% YoY/QoQ), while Retail portfolio (+12/3% YoY/QoQ) growth lagged. Within the retail portfolio, growth in the PL book (+13/4% YoY/QoQ) picked up post a deliberate slowdown, while the credit card portfolio continued to face growth headwinds owing to lower revolver rates. Management indicated that improving system-wide credit demand, supported by fiscal and monetary policy measures, has translated into a healthy credit growth pickup, with momentum expected to remain favourable through FY27. We pencil in strong credit growth of ~17% CAGR over FY26-29E. ✓ **Asset Quality Resilient:** ICICIB continued to deliver industry-leading asset quality metrics, with credit costs well contained at 32bps in Q1. Management highlighted that the reported credit cost benefited from a one-off NCLT-led recovery and reiterated that normalised credit costs are expected to remain around ~50bps going forward. Management also remained confident that the ECL transition impact is expected to be manageable, as the one-time impact will be adequately absorbed by existing provisioning buffers. ✓ **NIMs Hold Well; Range-Bound Stance Intact:** Management has attributed the bank's solid performance on NIMs to its disciplined deposit and loan pricing and effective balance sheet management. Management indicated that NIM movements are a confluence of multiple factors, including systemic liquidity and interest rate movements. While wholesale funding rates had hardened during May'26, they have eased considerably since then. Given the current environment and considering no rate actions, management expects NIMs to remain range-bound. The traction on FCNR (B) deposit mobilisation and the related leverage could have some bearing on NIMs going ahead. We believe ICICIB's margins to be maintained in a tight range of 4.3-4.4% over FY27-29E.

***Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report**

Top Conviction Ideas: PSU Banks

Stock	Reco.	TP	Recommendation Rationale
State Bank of India	BUY	Rs 1,360*	✓ **NIM Guidance Maintained at 3% for FY27:** SBI's domestic NIMs remained steady at 3% (+7bps QoQ) in Q1, in line with management guidance, as management reiterated its full-year domestic guidance of 3%, with quarterly aberrations possible. NIM improvement was primarily driven by lower CoD, reflecting the bank's decision to avoid chasing expensive bulk deposits in an increasingly competitive liability environment. On corporate lending, while the transition from T-bill-linked pricing to MCLR is not yet complete, customer migration to alternative funding sources remains a constraint. While there could be some moderation in corporate yields going forward, SBI remains committed to maintaining its pricing discipline and does not expect to deviate materially from its pricing trajectory. ✓ **Asset Quality at Decadal Low; No Structural Deterioration Visible:** SBI's asset quality performance continued to remain resilient, and at its lowest levels in over 2 decades. The strong performance on asset quality can be attributed to disciplined underwriting, improved credit monitoring, and strengthening collections. Underlying asset quality metrics continue to remain stable with no major challenges visible. The bank also highlighted that roll-forwards from SMA1+2 accounts into NPA remain limited, providing comfort on the underlying quality of the book. ✓ **Comfortable RoA Delivery of 1%:** SBI is getting back on track after a disappointing exit to FY26 and enters FY27 with a strong operating performance, supported by robust credit growth visibility and multi-decadal low asset quality. SBI's ability to leverage its large corporate pipeline, while deepening penetration across retail, SME and agriculture, should support healthy credit growth without compromising underwriting discipline. On the liability side, continued focus on improving retail deposit accretion and FCNR(B) mobilisation should provide flexibility to manage CoF and protect margins at 3%. Asset quality remains a key strength with no material signs of stress build-up, thereby enabling credit costs to stay benign. We believe SBI is well positioned for sustained, quality-led growth, while consistently delivering 1-1.1% RoA, supported by a confluence of the aforementioned factors.

Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report

Top Conviction Ideas: Mid-Sized/Small Banks

Stock	Reco.	TP	Recommendation Rationale
Federal Bank	BUY	Rs 400*	✓ **NIM Expansion Driven by Structural Improvements:** In Q1, margin improvement was aided by a sharp improvement in CoF (adj for year-end cash certificate impact; CoD improvement was 11 bps QoQ) and a favourable shift in the asset mix, in line with management's strategic roadmap. A limited benefit from deposit repricing is expected to flow through in Q2, though management believes that CoD has largely bottomed out. On the asset side, continued portfolio mix optimisation towards mid-yielding segments and incremental focus on better-yielding sub-segments within the lower-yielding segments are expected to support yields going forward. FB reiterated its guidance of NIM improvement of 5-6 bps each quarter for the next 3-4 quarters (though movement would be non-linear) and continues to see some scope for further NIM improvement. ✓ **CASA Momentum Continues, New Funding Levers Opening Up:** Management expects CA growth to pick up through FY27 as business banking and channel business continue to scale. The healthy momentum on CASA has been a combination of multiple factors – (1) ~2x sthe rate of CA openings over the past year, (2) a shift toward higher-quality SA variants, and (3) recalibration of branch KPIs to reward liability mobilisation as much as asset growth. FB remains focused on achieving its CASA target of 36% over the medium term. FCNR (B) deposit mobilisation should help support deposit growth in Q2 and could ease the pressure on bulk deposit cost. ✓ **Asset Quality at Decadal Best; ECL Impact Limited:** FB delivered another quarter of strong asset quality performance, with GNPA/NNPA at a decadal low. The bank has continued to guide for credit costs of 50-60 bps for FY27 as it remains watchful of evolving geopolitical uncertainties and monsoon-related risks, though expects credit costs to settle at the lower end of the guided range, tracking the bank's current performance and downtrend visible on slippages. On the forthcoming ECL (Expected Credit Loss) transition effective Apr'27, management expects a one-time hit of about 1.5-2% to net worth on transition, but does not expect any material ongoing impact to the P&L from the change thereafter.

**** Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report***

Top Conviction Ideas: Mid-Sized/Small Banks

Stock	Reco.	TP	Recommendation Rationale
Ujjivan Small Finance Bank	BUY	Rs 86*	✓ **Margins Stable; Funding Costs At Trough:** UJSFB maintained margins at 8.5%, flat QoQ despite competitive pressures and supported by a 10bps improvement in CoF. Management indicated that the bulk of the repricing benefit on the liability side has largely played out and the bank does not expect any improvement hereon. CoF is expected to increase marginally going forward, as the bank implemented deposit rate hikes in certain buckets during Jun'26. However, it does not expect any further rate actions at present. Management remains confident of maintaining NIMs at current levels, while making continued efforts to optimise CoF through measures such as IBPC, Refinance and Securitisation, which were not utilised in Q1. Despite competitive pressures and slight pressure on CoF, the bank remains optimistic about yields finding support from growth in the better-yielding secured segments (gold, vehicle, micro mortgage) and steady MFI yields, collectively supporting NIM delivery of 8.5% over FY27. ✓ **Asset Quality Continues to Trend Well; Credit Cost Guidance Reduced:** UJSFB's asset quality metrics trended positively during Q1, providing management with confidence to lower FY27 credit cost guidance to 0.9-1% of Total Assets (vs ~1.1-1.2% earlier). The revised guidance is underpinned by improving fundamentals within the MFI portfolio, where all states have normalized, repayment behaviour remains consistent, and regulatory guardrails have materially reduced customer over-leveraging. Overall, the combination of sustained CE, lower slippages and stable repayment behaviour underpins management's confidence in a lower credit cost trajectory for FY27. ✓ **Portfolio Diversification Strategy Driving Sustained Momentum:** Management has reiterated its guidance of improving the mix of secured segments to 56% in exit-FY27 vs 50.4% in Q1. New businesses (gold, vehicle, agri) collectively contribute 7% of the book and 9% of disbursements. Management continues to eye delivering 25% credit growth in FY27, supported by continued investments in distribution and new product capabilities.

Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
Bajaj Finance Ltd.	BUY	Rs 1,305*	✓ **Strong Start to FY27 with Multiple Growth Engines Supporting Upside Potential:** BAF reiterated its AUM growth guidance of 22-24% for FY27 while acknowledging that the business has started the year with significantly stronger-than-expected momentum. For FY27, the management has guided for new customer additions to range between 18-20 Mn customers and new loan bookings to range between 60-62 Mn, reflecting confidence in sustaining strong franchise expansion alongside healthy portfolio growth. All lending engines are now firing simultaneously, with broad-based traction across consumer businesses, gold loans and other retail segments, while the MSME portfolio is expected to return to growth by Q3FY27 following the completion of portfolio recalibration. ✓ **Margins Remain Resilient; Guidance Retained for Now:** In Q1, BAF's margins remained resilient and improved marginally by 4bps QoQ, supported by a favourable portfolio mix. The management indicated that CoF, which has been largely steady over the last 3 quarters, has started inching higher (incremental CoF up 30-60bps) amid global uncertainties and inflationary risks. Thus, BAF expects CoF to remain range-bound with a slight upward bias and has reiterated its earlier NIM guidance of 10-15bps compression in FY27. ✓ **Asset Quality Continues to Strengthen; Credit Costs Trending Below Guidance:** Continued asset quality improvement was a positive callout during Q1. While the management refrained from revising FY27 credit cost guidance despite a strong Q1 performance and favourable underlying asset quality trends, BAF acknowledged that current trends are materially better than expected and indicated that a reassessment could follow after Q2, assuming performance sustains. Thus, the management remains confident of further improvement in credit costs and portfolio quality, subject to macro headwinds. ✓ We continue to retain BAF as our top pick within the NBFC universe, supported by its unparalleled retail franchise, diversified growth drivers, best-in-class risk management, strong capital position, and proven ability to consistently deliver superior RoA/RoE of 4.5+%/20-22% over the medium term.

****Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report***

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
Shriram Finance Ltd.	BUY	Rs 1,230*	✓ **Near-term NIMs to Sustain at ~9%; Medium-term Normalisation to 8.5% Remains a Deliberate Strategy:** SFL's margin improved sharply to 9.04% in Q1, supported by the deployment of fresh equity capital, lower liabilities, and a slight moderation in CoF. Management expects margin resilience to sustain over the next couple of quarters, supported by deployment of excess capital and lower CoF (incremental CoF at 7.77% vs Q1 CoF of 8.56%). The additional interest income (of Rs 500 Cr) during Q1 was attributable to income earned on the recently infused capital, which will gradually normalise as surplus liquidity gets deployed into business growth. Despite the current strength, management expects medium-term margins to moderate to 8.5%, reflecting a conscious shift towards relatively lower-yielding new vehicle financing in the portfolio mix. ✓ **Asset Quality Remains Comfortable; Credit Costs Expected to Stay Well Anchored:** Management remained constructive on asset quality metrics across portfolios, reiterating that the marginal increase in Stage-3 assets was largely seasonal. Thus, SFL has reiterated its credit costs guidance of ~2% for FY27E. The anticipated disruption from the West Asia conflict has been materially lower than initially feared, especially in the CV segment. Nevertheless, management continues to monitor the evolving monsoon situation closely. Overall, management does not foresee any material asset quality concerns across segments at present. ✓ **Growth Outlook Strong:** SFL continues to remain optimistic on the AUM growth outlook and has retained its FY27 AUM growth guidance of ~18%, though it intends to reassess the trajectory after Q2 once there is better visibility on the monsoon. In Q2, AUM growth is expected to remain healthy at 15-16%. ✓ SFL is entering the next phase of growth with multiple levers in place in the form of ample growth capital, operating leverage playing out, and portfolio expansion and diversification beyond the core used CV segment into higher growth segments such as MSME, Gold Loans, new vehicle financing, and a calibrated approach in growing PL. We believe sustained execution on portfolio diversification and successful deployment of excess capital towards strong growth should enable SFL to deliver superior RoA/RoE of 4+%/14-15%over FY27-29E

Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
CreditAccess Grameen Ltd.	BUY	Rs 1,900*	✓ **Asset Quality Remains Resilient; Credit Costs Expected to Normalise:** CAGrameen continued to report healthy asset quality trends, with quality of portfolio improving, supported by disciplined customer selection and portfolio seasoning. PAR accretion has normalised, driving a sequential improvement in delinquency across all buckets. X-bucket collection efficiency (CE) remained strong at 99.68% in Jun'26, resulting in credit cost improvement to 2.84%, comfortable vs management guidance of 3-4% (reiterated). CAGrameen reported average monthly PAR15 accretion of 15bps in Q1, with management indicating that the trend has remained stable at 15-20bps over the last 4 months. Management also highlighted that there has been no visible impact on business performance from El Niño or the West Asia conflict on borrower cashflows thus far; however, it intends to closely monitor trends over the next two to three months before revising its credit cost guidance. ✓ **GLP Growth Seeing Re-Acceleration:** CAGrameen's GLP growth remained healthy, despite the seasonally weak Q1 and was driven by improved pace of new customer addition in the MFI segment, healthy disbursement momentum and rapid scale-up of the RF franchise. Management expects to continue the momentum and add ~1Lc customers per month, a primary lever supporting MFI portfolio growth. CAGrameen's retail asset graduation strategy continues to gain momentum, supported by the improving credit profile and deepening relationships of its existing MFI customer base. Supported by steady MFI growth and a faster ramp-up of the RF portfolio, management aims to build GLP of Rs 50,000 Cr by CY28. ✓ **NIMs Hold Strong; Rate Cuts Contingent on Credit Cost Trajectory:** CAGrameen delivered a robust NIM of 14.4% in Q1 (+20bps QoQ), supported by higher portfolio yields, lower interest reversals, and a stable CoF. Management reiterated that pricing actions will remain closely linked to asset-quality trends, with any yield rationalisation contingent on a declining credit-cost trajectory. Management emphasised that NIM trajectory should not be viewed in isolation but alongside credit cost movement, with pricing calibrated to sustain a consistent 4.0-4.5% RoA. We expect NIMs to remain healthy at ~14.2% in FY27E, before gradually rationalising to 13.2-13.6% over FY28-29E.

***** Note: Target Price is based on our Q1FY27 Result/Company Update/Top Picks Report***

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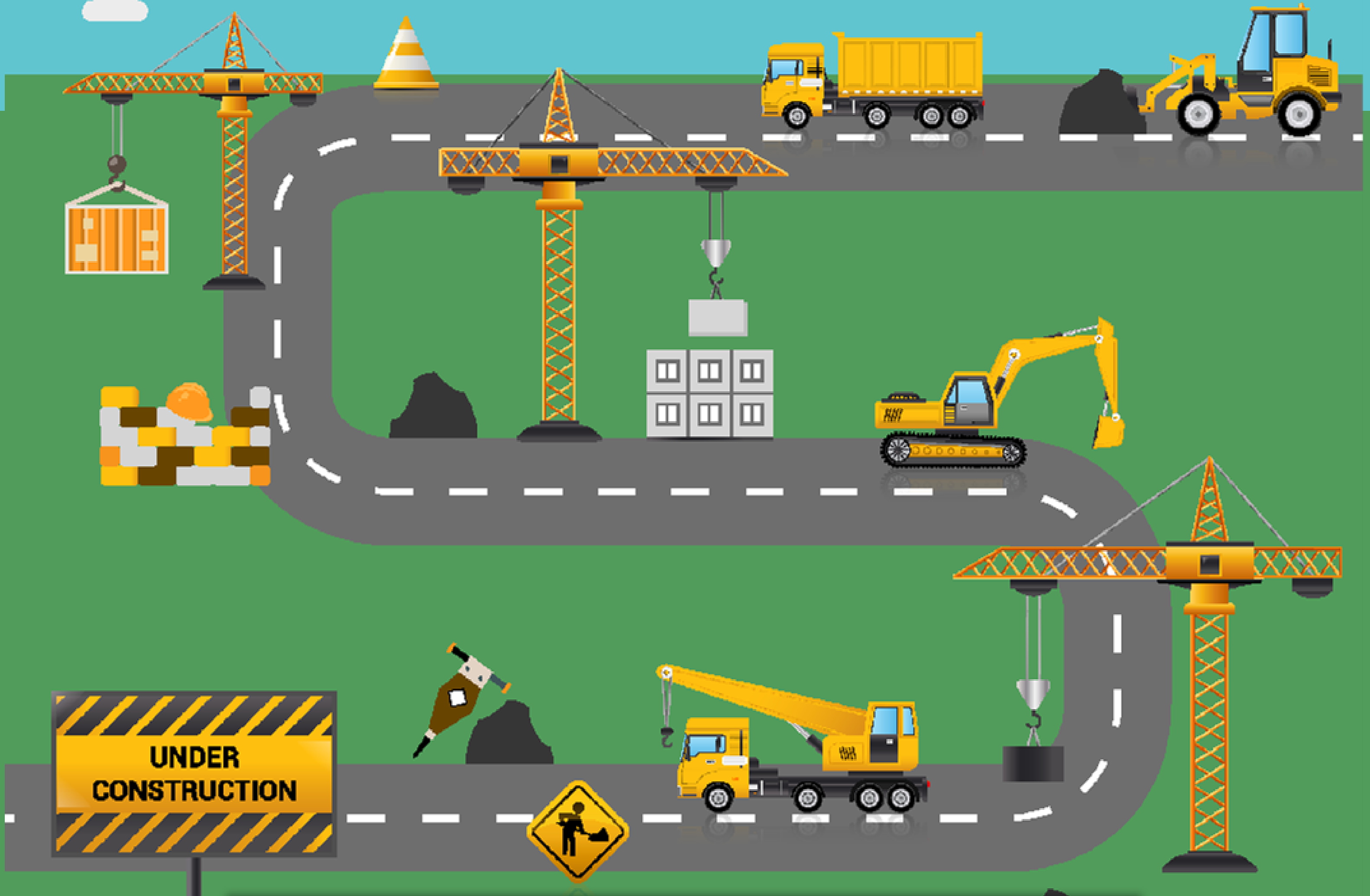
August 2026



Top Conviction Ideas: Infra-Road & Others

Uttam K Srimal

Infra-Road & Others: Q1FY27 Review

Slower Execution & Higher Cost Hurts Margins

Financial Performance

- **Financial Performance:** During the quarter, road infrastructure companies under our coverage reported a 3% YoY decline in revenue, compared with our expected growth of 1%, primarily due to slow order execution by HG Infra Engineering. EBITDA grew by 6% YoY, below our expectation of a 9% increase, reflecting subdued sales volumes. PAT grew by 47% YoY, outperforming our estimate of a 10% hike, supported by exceptional items reported by PNC Infratec and KNR Construction.
- **EBITDA Margins:** In Q1FY27, our road infrastructure companies reported EBITDA margins of 14.7% vs. our estimate of 11.5% and 10.3% in Q4FY26. Margins were higher due to an exceptional item reported by PNC Infratech, while on an adjusted basis it was below our expectation

Company-wise Performance

- **Road Sector Performance:** GR Infraprojects delivered strong YoY revenue growth, supported by increased execution. Conversely, HG Infra Engineering reported a decline in revenue due to delays in receiving Appointment Dates for key projects. J Kumar Infraprojects witnessed an improvement in revenue performance, while KNR Constructions continued to report subdued sales, primarily on account of a limited executable order book. After deducting exceptional items from its PAT, KNR recorded a loss of Rs 3 Cr. PNC Infratech reported improved net revenue during the quarter; however, the reported revenue included Rs 218 Cr of contract revenue. Excluding this, revenue stood at Rs 1,391 Cr, while PAT declined to Rs 143 Cr.
- **Non-road Sector Performance:** Kalpataru Projects International delivered a strong performance during the quarter, supported by robust execution across its Buildings & Factories (B&F), Oil & Gas, and Urban Infrastructure segments. RITES reported revenue growth, primarily driven by better execution. Meanwhile, PSP Projects and Ahluwalia Contracts posted healthy revenue growth, backed by a large executable order book. In contrast, KEC International witnessed a decline in revenue due to geopolitical uncertainties that disrupted supply chains and created logistics-related challenges.

Infra-Road & Others: Short-Term Outlook

- **Subdued Execution Amid Slow Awarding Momentum:** While project awarding by MoRTH and NHAI remained subdued in Q1FY27 across EPC and BOT formats to replenish contractor order books, actual road construction remains cautious and seasonally muted. Lingering approval backlogs, site handover delays, and early monsoon disruptions continue to limit near-term execution pace to mid-single digits. Awarding activity of NHAI remained sluggish this quarter, with an award of merely 107 Km and execution slacking at 640 Km.

- **Resilient Toll Revenues and Structural Efficiency:** Toll collections continue to present a steady growth trajectory in Q1FY27, backed by consistent highway vehicular traffic and high adoption rates of automated collection technologies like FASTag and Multi-Lane Free Flow (MLFF) mechanisms. Inflation-linked annual toll revisions implemented at the start of the fiscal year further support cash flows for BOT-Toll and InVIT asset holders, offsetting isolated weakness along trade-sensitive commercial routes.

- **Profitability and Margin Compression:** Operating margins for pure-play road contractors face structural headwinds in Q1FY27 due to lingering material cost fluctuations (such as bitumen and cement) alongside intense bidding competition for available tenders. High working capital requirements and sub-contracting expenses continue to restrict EBITDA margins within a tight 10-11% band, favoring players with conservative leverage profiles.

- **Diversification into Multi-Segment Civil Infrastructure:** To mitigate reliance on highway tenders and secure healthier profitability, road developers are actively building exposure in adjacent non-road infrastructure verticals. Order book additions during Q1FY27 highlight expanding footprints in Power Transmission & Distribution (T&D), urban rail transit, tunneling, and water supply projects, which are expected to account for a growing portion of revenue streams over the near to medium term.

- **Capital Recycling and Asset Monetization Focus:** Balance sheet optimization remains a top strategic focus for developers through Q1FY27. Infrastructure companies are increasingly leveraging Infrastructure Investment Trusts (InVITs) and secondary stake sales to monetize operational Hybrid Annuity Model (HAM) and BOT assets, using unlocked capital to trim corporate debt and fulfill equity commitments for newly awarded projects.

Infra-Road & Others: Long-Term Outlook

- **Sustained Government Support Through Increased Capex:** Public capital expenditure for FY27 is budgeted at Rs 12.2 Lc Cr, an 11% YoY increase, maintaining a strong policy thrust on infrastructure-led growth. Outlays for roads and bridges have expanded by 9% YoY, while Tier-II and Tier-III cities are being prioritised as fresh regional growth centres. To improve private participation and lender confidence, the introduction of mechanisms such as the Infrastructure Risk Guarantee Fund aims to provide partial credit guarantees and stabilise financing through project construction phases.

- **Pace of Highway Awards and Execution to Gain Momentum:** Contract finalisation is expected to rebound over the coming quarters, backed by a substantial bidding pipeline. NHAI recently launched 54 highway and expressway projects valued at approximately Rs 1.8 Lc Cr for bidding over the next 2–3 months. This pipeline includes 26 EPC, 21 HAM, and 7 DBFOT Toll projects, offering balanced opportunities for developers. Concurrently, India's High-Speed Corridor expansion continues steadily, with 4,809 km completed out of a total 10,389 km launched, while 5,580 km remains under active bidding and implementation.

- **EPC Developers Navigating Realignment:** Pure-play road construction companies continue to navigate a transition phase after facing subdued ordering cycles. Leading infrastructure players are diversifying into non-road civil verticals to enhance business stability and order visibility. While total order pipelines are regaining strength, execution on the ground remains selective. Consequently, the market stance on the sector is cautiously optimistic, with company performance increasingly differentiated by balance sheet strength, lower leverage, and timely mobilisation post-award. Additionally, water infrastructure presents medium-term momentum through Jal Jeevan Mission 2.0, which achieved 82% rural household tap connections as of July 2026, up from 17% in 2019.

- **Accelerated Asset Monetisation and Capital Recycling:** To finance new bidding commitments without balance sheet strain, developers continue to monetise operational road assets. Monetising operational road assets through Toll-Operate-Transfer (TOT) bundles, public InVIT transfers, and secondary equity sales helps contractors unlock tied-up capital. This steady capital recycling framework provides developers with the liquidity required to meet equity commitments for upcoming BOT and HAM projects without over-leveraging corporate balance sheets.

- **Power T&D and Multi-Sector Tailwinds:** The power transmission sector represents a key multi-year growth engine, with anticipated capital expenditure reaching Rs 6.0 Lc Cr over the next five fiscal years. Driven by rising power demand, grid expansion, and renewable energy integration, non-road verticals such as Power Transmission & Distribution (T&D), urban rail, and civil water infrastructure offer higher visibility and favourable margin profiles, supporting long-term earnings stability.

- **Sector View:** The overall outlook for the road infrastructure space remains cautiously optimistic. While immediate execution is constrained by the slow Q1FY27 start, the robust Rs 1.8 Lc Cr upcoming tender pipeline, steady high-speed corridor buildouts, and rapid diversification into Power T&D, water, and rail verticals position well-capitalised developers for sustainable, multi-year growth.

Short and Medium-term Outlook

Short Term

Sluggish awarding activity reduces revenue visibility

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

Margin pressures due to high costs and supply chain disruptions caused by geopolitical tensions

Medium to Long Term

Better Order Inflow: Awarding is expected to increase in H2FY27

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

Transmission sector to witness better tendering and order intake

Key Monitorable - Order Inflow, Input cost, Project execution and Appointed date

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
Kalpataru Projects International Ltd	BUY	Rs 1,500*	✓ **Strong Revenue Visibility via Strong Order Book:** As of 30th Jun'26, the company's order book stands at Rs 66,607 Cr, with 44% from T&D, 29% from B&F, 11% from Water, 6% from Oil & Gas, 4% from Railways, and 6% from Urban Infra. This is supported by an additional L1 position of Rs 7,500 Cr. Backed by a strong execution track record and expanding opportunities across all segments, the company is positioned for steady revenue growth, projecting a 15% CAGR from FY26-28E. In Q1FY27, order inflow stood at Rs 7,668 Cr. For FY27, management expects order inflows of at least Rs 30,000 Cr, mainly from T&D, B&F, and Oil & Gas segments. ✓ **T&D, B&F, and Oil & Gas to Drive Core Expansion:** The Buildings & Factories (B&F) segment secured record order inflows of over Rs 2,800 Cr in Q1FY27, lifting its total backlog to over Rs 19,600 Cr, supported by traction in high-rise residential builds, data centers, airports, and industrial PSU capex. Meanwhile, the Oil & Gas division is accelerating execution on key Middle East pipeline assets and entering water treatment infrastructure with a Rs 344 Cr win. The rising mix of these double-digit EBITDA businesses is set to boost operational efficiency and profitability over FY26–28E. ✓ **Credit Rating Upgrade and Enhanced Financial Flexibility:** The company's financial discipline and execution track record were validated by a credit rating upgrade to AA+ (Stable). This rating elevates KPIL into an elite tier of large-scale EPC contractors in India.

***Note: Target Price is based on our Q1FY27 Result Update Report**

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
GR Infra Projects Ltd	BUY	Rs 1,020*	✓ **Strong Order Book Ensuring Revenue Visibility:** As of 30th Jun'27, the order book stood at Rs 25,319 Cr, spanning highways, roads, railways, transmission, telecom/optical fibre, and tunnel works, offering strong revenue visibility for the next 24–36 months. Management has guided for a 15%–20% YoY revenue growth in FY27, with targets reaching Rs 11,000–12,000 Cr in revenue by FY28. We expect revenue/EBITDA/PAT to grow at a 17%/10%/11% CAGR over FY26–FY28E. ✓ **Aggressive Inflow Targets & Substantial Bid Pipeline:** Despite sector-wide delays in government project awards, GRIL is targeting order inflows of ~Rs 20,000–22,000 Cr in FY27 (including ~Rs 14,000 Cr from roads. With a standalone net worth of Rs 9,074 Cr, borrowings of just Rs 239 Cr, and a Debt-to-Equity ratio of 0.03x, GRIL has maintained an industry-leading financial profile. The management remains confident of achieving its inflow target, supported by a strong execution track record and diversified capabilities. ✓ **Robust Tender Pipeline Supported by Balanced Segment Exposure:** The bidding pipeline remains robust, comprising over ~Rs 2.85 Lc Cr from highway projects (78% of transportation pipeline), Rs 5-6 Lc Cr of target capex from power and transmission projects between 2027-2032, and ~Rs 0.58 Lc Cr from railways and tunnels/ hydro over the next 5 years. Management has already bid across all segments and remains confident given its execution capabilities and strong financial position.

Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
RITES	BUY	Rs 250*	✓ **Order Book with Strong Revenue Visibility:** In Q1FY27, the company secured 128 new orders aggregating to Rs 674 Cr, taking the total order book to a record Rs 9,450 Cr and providing multi-year revenue visibility. Importantly, the Turnkey segment accounts for ~50% (Rs 4,700 Cr) and Consultancy (domestic, foreign and exports) accounts for ~50% (Rs 4,700 Cr) of the order book. Supported by a healthy win rate (~1.4 orders per day) and a target to reach a Rs 10,000 Cr order book, RITES remains well-positioned to deliver sustainable, long-term growth. ✓ **Upcoming Export Dispatches to Accelerate Top-Line Realisation:** Following key prototype approvals, export execution is set to ramp up significantly starting Q2FY27 with the initial dispatches of the Rs 900 Cr Bangladesh coach order. Given this momentum, the company's revenue is expected to register a CAGR of 17% over FY26–FY28E. ✓ **Expanding Share in Turnkey Execution to Drive Top-Line Momentum:** While Turnkey projects currently account for 50% of the company's total order book (Rs 4,700 Cr), revenue execution is set to accelerate as newly awarded projects move out of initial design phases into active construction. This ongoing ramp-up provides a steady, high-volume driver for top-line expansion, complementing the higher-margin consultancy operations.

** Note: Target Price is based on our Q1FY27 Result Update Report*

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August 2026

Top Conviction Ideas: Chemicals & Midcaps

SHIVANI MORE

Chemicals Sector: Q1FY27 Review

✓ Divergent Trends Driven by Specialty Strength, Weather Delays, and Geopolitical Redirection

- **The chemical sector** witnessed a highly polarized performance in Q1FY27. High-value fluorochemicals, CDMO, specialty ingredients, and nutrition players delivered strong beat-driven growth, whereas agrochemical exports, bulk commodities, and monsoon-dependent domestic formulations faced margin compression and volume deferrals. Global supply chain frictions stemming from Middle East/West Asia geopolitical tensions elevated freight costs and delayed export deliveries.

- **Chemistry Plays:** Companies successfully leveraging advanced fluorination chemistry, specialty ingredients, and integrated CDMO platforms significantly outperformed the broader sector. Navin Fluorine International emerged as a standout, driving robust asset utilization and favorable product mix across its High Performance Products and CDMO segments, while Aarti Industries successfully capitalized on high-margin niche projects and a recovery in fuel additives despite severe West Asia-related logistical re-routing. Additionally, Apcotex Industries demonstrated strong pricing power and domestic volume traction in synthetic rubber. Conversely, the global crop protection and bulk intermediates segments faced a deep downcycle; PI Industries experienced export volume declines and soft pricing, while Dhanuka Agritech was heavily set back by a 40% rain deficit in June that postponed sowing and curtailed herbicide sales. Margin pressure was most severe for Camlin Fine Sciences, which suffered from unpassed raw material hikes, under-utilization of its Aroma capacity, and extraordinary freight costs in Brazil.

- **Outlook and Guidance:** Management commentaries across leading chemical enterprises emphasize a strategic pivot toward high-margin, innovation-led product pipelines and calibrated capacity execution to stabilize long-term margins. While near-term performance remains constrained by geopolitical shipping bottlenecks and localized labor shortages, companies are actively positioning for a structured recovery in the second half of FY27. Key growth strategies focus on specialty chemical expansions, selective backward integration, and entering high-growth verticals such as semiconductors, energy storage, and advanced CDMO platforms.

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Chemicals Sector: Q1FY27 Review

✓ Financial Performance: Chemicals

- **Dhanuka Agritech's** Performance missed estimates on all fronts due to delayed monsoon onset and a 40% June rainfall deficit. Revenue fell 13% YoY to Rs 462 Cr (-4% QoQ). EBITDA dropped 34% YoY to Rs 55 Cr (-56% QoQ), with margins contracting 384 bps YoY to 11.9%. PAT declined 35% YoY to Rs 36 Cr. Volumes fell 12.7% as delayed Kharif sowing curtailed demand during the peak herbicide application window. Dhanuka Agritech has downgraded its FY27 guidance to lower single-digit revenue growth and projects a ~200 bps EBITDA margin contraction due to delayed monsoons, severe June sowing disruptions, and a weak start to Q2.

- **PI Industries'** Revenue came in at Rs 1,702 Cr (-10% YoY, +9% QoQ), beating estimates by 7%. EBITDA dropped 29% YoY to Rs 367 Cr (+9% QoQ, 12% beat) with margins at 21.6% (-573 bps YoY). PAT fell 39% YoY to Rs 244 Cr. Despite Agchem export (CSM) volume headwinds (-8% YoY), domestic agribusiness volumes expanded 12% YoY, domestic biologicals surged 50%+ YoY, and CSM order book remained secure at $1.2 Bn. Management expects low single-digit revenue growth in FY27, with performance likely back-ended on a 2H export recovery, 5+ new product/molecule launches, and the gradual scale-up of pharma CRDMO and global biologicals.

- **Jubilant Ingrevia Ltd** reported a strong start to FY27, beating revenue and PAT estimates. Revenue rose 25% YoY to Rs 1,300 Cr (+10% QoQ). EBITDA grew 40% YoY to Rs 199 Cr (+22% QoQ, in line), with margins expanding 162 bps YoY to 15.3%. PAT rose 41% YoY to Rs 106 Cr. Growth was broad-based across Chemical Intermediates (+38% YoY), Nutrition (+36% YoY on Niacinamide price hikes), and Specialty Chemicals (+11% YoY). Management maintains a highly optimistic outlook for FY27, expecting it to be a pivotal year in its Pinnacle transformation journey that will create a strong platform for accelerated value creation.

- **Navin Fluorine International Ltd. (NFIL)** delivered an all-round beat. Revenue surged 44% YoY to Rs 1,045 Cr (+11% QoQ, 9% beat). EBITDA rose 73% YoY to Rs 357 Cr (margin expanded 566 bps YoY to 34.2%), beating estimates by 11%. PAT surged 108% YoY to Rs 243 Cr. Robust growth was led by HPP (+33% YoY on favorable HFC pricing), Speciality Chemicals (+48% YoY on innovator campaign visibility), and CDMO (+82% YoY on European partner execution). NFIL maintains a highly optimistic outlook for sustainable growth across its business segments, supported by a robust pipeline of opportunities and the upcoming commissioning of major capacity expansions, including the new HFC capacity, the MPP de-bottlenecking, and the Chemours liquid cooling project.

Chemicals Sector: Q1FY27 Review

✓ Financial Performance: Chemicals

- **Aarti Industries Ltd.'s** Performance exceeded expectations on EBITDA and PAT. Revenue stood at Rs 2,387 Cr (+43% YoY, +8% QoQ, in line with estimates). EBITDA surged 80% YoY to Rs 382 Cr (+12% QoQ), beating estimates by 19%, while EBITDA margins expanded 335 bps YoY to 16%. PAT jumped 260% YoY to Rs 155 Cr. Profitability was driven by an optimized product mix, operating leverage, and combined forex/inventory gains of Rs 50–60 Cr despite temporary West Asia export disruptions. The company remains focused on expanding its product portfolio and enhancing capacity utilisation through selective backward integration initiatives. With capital expenditure peaking in FY26, a moderation phase is expected in FY27.
- **Apcotex Industries** delivered an all-round beat. Revenue grew 40% YoY to Rs 526 Cr (+32% QoQ, 31% beat). EBITDA surged 203% YoY to Rs 117 Cr (+114% QoQ, 117% beat), with EBITDA margin expanding 1,200 bps YoY to a record 22.3%. PAT came in at Rs 79 Cr (+312% YoY, 141% beat). Performance was supported by strong domestic volume growth (+10% YoY), resilient pricing power, operating leverage, and a 200 bps timing/inventory gain. Management remains constructive on the medium-to-long-term outlook, supported by healthy domestic demand, disciplined capacity expansion, and improving profitability.
- **Archean Chemical Industries'** performance missed our estimates on the EBITDA and profitability front. Consolidated revenue stood at Rs 327 Cr, up 12% YoY and 9% QoQ, in line with our estimates. EBITDA stood at Rs 67 Cr, down 14% YoY but up 54% QoQ, falling short of our estimates by 13%. The EBITDA margin decreased to 20.6%, a drop of 615 bps YoY. The company's PAT was Rs 30 Cr, down 24% YoY but up 148% QoQ, missing our estimate of Rs 44 Cr. Management remains optimistic on H2FY27, expecting a meaningful sequential recovery driven by normalisation in industrial salt operations.
- **Camlin Fine Sciences** Q1 performance missed our expectations on the EBITDA and PAT front. CFS reported revenue of Rs 520 Cr in Q1FY27, up 28% YoY and 22% QoQ, in line with our estimates. EBITDA stood at Rs 9 Cr, significantly down by 54% YoY and 56% QoQ, below our estimate of Rs 37 Cr. EBITDA margin contracted 319 bps YoY and 320 bps QoQ to 1.8%. The company reported a net loss of Rs 34 Cr after accounting for discontinued operations. Management targets FY27 revenue of Rs 2,200–2,300 Cr and an EBITDA margin of 10–12% (EBITDA: Rs 220–230 Cr), with a sharp recovery expected from Q2. All three segments are expected to turn EBITDA-positive in Q2, with margins reaching double digits in Q3 and 13–15% in H2.
- **NOCIL's** performance exceeded expectations across all fronts. NOCIL reported revenue of Rs 403 Cr, up 20% YoY and 22% QoQ, beating our estimates by 8%. EBITDA stood at Rs 45 Cr, up 48% YoY and 115% QoQ, above our expectation of Rs 32 Cr. EBITDA margin expanded to 11.2% versus 9.1% in Q1FY26. PAT came in at Rs 28 Cr, up 61% YoY and 63% QoQ, surpassing our estimate of Rs 20 Cr. NOCIL expects its full-year net revenue for FY27 to land between Rs 1,400-1,600 Cr based on the current pricing environment, supported by an anticipated 10% YoY volume growth and the recovery of deferred shipments in the coming quarters.

Chemicals Sector: Outlook

✓ Operational Resilience Anchored by Advanced Chemistries and Capacity Execution

- **Strategic Execution Amid Macro Bottlenecks:** Q1FY27 presented an intense but polarizing operating environment for the chemical universe, where robust domestic volume execution was counterbalanced by severe geopolitical shipping disruptions, primarily stemming from the West Asia crisis and volatile crude-linked utility costs. While near-term export shipping lanes remained restricted, prompting chemical enterprises to absorb sequential conversion costs and re-route deliveries, companies are shifting their focal point from peak capital expenditure outlays to executing and commercializing newly completed capacities. Long-term visibility remains secure, anchored by deep multi-year order pipelines, favorable structural regulatory shifts including anti-dumping duties and Chinese export VAT rebate removals and selective technology upgrades into advanced material domains like semiconductors and energy storage.
- **Speciality Chemicals:** Specialty chemical producers transitioning toward cGMP-compliant CDMO platforms, innovator-backed molecule pipelines, and niche fluorochemicals continue to show superior structural margin resilience compared to the broader sector. Product realizations are being structurally insulated through deep backward integration and captive power infrastructure. Furthermore, strategic capital allocation toward high-barrier verticals—specifically electronic chemicals and semiconductor applications—is establishing multi-year revenue visibility and mitigating underlying commodity cyclicality.
- **Agrochemicals:** While export-oriented crop protection players remain entangled in an extended global downcycle, domestic formulation demand faced transient Q1 softness due to monsoonal timing shifts. Nevertheless, near-term earnings catalysts are emerging from strong volume traction in biologicals and licensed Japanese molecules. Simultaneously, stricter regulatory enforcement within the bio-stimulants segment is driving out unorganized competition, enabling institutional market leaders to accelerate market share gains.

Chemicals - Short and Medium-term Drivers

Negatives

West Asia geopolitical disruptions inflating ocean freight and delaying shipments.

Chinese Dumping

Global Agchem Inventory

Standalone logistics bottlenecks and temporary raw material inflation.

June monsoonal rainfall deficit delaying Kharif sowing and herbicide application.

Positives

India- EU FTA

India- US Trade Agreement

Introduction of New Products With Further Integration in Product Lines

Surging Domestic Demand

Strategic Capex

Efficient Inventory Management, & Cost Rationalisation

China+1 & Structural Tailwinds

Key Monitorables- Input Material Price Swings, Chinese dumping exerting price pressures and potential Anti-Dumping Duties; Capex Plans and Execution; Demand trends across key end-user Industries.

Financial Performance & Outlook

Praj Industries Ltd.

- **Financial Performance:** Performance beat expectations across all Fronts. The company reported revenue of Rs 716 Cr, up 12% YoY but down 15% QoQ, beating our estimates by 9%. EBITDA stood at Rs 30 Cr, down 16% YoY but up 29% QoQ, beating our estimates by 3%. EBITDA margin stood at 4.2%, down from 5.6% in Q1FY26. PAT came in at Rs 12 Cr, up 117% YoY but flat QoQ, significantly above our estimates. Order intake during the quarter stood at Rs 1,000 Cr, compared to Rs 658 Cr in the preceding quarter.
- **Outlook:** Management expects consolidated margins to improve as recently booked, high-margin international export orders (40–43% of Q1 intake) enter execution, alongside a rising share of high-margin physical and digital services. While no formal margin guidance has been provided, profitability should also benefit from Praj GenX, which targets EBITDA break-even by year-end, supported by rapid hyperscale data centre modular fabrication orders.

Mold-Tek Packaging Ltd.

- **Financial Performance:** Mold-Tek Packaging results beat our estimates on all fronts. Revenue for Q4FY26 stood at Rs 238 Cr, registering a 17% YoY and 20% QoQ growth, supported by strong volume expansion of 17.4% YoY and an improved product mix. EBITDA came in at Rs 48 Cr (+25% YoY/25% QoQ), beating our expectations of Rs 43 Cr, reflecting improved operational performance. EBITDA/kg improved to Rs 42.10/kg compared to Rs 40.15/kg in Q4FY25. PAT stood at Rs 21 Cr, up 27% YoY and 44% QoQ, beating our estimates of Rs 19 Cr.
- **Outlook:** Management remains optimistic on FY27, targeting revenue above Rs 1,000 Cr. This will be supported by 13–15% value growth and 10–13% volume growth, led by continued scaling of the high-margin pharma segment. EBITDA is guided at Rs 42.5–43/kg, aided by cost synergies and operational efficiencies following the consolidation of Hyderabad plants. The company plans a lean capex of Rs 80–85 Cr focused on brownfield expansions at Panipat, Mysore, and Mahad, which are expected to raise total capacity to ~67,000–70,000 MTPA by the end of FY27.

Welspun Living Ltd.

- **Financial Performance:** Welspun Living's Q1FY27 performance beat our estimates on all fronts. The company reported revenue of Rs 2,795 Cr, up 24% YoY and 15% QoQ, beating our estimates by 4%. EBITDA stood at Rs 321 Cr, up 42% YoY and 29% QoQ, beating our estimate of Rs 297 Cr. EBITDA margins stood at 11.5%, compared to 9.97% in Q1FY26 and 11.5% in Q4FY26. PAT came in at Rs 163 Cr, significantly up 82% YoY and 53% QoQ, beating our estimates.
- **Outlook:** Welspun Living remains confident of sustaining its operating momentum in FY27, targeting double-digit revenue growth and low-teens EBITDA margins, with a medium-term ambition of 15%+ margins, driven by volume recovery, cost efficiencies, and operating leverage. ROCE is targeted to improve to the low teens, supported by disciplined capital allocation and Rs 400–500 Cr FY27 capex, including the Rs 121 Cr Anjar debottlenecking and automation project.

Midcaps: Q1FY27 Review

Financial Performance & Outlook

Elecon Engineering Ltd

- **Financial Performance:** Elecon's quarterly performance fell short of expectations on all fronts. Revenues stood at Rs 521 Cr, up 6% YoY but down 30% QoQ, missing estimates by 13%. The company reported EBITDA of Rs 109 Cr, down 16% YoY and 31% QoQ, falling short of estimates. EBITDA margins contracted to 21.0% compared to 26.6% in Q1FY26 and 21.2% in Q4FY26. PAT came in at Rs 70 Cr, registering a decline of 60% YoY, missing our estimates.
- **Outlook:** Management has refrained from providing formal FY27 guidance, citing geopolitical uncertainties and limited near-term visibility. However, it expects growth to resume on a YoY basis versus FY26. The positive outlook is supported by a robust order book and strong enquiry pipeline. Growth is likely to be driven by demand across key end-user industries such as cement, steel, sugar, and power, along with seasonal tailwinds. Over the medium term, the company remains focused on scaling its international business, targeting ~50% of consolidated revenues from global markets by FY30.

Pitti Engineering Ltd.

- **Financial Performance:** PEL reported Q1FY27 revenue of Rs 529 Cr, up 16% YoY and 6% QoQ, in line with our estimates. EBITDA came in at Rs 86 Cr, up 15% YoY and 6% QoQ, in line with our expectations. EBITDA margin stood at 16.3%, a decrease of 18 bps YoY and up 3 bps QoQ. PAT was Rs 30 Cr, up 29% YoY and 11% QoQ, missing our estimate of Rs 40 Cr, mainly due to lower other income.
- **Outlook:** Management remains optimistic on the medium-term growth outlook, supported by strong demand visibility across railways, industrial motors, mining, renewable energy, power generation, and emerging data centre applications. Driven by robust demand and newly expanded capacity, the management has upgraded its FY27 volume targets to 82,000 tonnes for laminations and 17,000 tonnes for castings. Supported by electrification trends and global supply chain realignments, management expects operational efficiencies to improve.

Va Tech Wabag Ltd.

- **Financial Performance:** Consolidated revenue rose 21% YoY but fell 47% QoQ to Rs 887 Cr, largely in line with our expectations. EBITDA came in at Rs 79 Cr, down 17% YoY and 49% QoQ, below our estimate of Rs 103 Cr, with margins at 9.0% compared to 13.0% in Q1FY26 and 11.1% in Q4FY26. PAT stood at Rs 90 Cr, up 37% YoY and down 30% QoQ, surpassing our estimates by 14%. Order intake was Rs 3,400 Cr during Q1FY27, taking the order book to Rs 19,400 Cr (excluding framework contracts). Net cash position, excluding HAM projects, stood at Rs 965 Cr.
- **Outlook:** VA Tech Wabag offers strong 3–5 year visibility, supported by a record Rs 19,400 Cr order backlog, over 4x its annual revenue base. Management targets 15–20% revenue CAGR, with FY27 growth expected at the upper end of this range. EBITDA margins are guided at 13–14% near term. With healthy execution momentum, strong order visibility, disciplined capital allocation, and technology-driven differentiation, the company appears well-positioned to capitalise on the ongoing global water infrastructure investment cycle.

Financial Performance & Outlook

Gravita India Ltd.

- **Financial Performance:** Performance beat estimates on all fronts. The company reported consolidated revenue of Rs 1,475 Cr, up 42% YoY and 26% QoQ, surpassing our estimate by 5%. Adjusted EBITDA also beat our estimates at Rs 145 Cr, marking a 29% YoY and 28% QoQ growth. Adjusted EBITDA margin stood at 9.8%, above the estimated 9.5%, declining 94 bps YoY but increasing 17 bps QoQ. PAT stood at Rs 106 Cr, growing 14% YoY and 15% QoQ, beating expectations by 8%.
- **Outlook:** Management remains highly confident in its "Vision 2030" targets, committing to a 20-25% volume CAGR, 30-35% profitability growth, and sustaining a ROIC of over 25%. To structurally bypass the current geopolitical logistics disruptions and secure raw materials, Gravita is proactively expanding its proprietary scrap procurement network (yards) into developed economies like the US, which will inherently secure both copper and lead scrap supply lines.

Kirloskar Brothers Ltd.

- **Financial Performance:** KBL's Q1FY27 performance missed our expectations on all fronts. It reported revenue of Rs 1,105 Cr for Q1FY27, up 13% YoY but down 22% QoQ, missing our estimates by 9%. EBITDA stood at Rs 116 Cr, up 4% YoY but down 36% QoQ, missing our estimate of Rs 160 Cr. EBITDA margin came in at 10.5%, down 93 bps YoY and 239 bps QoQ. PAT stood at Rs 63 Cr, down 5% YoY and 52% QoQ, missing our estimate of Rs 97 Cr.
- **Outlook:** Management guided for double-digit revenue growth in FY27 on both a standalone and consolidated basis, underpinned by the record order book, an improving execution cadence post the foundry/ERP stabilisation, and a broad-based order pipeline spanning power, oil & gas, marine & defence, building & construction and water infrastructure. International margins are expected to recover progressively from H2CY26/H2FY27 as the services mix normalises at SPP UK and the Dutch entities, while KPML/TKSL margins should improve as large casting volumes tied to thermal and nuclear power orders scale up.

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Jubilant Ingrevia Ltd	BUY	Rs. 835*	• **Broad-Based Growth Reinforces Earnings Recovery:** Jubilant Ingrevia reported a strong start to FY27, with healthy growth across all three business segments. While the rebound in Chemical Intermediates supported near-term earnings through improved demand, better realisations and effective cost pass-through, the company's structural growth continues to be driven by Specialty Chemicals and Nutrition. A richer product mix, disciplined execution and resilient margins highlight the company's ability to navigate a volatile operating environment while consistently improving earnings quality. • **Specialty Chemicals & CDMO Provide Multi-Year Growth Visibility:** The Specialty Chemicals business continues to strengthen the long-term growth prospects, supported by steady growth in Fine Chemicals and an expanding CDMO franchise. The company now has a pipeline of over 100 molecules, including 25 confirmed molecules with significant commercialisation potential, providing healthy medium-term revenue visibility. Increasing opportunities across pharmaceuticals, agrochemicals, personal care and semiconductor chemicals, along with the upcoming commissioning of the Multi-Purpose Plant (MPP), are expected to further accelerate growth while increasing the contribution from high-margin, innovation-led businesses. • **Nutrition Momentum Enhances Business Mix:** The Nutrition & Health Solutions segment continues to gain traction, aided by improved pricing in Niacinamide and Choline, healthy demand across domestic and export markets, and the successful integration of Remidex Pharma. At the same time, increasing captive consumption of Pyridine derivatives and the continued shift towards downstream value-added products are enhancing integration benefits, reducing exposure to commodity price volatility, and supporting sustainable margin expansion.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
VA Tech Wabag Ltd	BUY	Rs. 2,105*	• **Strong Execution Supports Earnings Growth:** VA Tech Wabag reported a strong Q1FY27, with consolidated revenue growing 21% YoY to Rs 887 Cr and PAT rising 37% YoY to Rs 90 Cr, driven by healthy execution and operating leverage. Consolidated PAT margin improved to 10.2%, while the company maintained its net-cash position for the 14th consecutive quarter at Rs 965 Cr, excluding HAM. Management has retained its 15–20% revenue growth guidance for FY27. • **Record Order Book Ensures Strong Revenue Visibility:** The order book reached a record Rs 19,400 Cr, equivalent to over 4x annual revenue, providing strong multi-year visibility. Q1FY27 order inflow exceeded Rs 3,400 Cr, with international projects accounting for 77%. Key wins include large desalination and wastewater projects in Kuwait and the UAE. A disciplined bidding strategy and removal of Rs 600 Cr of non-effective framework contracts have improved backlog quality. Rising demand for industrial water solutions across semiconductors, solar PV, data centres, and green hydrogen further expands the addressable market. • **Asset-Light Model Drives Superior Capital Efficiency:** The asset-light, modular business model continues to support attractive returns, with Q1FY27 RoCE at 19.6% and RoE at 16%. Net working capital days remained controlled at 108 days versus the 100–110 day target. The increasing international mix should further improve payment quality and working-capital efficiency. The upcoming “Vriddhi 2.0” strategy, expected in May 2027, could provide further visibility on technology-led growth, expansion of the high-margin O&M business, and sustainable cash generation.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Navin Fluorine International Limited Navin Fluorine International Ltd	BUY	Rs. 8,600*	• **HPP – Favorable Pricing and Volume Traction:** The HPP business reported healthy revenue growth of 33% YoY, supported by higher volumes and favorable HFC pricing. The global HFC market continues to exhibit constructive demand-supply dynamics, while the planned 15,000 MTPA R32 capacity expansion remains on track for commissioning in Q3FY27, with an annual peak revenue potential of Rs 600–825 Cr. In addition, management is in advanced discussions to secure long-term contracts covering 35–45% of the expanded capacity. The long-term Honeywell HFO agreement also provides stable cash flow visibility beyond FY29. • **Speciality Chemicals – Robust Pipeline and Upcoming Commercializations:** The Speciality Chemicals segment registered strong revenue growth of around 48% YoY, supported by healthy order visibility and steady execution across key molecules. Despite industry-wide pricing pressures, NFIL continues to expand its innovator pipeline and has secured campaign visibility for four to five new molecules. Near-term growth is expected to be driven by the Dahej MPP de-bottlenecking project (Rs 75 Cr CapEx; commissioning in Q3FY27), which is expected to operate at an attractive asset turnover of around 2x with peak revenue potential of Rs 140–160 Cr. The Chemours liquid cooling project also remains on schedule for completion in Q2FY27 after generating US$1 Mn in revenue during Q1. • **CDMO – Strong Execution Momentum and Value Chain Expansion:** The CDMO business reported robust revenue growth of around 82% YoY, supported by a strong order book and deeper customer engagement. This structural growth continues to be driven by NFIL's expanding relationship with a leading European CDMO partner. Earnings visibility remains strong, backed by a diversified pipeline of 30–40 active molecules, including 10 in advanced stages and three expected to receive FDA readouts over the next 8–12 months. The Rs 125 Cr Phase II cGMP4 CapEx, expected to become operational in Q4FY27 with an asset turnover of around 3x, keeps the company well positioned to achieve its US$100 Mn revenue target.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Mold-Tek Packaging Ltd	BUY	Rs. 850*	• **Record EBITDA/kg Reflects Structural Margin Expansion:** Mold-Tek delivered its highest-ever EBITDA/kg of Rs 46.68 in Q1FY27 (vs Rs 41.64 in Q1FY26), supported by higher capacity utilisation, consolidation of its Hyderabad facilities, and an improving product mix led by the high-margin Pharma Packaging business. The company has consequently upgraded its FY27 EBITDA/kg guidance to Rs 44–45, reflecting management's confidence that cost savings from plant consolidation and automation initiatives are structural and sustainable. • **Pharma Packaging Emerging as a Key Long-Term Growth Engine:** The Pharma Packaging business continued its strong momentum with 39% volume growth and currently contributes nearly 3.5% of revenue. Management aims to scale this business to Rs 50–55 Cr by the end of FY27 through rapid customer additions and capacity expansion. The niche applications offer significantly superior margins and are expected to drive sustained earnings quality and product premiumisation over the medium term. To support future demand, the company commissioned additional moulding and assembly lines during the quarter. • **Hyderabad Consolidation Delivers Sustainable Efficiency Gains:** The consolidation of five Hyderabad facilities into two integrated manufacturing units has materially improved operational efficiency by reducing logistics costs, inter-unit transfers, printing wastage, and fixed overheads. These structural initiatives, coupled with improved capacity utilisation, were the primary drivers behind the record EBITDA/kg achieved during the quarter. Management believes these benefits are permanent, providing strong visibility on sustaining elevated profitability levels. • **Healthy Growth Across Core Businesses Supports Volume Outlook:** Core businesses continued to perform well, with the Paints segment reporting 11% volume growth, aided by increasing adoption of IML among leading customers. Food & FMCG remained another key growth driver, delivering 26% volume growth supported by deeper market penetration and ramp-up at the Panipat facility. While Q-Pack growth remained muted due to temporary raw material-driven demand disruption in edible oils, management expects a meaningful recovery from Q2FY27 as input costs normalise. The strength across Paints, Food & FMCG, together with an anticipated rebound in Q-Packs and Lubes, underpins the company's FY27 volume growth guidance.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Aarti Industries Ltd	BUY	Rs. 560*	• **MMA Portfolio Set for High-Utilisation Scale-Up from Q2 Onwards:** Fuel additives volumes were temporarily impacted by disruptions in West Asia; however, the company successfully redirected exports to alternate geographies, limiting the overall impact. With the fuel additives capacity expanded from 290 KTPA to 360 KTPA and healthy global demand for octane boosters, management expects a strong volume recovery and higher utilization from Q2FY27 onwards. Additionally, the ongoing expansion of the fuel additives portfolio through new product launches is expected to strengthen long-term growth and improve customer diversification. • **Non-Energy Business; Q1 Softness Transits to Gradual Q2FY27 Recovery:** Subdued downstream demand, elevated feedstock costs, and cautious customer purchasing temporarily slowed Q1FY27 Non-Energy volumes. However, a gradual recovery is expected to materialise starting Q2FY27, anchored by stable pharmaceutical demand, upcoming customer product qualifications, and improving market conditions. Over the medium term, China's suspension of export VAT rebates on major NCB products remains a highly favourable structural catalyst, expected to enforce pricing discipline, support market share gains, and enhance segment margins. • **Labour Constraints Delay Zone 4 but Structural Runway Intact:** Aarti Industries deployed Rs 180 Cr in Q1 capex, keeping its annual guided outlay of Rs 700–800 Cr firmly on track. While severe labour shortages, local elections, and monsoons delayed the Zone 4 and chlorotoluene expansions by 4 to 6 months, construction is back to full strength with equipment 97% erected and piping 85% complete. The multipurpose plant (MPP) is commencing commissioning in Q2FY27 (Aug'26) to initiate commercial-batch customer qualifications. AIL plans to launch 5 to 10 Zone 4 products this year, scaling to 25 to 30 products by FY28 across diversified end markets, as capital deployment pivots toward high return niche projects starting next year.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

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August 2026

Top Conviction Ideas: FMCG

Suhanee Shome
Urmi Shah

Healthy Start, but Margin Recovery Remains Uneven

- **Growth stays strong, margins diverge:** The FMCG sector witnessed a healthy start to FY27, with most companies delivering high-single to double-digit topline growth, supported by resilient consumption and calibrated pricing. The recovery remained broad-based, aided by the GST rate cut, improving consumer sentiment, premiumisation and deeper distribution. A second consecutive quarter of sequential improvement indicates that the demand environment is gradually strengthening. While erratic rains impacted some summer-centric categories, both rural and urban demand remained broadly healthy. However, profitability remained mixed, with crude-linked inputs, palm oil, packaging costs and West Asia-related supply-chain disruptions weighing on margins. Despite cost inflation, several companies protected margins through premiumisation, productivity gains and cost efficiencies.
- **Pricing plays a key growth lever:** With commodity inflation accelerating, companies increasingly relied on calibrated price hikes, grammage reduction and premiumisation to offset rising costs. Price increases were largely concentrated in larger packs and premium products, while entry-level SKUs, particularly Rs 5/10 packs, were largely shielded through selective grammage adjustments. This approach helped limit volume disruption, especially in rural and price-sensitive markets. However, the extent and timing of price pass-through will remain critical, as prolonged commodity inflation could continue to constrain margins.
- **Demand outlook remains constructive:** Management commentary across companies remained broadly positive, with most players expecting FY27 to outperform FY26, supported by resilient demand, portfolio premiumisation and channel expansion. However, companies remain watchful of commodity price movements and ongoing geopolitical uncertainties, which could influence the pace of recovery.
- **Margins remain mixed:** Despite healthy topline growth, profitability remained uneven across the sector. Higher crude-linked derivatives, palm oil, packaging materials and fuel costs, coupled with geopolitical disruptions, weighed on margins. HUL, Colgate, Jyothy Labs, and VBL reported margin contraction amid higher input costs and increased spending. In contrast, companies with stronger pricing power, grammage interventions, favourable product mix, and tighter cost controls were better positioned to protect margins. We expect near-term margin recovery to remain gradual, with the trajectory dependent on commodity prices and the lagged benefit of recent price hikes.

FMCG Sector: Outlook

How Have Companies Performed in Q1FY27?

- **FMCG companies delivered Healthy Topline Numbers in Q1FY27,** supported by resilient volumes, rural recovery, premiumisation and calibrated pricing. The demand environment remains constructive, but earnings growth has remained uneven across companies depending on their exposure to commodity inflation and ability to pass on higher costs. Among key players, HUL reported 10% underlying sales growth with 5% volume growth, while Dabur delivered 10.6% revenue growth and 5% India consumer volume growth. Colgate sustained double-digit growth at 12%, while CCL reported ~14% revenue growth on strong volume growth. Nestlé delivered robust 25.4% topline growth, supported by double-digit volume expansion, while Britannia grew 9.5%. VBL also reported ~20% YoY topline growth, led by strong volumes. In contrast, ITC's overall performance was impacted by higher cigarette taxation and West Asia-related disruptions; however, its FMCG business remained strong, growing 12% YoY. Furthermore, the paints industry witnessed healthy demand in Q1FY27, with companies indicating limited inventory build-up as secondary sales remained robust. Asian Paints reported 18% YoY revenue growth, while India decorative volumes grew 9%, partly supported by channel stocking ahead of anticipated price hikes.

- **Margin performance remained mixed** across the FMCG pack, with pricing actions, cost efficiencies and operating leverage providing varying degrees of support. Nestlé, CCL, Britannia and Asian Paints reported EBITDA margin expansion, while Dabur's margins remained broadly stable; most other players witnessed contraction. Higher advertising spends and continued investments in growth initiatives further limited margin expansion for some companies. With input costs remaining elevated, pricing power and productivity improvements will remain critical for sustaining profitability.

FMCG Sector: Outlook

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

Healthy Volume Growth:
Demand conditions remain stable with an improvement in consumer sentiments.

Margin Recovery will be gradual:
Near-term margin recovery to remain gradual, with the trajectory dependent on commodity prices and the lagged benefit of recent price hikes.

Domestic Consumption Play:
Better returns in this volatile environment.

Demand Likely to Pick Up:
Increase in government spending; Tax benefits and GST 2.0 rate reduction

Medium Term

Key Monitorables – Urban Recovery; Raw material prices linked to crude oil derivatives, Margins Trajectory; Competitive Intensity

Top Conviction Ideas

Stock	Reco.	TP*	Recommendation Rationale
Nestlé India	BUY	Rs 1,765*	✓ **Stellar Performance:** Nestlé India reported robust revenue growth of 25.4% YoY, driven by double-digit volume expansion. Growth was led by strong momentum across confectionery, beverages, prepared dishes, pet food, and the Milk and Nutrition portfolio. MAGGI noodles continued to witness strong traction, supported by deeper market penetration. EBITDA increased approximately 40% YoY, with margins expanding 249 bps to 24.2%, driven by a 219 bps YoY expansion in gross margins. Exports remained resilient, supporting revenue growth with a healthy 35.6% increase despite geopolitical headwinds. ✓ **All-round Performance Across Channels:** Nestlé delivered double-digit growth across all four channels, led by strong Q-commerce momentum. Organised trade benefited from wider distribution and stronger visibility, while general trade saw robust growth across town classes, particularly in rural markets. ✓ **Outlook:** Long-term outlook remains positive, supported by improving consumption trends and the expected benefits of GST 2.0 reforms. Growth is likely to be driven by deeper rural penetration, continued innovation, premiumisation across core categories, expansion into high-growth segments such as pet care and nutrition, strengthening D2C capabilities, and scaling up the nutraceutical portfolio. These strategic initiatives position the company well for sustained long-term growth.

Note: The Target price is based on our Q1FY27 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Top Conviction Ideas

Stock	Reco.	TP*	Recommendation Rationale
Asian Paints	BUY	Rs 3,270*	✓ **Strong Performance:** Asian Paints reported ~18% YoY revenue growth in Q1FY27, supported by high-single-digit volume growth, 7% pricing and premiumisation. India Decorative delivered 9% volume growth and 16.6% value growth, while Industrial Coatings sustained mid-teen growth. International business grew 20.3% in constant currency, aided by strong performance across key markets. Rural demand remained ahead of urban, while new products contributed ~17% of revenue. ✓ **Margins Improved:** Despite elevated raw material inflation, gross margin expanded during the quarter, supported by a richer product mix driven by premiumization, along with the benefit of lower-cost inventory carried into the quarter. Consequently, EBITDA Margins too improved, aided by gross margin expansion and cost optimisation measures. Management is confident of maintaining a margin guidance of 18%-20%. ✓ **Outlook:** We remain positive on the company's long-term outlook, supported by improving consumption trends, easing raw material costs, backward integration initiatives, capacity expansion, and continued product innovation. Strategic brand-building efforts and signs of demand recovery further strengthen confidence in the company's next phase of growth.

Note: The Target price is based on our Q1FY27 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Top Conviction Ideas

Stock	Reco.	TP*	Recommendation Rationale
Britannia Industries	BUY	Rs 6,590*	✓ **Healthy Performance:** Britannia delivered a steady performance in Q1FY27, with revenue rising 9.5% YoY to Rs 4,964 Cr, driven by 9% volume growth. Despite input cost pressures from the West Asia conflict, margins remained resilient. General Trade growth accelerated to 1.5 times the growth rate of 25- 26 in Q1FY27, while other channels expanded at 2.5 times the rate of General Trade. E-commerce led channel performance with strong double-digit growth, driven largely by quick commerce, which now accounts for 80% to 85% of total e-commerce sales ✓ **Elevated Input Cost:** The company continued to face broad-based commodity inflation, with palm oil prices rising ~20% YoY, alongside higher fuel, milk, and sugar costs. With sugar prices expected to remain elevated amid festive demand, the company is partly mitigating the impact through grammage reduction. ✓ **Outlook:** Most FMCG players like Britannia are seeing 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. Demand recovery 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 Q1FY27 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Top Conviction Ideas

Stock	Reco.	TP*	Recommendation Rationale
CCL Product	BUY	Rs 1,425*	✓ **Robust Topline Growth:** CCL Products reported 13.7% YoY revenue growth in Q1FY27, driven by 20% volume growth and broad-based demand. Domestic branded sales grew 26% YoY to ~Rs 125 Cr, with Continental strengthening its presence beyond South India. EBITDA grew 21.7%, with margins expanding 106 bps to 16.1%, supported by operating leverage. Management targets ~15% volume and EBITDA growth in FY27. ✓ **Continued Balance Sheet Strengthening:** CCL Products continued to deleverage, supported by healthy cash flow generation. Net debt declined to Rs 963 Cr in Q1FY27, down Rs 90 Cr QoQ. Term loans stood at Rs 517 Cr, with scheduled repayments of Rs 140 Cr in FY27, ~Rs 200 Cr in FY28, and the balance in FY29. Continued debt reduction should further strengthen the balance sheet and improve financial flexibility. ✓ **Coffee Prices Remain Stable:** Green coffee prices stabilised during the quarter within the Rs 3,300–Rs 3,800 range, though mild volatility persists. Potential El Niño effects could impact the upcoming November–December harvest in Vietnam, but long-term prices are projected to remain steady, supported by strong Brazilian supply tailwinds. ✓ **Outlook:** We expect demand momentum to remain strong over the medium- to long-term, supported by existing customer traction, new client additions, capacity expansion, and optimal utilisation across plants. CCL is likely to deliver robust volume growth over the next 3–4 years, led by aggressive capacity ramp-up.

Note: The Target price is based on our Q1FY27 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

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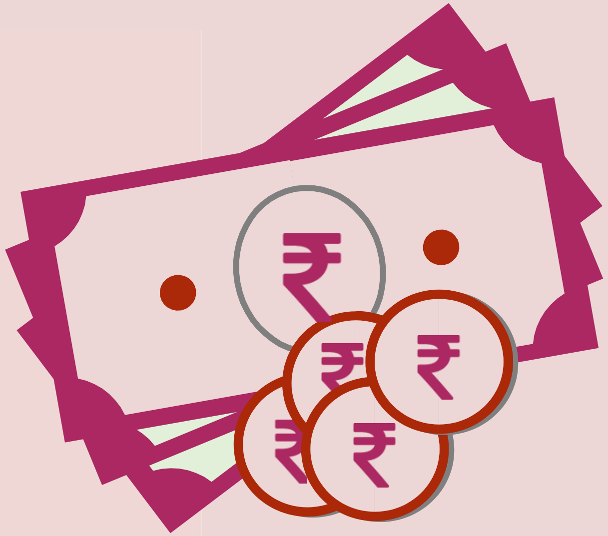

Top Conviction Ideas: Retail

SUHANEE SHOME
URMI SHAH

Retail Sector: Q1FY27 Review

Demand Remains Resilient

✓ *Financial Performance*

- **Demand Recovery broadens:** Consumer demand remained broadly resilient despite macro uncertainties and subdued occasion-led spending during Adhik Maas, supported by improving footfalls, steady rural consumption, and a gradual recovery in discretionary spending. Fashion retail continued to deliver healthy revenue growth, with operating leverage supporting profitability, while premiumisation remained a key growth driver. Wedding-related demand, however, stayed muted during the quarter. Value formats continued to outperform, alongside healthy traction in premium and aspirational categories. V-Mart emerged as a strong performer, with revenue growth of 23% and 9% SSSG, supported by a 39% increase in footfalls, while Trent sustained healthy momentum despite measured discretionary spending. In grocery, D-Mart saw some moderation due to weaker performance in mature stores across large metros. QSR demand improved sequentially, indicating a gradual recovery in consumption. Footwear also showed signs of recovery, with premiumisation supporting ASP growth at Bata, while Relaxo benefited from improved realisations and the GST-led shift towards organised players. Going ahead, volume recovery, store productivity and sustained premium demand will remain key drivers for the sector.

- **Store Expansion Continues:** Retailers continued to expand their store networks, with a greater focus on Tier II and Tier III markets, where organised retail penetration remains relatively low and long-term growth potential is strong. Management commentary remains positive on the demand outlook, supported by strong brand equity, a wide retail footprint, higher marketing investments and continued focus on cost efficiency.

- **Margin performance was mixed,** although select retailers reported EBITDA expansion on the back of better operating efficiency, tighter cost control and backend optimisation.

Retail Sector: Q1FY27 Review

How Have Companies Performed In Q1FY27?

- **Q1FY27 earnings reaffirmed that organised retail remains on a healthy growth path,** supported by store expansion, improving footfalls, SSSG, and premiumisation. Value fashion and established retail formats continued to outperform, while newer brands and categories gained traction. Profitability, however, remained mixed. Retailers benefiting from higher sales density and operating leverage reported margin improvement, with V-Mart's EBITDA growing 27% YoY and Trent also reporting strong margin expansion. In contrast, companies investing heavily in new brands, store expansion, and marketing continued to face cost pressures. QSR players witnessed a sequential improvement in demand. The footwear segment also showed signs of recovery, with premiumisation supporting ASP growth.
- **Rural demand is gradually improving,** supported by higher government spending and urban remittances, although consumers remain selective and value-conscious. Overall, management commentary remains positive, but the recovery is expected to be gradual, with margin performance remaining mixed across the sector.

Retail Sector: Outlook

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—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 of 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.

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Short and Medium-term Outlook

Short term

Demand:

Demand environment remains stable.

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

Medium Term

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

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
V-Mart Retail Ltd	BUY	Rs 830*	✓ **Resilient Performance:** V-Mart reported 23% YoY revenue growth to Rs 1,089 Cr, supported by 9% SSSG, 6% SSVG, and healthy demand across Tier II/III markets. Unlimited grew 33% YoY, while LimeRoad's NMV increased 18% with losses narrowing by 39%. Footfalls rose 39%, and average bill value increased 18%, reflecting strong customer engagement despite Adhik Maas. ✓ **Expansion Strategy:** The company added a net of 14 stores during the quarter, bringing the total store network to 591. The full-year expansion target remains intact, with a strong outlook of 90+ new store additions. Management continues to prioritize store productivity, rent discipline, and regional product mix optimization. The Capex for the quarter stood at Rs 38 Cr, primarily towards new store additions and selected refurbishments. ✓ **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 Q1FY27 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

AXIS DIRECT

August 2026

Top Conviction Ideas: Automobile Industry

Sanchit Karekar
Research Analyst

Auto Sector: Q1FY27 Review

Q1FY27 Auto OEM Review – Growth in 2W/Tractor OEMs

✓ ***Financial Performance***

- **Strong Q1FY27 Performance Across Auto OEMs:** Revenue/EBITDA in Q1FY27 grew by 33.3%/22.4% YoY, respectively, versus our expectations of ~31%/35% YoY for Auto OEMs under our coverage. Revenue growth was largely driven by mid-single-digit industry growth across 2Ws/PVs/CVs, mid-teens volume growth in the tractor industry, and continued premiumization. Revenue and EBITDA declined by 1.2%/16.1% QoQ, respectively, versus our estimates of -2.7%/-7.6%. The YoY and QoQ decline in EBITDA margin was impacted by elevated raw material and commodity costs, supply chain disruptions, and geopolitical instability. PAT grew by 15.7% YoY versus our estimate of 15%, but declined by 2.0% QoQ, compared with our estimate of a 2.7% decline.
- **Margin Trends Across OEMs:** Maruti Suzuki, Escorts Kubota, Hero MotoCorp, Ashok Leyland, and Eicher Motors witnessed margin pressure of 218 bps, 180 bps, 114 bps, 105 bps, and 78 bps YoY, respectively. However, margins improved for Bajaj Auto and TVS Motor, increasing by 113 bps and 28 bps YoY, respectively.

Q1FY27 Auto Ancillaries Review – Mixed Performance

✓ ***Financial Performance***

- **Strong Q1FY27 Growth beating our Expectations:** The companies under our coverage reported 24.1%/19.4% growth in Revenue/EBITDA in Q1FY27, respectively, above our expectations of ~18.4%/17.6% YoY, driven by sales volume growth across 2Ws, PVs, CVs, and tractors, along with the premiumization trend. Revenue grew by 3.0% QoQ, while EBITDA declined by 3.1%, compared with our estimates of 2.0%/5.0% QoQ, respectively. EBITDA growth was impacted by marginal pressure from elevated commodity costs and supply chain disruptions. PAT grew by 27.1% YoY (our estimate: 16.0%) but declined by 2.4% QoQ (our estimate: 11.0%).
- **Mixed EBITDA Performance Across Auto Ancillaries:** Sansera Engineering, Automotive Axles, CIE Automotive, SSWL, and Minda Corp delivered strong YoY EBITDA growth. Meanwhile, EBITDA margins for UNO Minda and Endurance Technologies declined by 181 bps and 96 bps YoY, respectively, due to higher commodity costs.

Sector Outlook (Q1FY27 Vs Q1FY26)

Two-Wheelers (2W)

- **Exports:** Up ~37% - Export demand remained strong, supported by healthy demand across Africa, LATAM, and ASEAN markets and improving dollar liquidity.
- **Domestic:** Up ~20% – Domestic growth remained strong, driven by GST-led affordability, improving rural demand, and strong scooter and motorcycle volumes.
- **Outlook**: Positive

Commercial Vehicles (CV)

- **Exports:** Up 43% - Export demand remained strong, supported by a low base, improving infrastructure activity, and recovery in key markets.
- **Domestic:** Up 18% - Domestic demand remains healthy, driven by infrastructure spending, improving freight activity, and replacement demand, with the GST rate cut providing an additional boost.
- **Outlook:** Cautiously Positive

Passenger Vehicles (PV)

- **Exports:** Up ~9% - Export momentum remained healthy, supported by new model launches and OEM push in Africa, LATAM, and other emerging markets.
- **Domestic:** Up ~26% – Domestic PV demand remained healthy, supported by GST-led affordability, improving consumer sentiment, and strong demand for SUVs and premium models.
- **Outlook**: Slightly Positive

Tractors

- **Exports:** Up 30%- Export growth remained healthy, despite continued weakness in the U.S. and Europe, particularly in large tractors.
- **Domestic:** Up 19% - Domestic demand remains supported by the GST rate cut, government schemes, favourable monsoon, and improving rural sentiment.
- **Outlook:** Cautiously Positive
- FY27 is expected to grow in the single digits due to the higher base last year.

Outlook –Strong Domestic Demand and Exports to Support Growth

- We expect **EBITDA margins** for Auto OEMs and Ancillaries to improve sequentially in the near term, supported by stabilising commodity costs, operating leverage and price hikes taken by OEMs. For auto ancillaries, the pass-through of elevated input costs to OEMs is also likely to support margin recovery, while a favourable product mix and cost-control measures could provide further upside.

- We expect **2W sales volumes to sustain mid-single-digit growth in FY27E,** supported by strong post-GST demand, premiumisation and recovery in exports. Improving rural sentiment, new premium segment launches, EV adoption and healthy demand in the premium segment (>350cc) are likely to support overall 2W demand, while a higher base in FY26 could moderate growth.

- Overall **PV sales growth, which has been largely led by the UV segment, is expected to remain in the mid-single digits in FY27**, supported by the GST rate cut, improving entry-level demand and new model launches. Improved affordability and continued traction in SUVs are likely to support broader PV demand, while elevated commodity costs remain a key monitorable

- **CV volumes are expected to grow in the mid-single digits**, while **tractor volumes** are likely to witness **low single-digit growth** in FY27 due to the high base of FY26. However, lower financing costs, GST rate cuts and increased government spending on infrastructure and agriculture are expected to partly support demand.

- For FY27, we remain constructive on the auto sector’s structural growth outlook, supported by improving domestic demand, GST-led affordability, premiumisation, rural recovery, export opportunities and policy support. However, rising input costs, geopolitical risks and a potentially weaker global environment remain key near-term risks to volumes and profitability.

- **Auto Sector:** We remain selective in our approach. Among OEMs under our coverage, our Top Conviction Ideas in 2Ws are **Bajaj Auto, Eicher Motors and TVS Motors;** in PVs, it is **Maruti Suzuki India Ltd,** 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, and the shift toward EVs are expected to drive higher content per vehicle, boosting profitability. Considering current valuations, our Top Conviction Ideas in the ancillary space are **Endurance Technologies Ltd, Steel Strips Wheels Ltd,** and **Minda Corporation Ltd.**

Short & Medium-Term Outlook

Short to Medium term

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

Price hikes and a favourable product mix may aid margin improvement.

Premiumisation and improving exports to drive higher ASPs and support growth

Rising EV penetration to create new growth opportunities across the value chain

New product launches and capacity expansion to drive long-term volume growth

Commodity inflation and freight costs may pressure margins

Supply risks in semiconductors and rare earth minerals remain key concerns

Intensifying competition in SUVs and premium segments may limit pricing power

Rising EV penetration may increase competitive intensity and require higher investments

Long-Term

Key monitorable – *Sustained Domestic Demand & Export Momentum*

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
Bajaj Auto Ltd	BUY	Rs 11,880*	• **Strong Export Momentum & Premiumization-Led Domestic Growth:** Bajaj Auto's international business delivered a record performance in Q1FY27 with volumes reaching 732,000 units, growing ahead of industry growth, supported by strong traction across Africa and Brazil. Nigeria continues to remain a key growth driver with ~60% retail market share, while Mexico has witnessed successful adoption of premium Pulsar NS models. Favourable currency realisations further support export profitability, with management targeting a sustainable export run-rate of over 250,000 units per month. In the domestic market, Bajaj Auto is undertaking a portfolio transformation focused on 125cc+ motorcycles, supported by refreshed Pulsar variants, upcoming launches, and strong growth in premium KTM and Triumph brands. • **EV Scale-Up, Capacity Expansion & Three-Wheeler Leadership:** Electric mobility has emerged as a key growth and profitability driver, contributing ~30% of domestic revenue with double-digit EBITDA margins. Chetak volumes grew 80% YoY and turned EBITDA positive, while Bajaj continues to strengthen its leadership position in the electric 3W segment through its extensive L5 portfolio. To support future demand, the company is expanding annual capacity from 7 Mn to 9 Mn units. The core ICE three-wheeler business remains a strong foundation with ~70% market share, providing a robust platform for EV transition. • **Bajaj Auto Credit Limited (BACL) - Scaling as a Strategic Growth Platform:** Bajaj Auto Credit Limited (BACL) continues to expand its role as a key growth enabler, with AUM reaching Rs 20,000 Cr, registering ~70% YoY growth. The subsidiary reported strong profitability, with quarterly PAT more than doubling to Rs 227 Cr and ROE exceeding 25%, supported by healthy portfolio expansion and operating leverage. With a capital adequacy ratio of ~19%, BACL remains well-capitalised to support growth, while improving financing penetration across EVs and three-wheelers, thereby strengthening Bajaj Auto's overall retail ecosystem.

*** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
TVS Motor Company Ltd	BUY	Rs 4,235*	• **EV Leadership Accelerates with Capacity Expansion and Sustained Investments:** TVS Motor continued to strengthen its leadership in electric mobility, with EV volumes surging 86% YoY to 1.3 Lc units, generating approximately Rs 1,780 Cr in revenue during Q1FY27. The company also crossed the milestone of 1 Mn cumulative TVS iQube sales, reflecting rising consumer acceptance. To support future demand, management is increasing monthly EV production capacity from 40,000 units to over 50,000 units, while its planned Rs 3,500 Cr capex will expand overall annual two-wheeler manufacturing capacity from 6.8 Mn units to 8.3 Mn units during FY27. In the commercial mobility segment, three-wheeler volumes grew 48% YoY to 67,000 units, with EV penetration exceeding 40%. The company is also scaling monthly three-wheeler capacity from 20,000 units to 30,000 units, strengthening its position in the rapidly growing electric commercial vehicle market. • **Exports Hit Record Highs, Supported by Global Market Expansion:** TVS Motor's international business recorded its highest-ever quarterly exports, with volumes rising 33% YoY to 4.68 Lc units, contributing Rs 3,634 Cr to revenue. Growth was primarily led by Africa, where the TVS HLX platform crossed 5 Mn cumulative sales, with the latest 1 Mn units achieved within a year. The company continues to deepen its global presence by expanding across Africa, the Middle East, and Latin America, while strengthening its premium motorcycle portfolio through launches of the Apache RTR, Ronin, RTR 180/200/310, Raider, and the King EV Max in Nepal, supporting both export growth and international EV penetration. • **Norton to Drive Premiumisation and Long-Term Margin Expansion:** TVS Motor continues to execute its premiumisation strategy through Norton Motorcycles, with production of the Atlas models commencing at its Hosur facility, while Manx production has started at the Solihull facility during Q1FY27. Backed by an investment of nearly Rs 2,500 Cr over the last four to five years, the company is preparing the global rollout of Manx, Electra, Atlas, and Atlas GT, targeting the premium adventure and sport-touring motorcycle segments. Initial launches are planned across the UK, France, Italy, Germany, Spain, India, and later the US, with Norton expected to enhance product mix, strengthen the premium portfolio, and support long-term margin expansion

** Note: Target Price is based on our Q1FY27 Result Update Report*

Top Conviction Ideas: Auto

<table>
<tr><th>Stock`</th><th>Reco.</th><th>TP</th><th>Recommendation Rationale</th></tr>
<tr><td>Maruti Suzuki India Ltd</td><td>BUY</td><td>Rs 15,920*</td><td>
Strong Demand Recovery & Capacity-Led Growth: Maruti Suzuki reported 5,34,807 domestic wholesale units (+33% YoY) in Q1FY27, driven by 34% YoY growth in small cars and 44.6% YoY growth in SUVs, resulting in a 230bps market share gain to 41.2%. The company outperformed the industry across both the 18% and 40% GST segments, while first-time buyer contribution improved to 54% (vs. 51% in Q4FY26). Retail demand remained healthy with 13 days' dealer inventory and an order book of ~1,30,000 units, indicating strong underlying demand. Management reiterated that FY27 growth (~10%) will remain capacity-led rather than demand-led, with the newly commissioned 5,00,000-unit capacity (Kharkhoda & Hansalpur) expected to support volume growth as plants ramp up over the next 4-5 months.
Export Leadership & Product Strength: Maruti maintained its leadership in exports with 28.6% YoY growth, significantly outperforming the industry (-8.4% YoY) despite West Asia-related disruptions. The company contributed >55% of India's PV exports, with export revenue of ~Rs 11,500 Cr, supported by strong demand from South Africa, Japan, and Europe. Operationally, Maruti ensured uninterrupted production by supporting its 450 Tier-1 and ~2,000 Tier-2 suppliers during the commodity disruption. The launch of the new Brezza, featuring ADAS, 5-star Bharat NCAP safety, underbody CNG and a 1.0 L turbo-petrol engine (18% GST category), has received a strong initial response with ~2,000 bookings/day, strengthening its SUV growth strategy.
Temporary Margin Pressure; Long-Term Growth Intact: EBIT margin declined to 5.1% (vs. 8.8% in Q4FY26) due to a 300bps commodity headwind, including a 110bps impact from the temporary shift in supplier settlement cycles. Additional pressures came from higher gas costs (20bps), fixed-cost absorption (30bps), forex (30bps), employee costs (40bps) and depreciation (20bps). Management expects margins to improve over Q2–Q3, supported by easing commodity prices, normalisation of settlement cycles and the benefit of vehicle price hikes implemented in June (~0.5%) and August. Over the longer term, Maruti remains well positioned through investments across ICE, CNG (40% portfolio), Hybrid, Hydrogen and EVs, with the Rs 3,900 Cr EV-focused line at Hansalpur and upcoming EV launches supporting sustainable growth
</td></tr>
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*** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
Endurance Technologies	BUY	Rs 3,255*	• **Strategic Capacity Expansion & Premiumisation Driving Growth:** Endurance Technologies continues to strengthen its manufacturing capabilities across braking systems, suspension, aluminium castings, alloy wheels, and proprietary products. In braking systems, the company is adding ~0.9 Mn ABS capacity to its existing 0.64 Mn units, with SOP expected by Sep/Oct'26, while new dual-channel ABS programs for Bajaj Auto are scheduled to commence in Q1/Q3FY27. The new Chennai disc brake facility, with ~3 Mn assemblies capacity, is expected to commence supplies to Royal Enfield in Sep'26, with other OEMs following in Q3FY27. In suspension, management targets monthly inverted front fork capacity of ~100,000 units by FY27, with new programs from Bajaj Auto, Hero MotoCorp and Suzuki ramping up from Q3FY27. The company is also scaling four-wheeler aluminium castings, with cumulative bookings of ~Rs 513 Cr p.a. at Shendra and new orders from Hyundai, Kia, Tata Motors and Mahindra, supporting a higher-margin mix. • **EV Systems & Proprietary Products Expanding Growth Opportunities:** Endurance is strengthening its EV presence through battery packs, BMS, motor controllers, DC-DC converters and aluminium castings. The Pune battery pack plant commenced SOP for Hero MotoCorp in Jun'26 and is expected to reach peak volumes by Q3FY27, while Rs 62 Cr is being invested to enter four-wheeler battery packs, with SOP targeted for Q4FY27. Maxwell achieved 85% YoY growth in Q1FY27 revenue to Rs 56.5 Cr and turned PAT positive, while cumulative annualised business wins increased to Rs 238 Cr. The company also secured ~Rs 345 Cr of business in solar dampers and actuators, while EV-related business wins in conventional products reached Rs 1,806 Cr p.a., including Bajaj Auto. • **Strong Order Book, Diversification & Margin Recovery to Support Earnings:** Endurance continues to build a healthy growth pipeline, with India order wins of Rs 392 Cr in Q1FY27 and an RFQ pipeline of ~Rs 4,526 Cr. ~Rs 336 Cr of quarterly wins came from HMSI, including ~Rs 220 Cr of higher-margin suspension facelift business, while TVS brakes business increased to >Rs 250 Cr p.a. Near-term margins are expected to improve as raw material pass-throughs and conversion-cost increases are settled, with softer aluminium alloy prices providing additional benefit. With FY27 India Capex maintained at ~Rs 800 Cr, new facility ramp-ups and higher-margin four-wheeler, EV and proprietary products should support sustainable growth and margin expansion.

Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
Steel Strips Wheels Ltd	BUY	Rs 305*	• **Aluminium Expansion & Premiumisation to Drive Sustainable Growth:** The aluminium business continues to remain SSWL's key long-term growth driver, supported by rising premiumisation across passenger vehicles, SUVs, and EVs. To meet increasing demand, the company is expanding its Bhuj facility by adding 1.2 Mn alloy wheel capacity and 1.1 Mn aluminium knuckle capacity under its Rs 500-600 Cr capex programme. The upcoming capacities are already backed by strong customer commitments and are expected to commence trial production in Q4FY27, strengthening the premium product portfolio and supporting sustainable revenue growth over the medium term. • **Capacity Expansion Across Aluminium & Steel Wheels Supporting Future Growth:** With existing facilities operating at over 95% capacity utilisation, SSWL is undertaking strategic capacity additions across both aluminium and steel wheels to address demand and remove supply constraints. Along with the Bhuj expansion, the company is adding 2 Mn units of steel wheel capacity through a brownfield project near Chandigarh, which is expected to be commissioned before the end of CY26. These expansions are likely to enhance operating leverage, improve product availability across key OEMs and support the company's next phase of growth. • **Export Recovery Driven by Diversification & Strategic Partnerships:** Following a weak FY26, the export business has started witnessing a recovery, with management maintaining its FY27 export revenue guidance of ~Rs 600 Cr. Growth is expected to be driven by newly secured OEM programmes across Europe, Latin America and Asia, reducing dependence on the US market. Additionally, the strategic technical alliance with ARS China is expected to strengthen SSWL's global aftermarket presence, enhance technology capabilities and improve export competitiveness, supporting sustainable growth over the medium term.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
Minda Corporation Ltd	BUY	Rs 815*	• **Premium Product Expansion & Technology-Led Growth:** MCL's product strategy in Q1FY27 continues to reflect a strong shift toward premiumization, higher-content solutions, and EV-focused technologies across segments. The company strengthened its PV portfolio through the consolidation of Minda Vast, which offers advanced vehicle access solutions including door handles, lock sets, latches, and smart keyless entry, with current kit value of Rs 8,000-13,000 expected to double (2x) as new products are commercialised. MCL also continued to see strong traction in wiring harnesses and instrument clusters, which grew by >30% and >35% YoY, respectively, supported by rising electronic content and premiumization. Further, the Spark Minda HCMF JV is on track for SOP in Q2FY27, while the Turntide Technologies JV motor controller facilities are fully set up ahead of the October/November SOP. The Spark Minda Toyota JV also secured a lifetime order book of >Rs 1,000 Cr, with SOP targeted for Q4FY27/Q1FY28. On the innovation front, MCL filed 7 new patents during Q1FY27, taking cumulative patent filings to >335, of which 150 have been granted. • **Strong Order Book & Revenue Visibility:** Minda Corporation's order book continues to provide strong medium-term revenue visibility, supported by healthy order inflows across core business segments and new-age automotive technologies. The company secured ~Rs 2,500 Cr of new lifetime orders in Q1FY27, taking the order pipeline to a strong level across vehicle access, castings, wiring harnesses, instrument clusters, and new energy/electronic solutions. Importantly, ~8–10% of the order book is export-linked, supporting geographical diversification and reducing dependence on domestic cyclicality. The strong order pipeline, combined with upcoming SOPs across sunroofs, motor controllers, and switches, provides healthy revenue visibility over the medium term, while capacity expansion in casting and wiring harnesses is expected to support execution of these orders without capacity bottlenecks. • **Flash Electronics: Strong Growth & EV Traction:** Associate company, Flash Electronics, delivered a strong operational performance in Q1FY27, supported by robust domestic demand and strong traction in its EV business. Flash reported quarterly revenues of Rs 533 Cr (+42% YoY), while EBITDA margins stood at 15.4%, impacted by temporary commodity and labour cost inflation. The company expects profitability to normalise over the next 1-2 quarters, with a long-term target of 16-17% EBITDA margins and 20-24% profitable growth. Importantly, Flash's EV business grew 90% YoY, contributing ~30% of total revenue, driven by increasing penetration in three-wheelers and higher kit values from integrated 2-in-1 and 3-in-1 solutions. Strategically, Flash continues to strengthen its EV technology portfolio, with magnetless traction motors currently undergoing customer testing, while pursuing new strategic partnerships to expand its presence in the PV EV mobility segment.

**** Note: Target Price is based on our Q1FY27 Result Update Report***

AXIS DIRECT

AUGUST 2026

Top Conviction Ideas: Real Estate, Durable Goods, & Hospitality

EESHA SHAH
VISHAL JAGWANI

Real Estate Sector: Q1FY27 Review

✓ Demand Holds; Launches to Drive the Next Leg

- **Demand Remains Resilient:** In Q1FY27, our coverage universe reported pre-sales de-growth of ~40% YoY, amounting to ~Rs 10,300 Cr. This was primarily due to the shift of major launches to H2, compared with the previous year's quarter, which benefited from 2–3 high-value launches. We observed sustenance sales traction in Oberoi, Prestige and Arvind, which performed in line with expectations. Signature delivered decent performance despite limited launches and slower sustenance sales during the quarter. MICL posted slow growth due to limited traction from a single geography, but expects growth to pick up in the coming quarters. Management teams across developers continued to describe customer enquiries, conversions and pricing as healthy, with luxury/premium housing remaining the strongest segment.
- **Growth Guidance Driven by Expansion and Launches:** Despite some companies falling short of launches, there is no meaningful demand slowdown at the premium end. Oberoi's commentary around its NCR entry was particularly strong, with its Gurugram project seeing an overwhelming response. Prestige also highlighted healthy demand across Bengaluru, Hyderabad, Mumbai and NCR. The sector, therefore, appears to be in a normalisation phase rather than a demand correction. Signature Global and MICL Group are likely to maintain their usual run rate. The key catalyst to growth is being driven by new project launches and geographical expansion, rather than simply price appreciation in existing projects.
- **Healthy Balance Sheet:** Across the sector, management commentary continues to emphasise controlled leverage and disciplined capital allocation. Prestige is targeting net debt/equity below ~0.75x, while Oberoi remains exceptionally conservatively leveraged, with debt/equity at just 0.15x at June-end. Consequently, the sector has considerable room to scale. Importantly, developers are willing to spend on land acquisition/JDA opportunities and new project development, but are generally unwilling to compromise balance-sheet discipline for growth.
- **Outlook & Guidance:** The overall performance of the coverage universe was largely in line with expectations. For FY27, companies have maintained their guidance for an optimistic year with built-in contingencies for raw material price increases. The outlook for premium and luxury residential remains cautiously positive, with volume-led new launches, new cities and aggressive business development continuing to be the key drivers of growth for the sector.

Real Estate Sector: Financial Performance

✓ Financial Performance

- **Arvind Smartspaces Ltd:** Arvind's bookings stood at Rs 432 Cr, beating our expectations. The company recorded its highest-ever Q1 bookings, reflecting a 147% YoY growth. Collections for the quarter were at Rs 336 Cr, up 76% YoY. Revenue for the quarter was Rs 317 Cr, while EBITDA rose to Rs 156 Cr. PAT stood at Rs 81 Cr. Arvind reported operating cash flows of Rs 96 Cr for the quarter, and net debt stood at Rs 215 Cr.
- **Embassy Office Parks REIT Ltd**: Embassy REIT delivered good Q1FY27 performance, achieving double-digit growth across key financial metrics. Operating revenue rose 17% to Rs 1,241 Cr, while Net Operating Income (NOI) grew 17% to Rs 1,020 Cr. Driven by 1.3 Mn sq. ft. of new leasing and successful deliveries, the REIT reported Rs 598 Cr distributions, a 9% YoY increase in DPU to Rs 6.31, completing 23% of original guidance of Rs 27-28.6 for the year. Hotel occupancy stood at 61% with 5% ADR growth at Rs 12,345. Real estate contributed 88% of total revenues, with hotels contributing 10%, while solar and others contributed 2%. EBITDA stood at Rs 959 Cr, a 17% growth YoY. PAT came in at Rs 195 Cr, up 26% YoY. The company raised Rs 3,045 Cr of debt at a blended coupon of 7.46%.
- **Man Infraconstructions Ltd:** The company reported revenue of Rs 218 Cr, up 7.6% YoY. Its EBITDA stood at Rs 72 Cr, up 18.1% YoY, with margins of 33%. The net profit for the quarter stood at Rs 63 Cr, up 7.6% YoY. For the quarter, pre-sales stood at Rs 290 Cr, down 41% YoY, while collections stood at Rs 244 Cr, up 4% YoY.
- **Oberoi Realty Ltd:** The company reported Q1FY27 revenue of Rs 1,301 Cr, up 32% YoY. It posted EBITDA of Rs 734 Cr with EBITDA margins of 56.4%, up 374 bps YoY. PAT was reported at Rs 539 Cr, up 30% YoY. Pre-sales stood at Rs 1,050 Cr for the quarter, down 36% YoY due to a lack of launches in this quarter. Collections stood at Rs 921 Cr for the quarter, down by 37% YoY. Total rental revenues stood at Rs 364 Cr, up 19% YoY.
- **Prestige Estates Projects Ltd:** The company reported revenue of Rs 2,675 Cr for the quarter, up 16% YoY. EBITDA and PAT stood at Rs 860 Cr and Rs 271 Cr, respectively. EBITDA margin came in at 32%, down 660 bps YoY. Bookings for the quarter stood at Rs 6,579 Cr, down 46% YoY on a high base effect with heavy launches in Q1FY26, broadly in line with estimates and the company's guidance. Collections stood at Rs 4,802 Cr, up 6% YoY. The company sold over 6 Mn sq. ft. area in the quarter, down 37% YoY, with average realisations at Rs 11,193 for apartments and villas. Prestige had 4 launches for the quarter with a development area of 20.2 Mn sq. ft. and completed 3 projects worth 4.4 Mn sq. ft. Geographical sales for Q1FY27 stood at 49% for Hyderabad, 27% for Bengaluru and 12% for MMR, with the remaining among Chennai, NCR and others.
- **SignatureGlobal India Ltd:** The company reported revenue of Rs 552 Cr in Q1FY27, reflecting a degrowth of 50.2% YoY. EBITDA stood at -45 Cr, while the company reported a loss of Rs 17 Cr. During the quarter, presales were recorded at Rs 1,970 Cr, in line with our expectations, down 26% YoY, while collections stood at Rs 670 Cr, a 28% dip.

Real Estate Sector: Outlook

✓ Growth Levers Intact; Calibrated Demand

Subdued Quarter with Mixed Performance; Cautiously Positive 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. Urbanisation is 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 Sustenance Sales
- Limited Success in Expanding To New Geographies
- Slower Sales at Launch
- More Supply Than Demand, Leading to Decline in Prices

Positives

- Strong Demand for Premium Housing
- Strategic Capex for Business Development
- Strong EBITDA Margins Across the Board
- Strong Balance Sheets with Stable Debt
- Healthy Traction Across Commercial and Retail

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

Durable Goods Sector: Q1FY27 Review

✓ Demand Recovery Gathers Momentum; H2 Performance Remains Key

- **Price Growth for Polymers:** Q1FY27 was somewhat distorted for polymer processors because sharp polymer-price volatility in April triggered inventory correction across the channel. Companies like Astral and Prince saw higher growth with margin expansion. The biggest positive is that distributors have rebuilt their inventories and volume growth has become more visible. The softness was more channel/inventory-led than demand-led.
- **MDF & Plywood:** MDF and Plywood recorded high double-digit growth in revenues. Demand saw pick-up in the quarter, with management expecting mid-teens growth in revenues. Capacity addition is the next leg for MDF and particle boards, with the industry aggressively investing in higher facilities. For plywood, we see healthy but gradual demand, and it is currently in a recovery phase with higher value-added products and a shift to the organised market being key long-term growth drivers.
- **Retail Demand:** Q1FY27 indicated a healthy recovery in discretionary retail demand, with both bathware and electronics witnessing strong volume-led growth. Bathware demand remained resilient, supported by housing activity and replacement demand, while electronics benefited from robust summer demand, particularly in cooling appliances, alongside premiumisation. Looking ahead, festive demand, improving consumer sentiment, housing activity and replacement cycles should support H2 growth. While commodity costs remain a margin headwind, stable demand and premium product mix provide comfort on earnings momentum.
- **Outlook & Guidance:** The durable goods sector is recovering well, driven by strong summer demand for electronics, bathware, and double-digit growth in MDF and plywood. Although raw material price swings temporarily disrupted polymer inventory, stock levels are normalising, and end-user demand remains solid. Companies should focus on expanding capacity in high-demand wood panels, pushing premium products to protect margins from rising commodity costs, and keeping inventory lean to capture upcoming festive sales.

Durable Goods Sector: Financial Performance

✓ Financial Performance: Building Materials

- **Astral Ltd:** Astral reported revenue of Rs 1,578 Cr, up 15.9% YoY, in line with our estimates. Gross margins went up by 120 bps YoY to 40.6%. Reported EBITDA stood at Rs 231 Cr, reflecting 25% YoY growth, with EBITDA margins at 14.7%. PAT came in at Rs 120 Cr, up 52% YoY. Plumbing revenues grew 10% YoY, while EBITDA margins improved to 18.9% versus 16.4% YoY. The Paints and Adhesives business posted a 29.5% YoY revenue increase, with EBITDA margins at 8.7% compared to 9.2% in the previous year.
- **Cera Sanitaryware Ltd:** Cera reported revenue of Rs 486 Cr, up 19% YoY. Gross margins stood at 46%, driven by a change in their revenue reporting format (top-line net off trade discounts). Reported EBITDA stood at Rs 49 Cr, down 7% YoY, with EBITDA margin contracting to 10.1% versus 13% in the previous year. This was led by one-time cost implementation and lower utilisation for kilns. The company reported PAT of Rs 45 Cr, down 3% YoY. Segment-wise revenue contribution from Sanitaryware/Faucetware/Tiles/Others stood at 47%/40%/11%/2%, respectively, with Sanitaryware and Faucetware registering YoY growth of 14% and 25% YoY.
- **Greenply Industries Ltd:** Greenply reported a strong quarter with revenue of Rs 725 Cr, up 21% YoY, and EBITDA of Rs 78 Cr, with margins flat at 11%, impacted by lower plant utilisation due to labour shortages and election-related disruptions. Plywood revenue stood at Rs 527 Cr with 13% volume growth, while MDF revenue was Rs 196 Cr with volume growth of 25%. Plywood saw realisations growth in the 6% range while MDF saw a 9% improvement. Performance was driven by MDF scale-up, steady plywood demand, and improved operating leverage.
- **LG Electronics India**: LGEIL reported quarterly revenue of Rs 7,233 Cr, up 15.5% YoY, in line with estimates. Reported EBITDA stood at Rs 904 Cr, up 26% YoY, with an EBITDA margin of 12.5%, a 106 bps YoY improvement. The company reported PAT of Rs 653 Cr, up 27% YoY. During the quarter, the HA/HE segment saw 14%/22 revenue growth. EBIT margins for HA/HE improved to 12%/19% for the quarter. Growth in the HA segment was driven by demand recovery and premiumisation, whereas HE saw event-led demand.
- **Prince Pipes & Fittings:** Prince reported revenue of Rs 609 Cr, up 5% YoY, in line with our estimates. Gross margins expanded by 839 bps YoY to 34%. Reported EBITDA stood at Rs 77 Cr vs Rs 40 Cr in the previous year, with an EBITDA margin of 13%, a 584 bps YoY improvement on a low base. The increase in EBITDA margins is mainly attributed to inventory gains and a higher product mix for the quarter. The company reported PAT of Rs 34 Cr, up 115% YoY. During the quarter, topline saw growth despite volumes showing a 7% YoY decline at 40,729 MT, reflecting a higher contribution from PVC (high-margin) products and better realisations.

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Durable Goods - Short & Medium-term Drivers

Negatives

- Raw Material Price Volatility
- Limited End User Demand
- Competitive Intensity and Market Share Loss
- Policy Risk
- Margin Compression on Account of Cost Pressures

Positives

- Improving Utilisations
- Recovery in Channel Confidence
- Implementation of MIP Translating to Earnings Visibility
- Pickup in Demand post Raw Material Price Stabilisation
- Strong Balance Sheets with Stable Debt

Key Monitorable – Price Volatility; Retail Demand; Price Hike Absorptions; Utilisation Levels

Hospitality Sector: Financial Performance

✓ Financial Performance: Hospitality

- **Chalet Hotels Ltd:** Chalet Hotels reported revenue of Rs 512 Cr in Q1FY27, up 12.5% YoY and in line with our estimates. Hospitality revenue stood at Rs 178 Cr, up 8.5% YoY, supported by ARR growth of 8.6% YoY to Rs 13,247, despite occupancy declining 120 bps YoY to 64.8%. The commercial segment continued to perform well, reporting revenue of Rs 87 Cr, up 18.2% YoY and in line with our estimates. EBITDA stood at Rs 234 Cr, with EBITDA margin expanding 317 bps YoY to 45.7%, ahead of our estimates. Segment-wise, hospitality EBITDA margin stood at 42.6%, while the commercial segment reported a robust EBITDA margin of 85%. PAT grew 6.4% YoY to Rs 86 Cr but came in below our estimates due to an exceptional adjustment of Rs 9.04 Cr related to the previous year's labour code impact.

- **Indian Hotels Company Ltd:** IHCL reported consolidated revenue for Q1FY27 of Rs 2,339 Cr, up 14.6% YoY, showing strong domestic demand amid geopolitical disruptions. EBITDA stood at Rs 673 Cr, with a margin of 28.8%, steady YoY. Adjusted PAT came in at Rs 391 Cr, up 18.7% YoY, supported by stable margins. Portfolio occupancy grew to 82%, with RevPAR growing 9%, indicating continued pricing strength. Ancillary streams remained healthy. F&B revenue grew 6.3% YoY, subdued due to last-minute cancellations, while management fees increased 26% YoY, reinforcing the asset-light earnings mix.

- **Juniper Hotels Ltd:** Juniper Hotels reported Q1FY27 revenue of Rs 250 Cr, up 13% YoY. EBITDA stood at Rs 86 Cr, up 5.2% YoY, with margins at 34.6%, while PAT stood at Rs 33 Cr, up from Rs 9 Cr in Q1FY26. Occupancy for the quarter grew by 500 bps from 71% in Q1FY26 to 76% in Q1FY27.

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
Oberoi Realty Ltd	BUY	Rs 2,200*	✓ **Successful North Launch and Robust Pipeline for FY27**: Oberoi Realty achieved a key milestone with it's successfull entry into the NCR market through 360 North. It launched Phase 1, comprising 1.4 Mn sq.ft. out of the total 2.6 Mn sq.ft. and witnessed overwhelming performance with bookings exceeding management expectations. The strong collections will be enough to fund the entire construction cost of the project. Phase 2 launch has been deferred until next year to maximise value creation. The company is targeting the launch of the Adarsh Nagar project in Q3FY27, with approvals progressing through final stages. Management has shown confidence in supporting higher annual pre-sales numbers without compromising on margins (~50%+). We revise our pre-sales targets to ~Rs 13,000 Cr for FY27, mainly driven by the 360 North project. ✓ **Annuity - Operational Performance**: Commerz III is now operating at 98% occupancy with 91% EBITDA margins. The office and retail operating revenue for the year reached Rs 317 Cr with EBITDA margins of 93%, while hospitality revenue stood at Rs 46 Cr. Both Commerz I and II are operating at high occupancies of 96% and 100%, respectively, delivering EBITDA margins of 91% and 92%, respectively. Oberoi Mall maintained a strong 99% occupancy with an EBITDA margin of 97%, while Skycity Mall reported 82% occupancy with a 95% EBITDA margin. In the hospitality segment, the Westin Mumbai reported 75% occupancy with an EBITDA margin of 39% and RevPAR of Rs 11,492. ✓ **Premium Positioning Supports Margin Strength**: Oberoi continues to maintain a strong balance sheet, supported by a healthy net cash position and robust operating cash flows. The successful launch of 360 North has generated customer collections sufficient to fund the project's construction, significantly reducing funding requirements and reinforcing cash flow visibility. During the quarter, the company invested Rs 786 Cr towards future developments while retaining financial flexibility. Profitability is driven by disciplined land acquisition, premium product positioning and project mix. With no material cost pressures impacting underlying margin strength, management is confident of sustaining a similar margin profile.

Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
Prestige Estates Projects Ltd	BUY	Rs. 1,830*	✓ **Launch Pipeline Strength**: Prestige remains well positioned for another strong growth year, backed by one of the largest launch pipelines in the sector. Management reiterated confidence in delivering 15–20% pre-sales growth, with delays largely stemming from regulatory approvals rather than demand weakness. The company expects a meaningful acceleration in launches across Bengaluru, Chennai, NCR, Mumbai and Hyderabad during Q3–Q4FY27. Once approvals are secured, management expects healthy absorption, supported by resilient residential demand and premium product positioning, providing strong visibility on bookings, collections and revenue recognition. ✓ **Cash Flow Momentum**: Prestige expects gross collections of Rs 25,000 Cr, including Rs 21,000–22,000 Cr from residential sales, while guiding for free operating cash flows of Rs 8,500–9,000 Cr in FY27. These cash flows are expected to largely fund planned Rs 4,000 Cr business development investments and ongoing construction, limiting incremental leverage despite an aggressive growth pipeline. Management expects only a modest increase in net debt, with upcoming launches expected to unlock additional collections. Strong ✓ **Commercial Portfolio**: Prestige continues to strengthen its long-term earnings profile through disciplined BD and expansion of its annuity portfolio. The company completed three new Mumbai land acquisitions during the quarter while remaining active in Bengaluru and NCR. Leasing traction at commercial assets such as BKC and Mahalaxmi remains encouraging, with management prioritising completion before monetisation. Additionally, the hospitality business offers optionality through a potential IPO or strategic investment. Also, the planned 100 MW data centre platform provides another long-term growth avenue beyond residential development.

***Note: Target Price is based on our Q1FY27 Result Update Report**

Top Conviction Ideas: Durable Goods

Stock	Reco.	TP*	Recommendation Rationale
LG Electronics India Ltd	BUY	Rs. 1,965*	✓ **Premiumisation Supports Growth**: LG Electronics India delivered a strong start to FY27, with 15.5% revenue growth despite commodity inflation and currency headwinds. Importantly, growth was broad-based, with every major category delivering double-digit growth. Premiumisation remains the key structural driver, visible across larger-screen TVs, French-door/side-by-side refrigerators, 8 kg+ washing machines and premium ACs. The TV business is particularly encouraging, with 55-inch+ TVs now accounting for ~50% of sales. The Essential Series adds another growth leg by addressing Tier-2/3 first-time buyers without diluting margins. ✓ **Multiple Structural Levers**: The 106 bps YoY EBITDA margin expansion to 13% is particularly encouraging given elevated input costs. Margin improvement was driven by richer product mix, calibrated price increases and operating leverage. Going forward, localisation should provide an additional structural lever, with management targeting 65% localisation from 55.2% currently. Local compressor manufacturing, increased sourcing, and value engineering should reduce import dependence and currency exposure. Higher-margin exports are another positive, with management explicitly stating that export margins exceed domestic margins. ✓ **Diversified Revenue**: Beyond core consumer appliances, LG is building additional growth engines through exports, B2B, information displays and commercial ACs. Exports grew 30% in Q1 and now reach 65 countries, while B2B continues to see strong order momentum. The upcoming manufacturing facility should further enhance localisation and export capacity. The combination of domestic premiumisation, Essential Series, exports and B2B provides a diversified growth framework rather than dependence on a single category. The strong cash balance of Rs 5,707 Cr also provides financial flexibility to fund the planned Rs 5,000 Cr manufacturing investment without external debt.

Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: Durable Goods

Stock	Reco.	TP*	Recommendation Rationale
Greenply Industries Ltd	BUY	Rs 355*	✓ **Structural Margin Improvement**: Greenply's expected profitability is set to improve steadily as operating leverage strengthens and new efficiency initiatives begin contributing. Management reiterated confidence in achieving 10%+ plywood EBITDA margins as plant utilisation normalises and quarterly plywood revenues exceed Rs 600 Cr. MDF EBITDA margins are expected to remain at 16–17%, with potential to improve to 17–18% as the second MDF line scales up. Additionally, benefits from the Conti Roll technology, superior product mix and selective pricing actions should help offset raw material cost volatility and support margin expansion. ✓ **Strong Growth Visibility**: Greenply remains well positioned to deliver healthy earnings growth, supported by sustained demand and continued market share gains from the unorganised sector. Management reiterated FY27 guidance of ~10% plywood volume growth and 25–30% MDF volume growth, reflecting confidence in demand across both businesses. The Odisha Greenfield plywood plant, Vadodara MDF expansion and recently commissioned HDF flooring line provide additional growth levers. Higher value-added products are expected to improve realisations and diversify the revenue mix over the medium term. ✓ **Balance Sheet Supports Expansion**: Greenply continues to execute its growth strategy while maintaining a prudent financial profile. The company plans to invest around Rs 500 Cr in FY27 towards capacity expansion, while expecting peak leverage to remain below 0.75x debt-to-equity. Net debt stood at Rs 533 Cr at the end of Q1FY27, providing sufficient flexibility to fund ongoing projects. As new capacities ramp up and utilisation improves, stronger cash generation and operating leverage should support deleveraging.

Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: Hospitality Sector

Stock	Reco.	TP*	Recommendation Rationale
IHCL Indian Hotels Company Ltd	BUY	Rs. 830*	✓ **Strong Operating Performance**: IHCL delivered another strong quarter with consolidated revenue rising 15% YoY, while EBITDA grew 17% YoY to Rs 673 Cr, translating into an EBITDA margin of 28.8%. The hotel business remained the key growth driver, with room revenue increasing 13% YoY and domestic RevPAR growing 14%, supported by a 600 bps YoY improvement in occupancy to 82% alongside healthy ARR growth. Management highlighted that both leisure and business destinations witnessed broad-based demand, with Rajasthan and Goa outperforming, reinforcing confidence in the sustainability of domestic hospitality demand. ✓ **Asset-Light Growth and Expansion**: IHCL's expansion momentum remains one of its key investment positives, supported by a strong pipeline of over 31,000 keys and plans to open 60+ hotels in FY27. The company now has purview over 64,000 (operational and pipeline) keys. Ama Stays has crossed 375 villas, taking the combined portfolio beyond 1,000 units. Management expects acquisitions completed during FY26 to contribute over Rs 250 Cr incremental revenue in FY27. The Ginger brand continues to scale aggressively in the underpenetrated mid-scale segment, with management targeting a portfolio of 250 hotels by the end of FY27. This management contract-led ecosystem provides long-term annuity-like income visibility with lower capital and higher return ratios. ✓ **Margin Strength, Healthy Balance Sheet**: IHCL's strong balance sheet remains a key positive, with gross cash reserves exceeding Rs 4,400 Cr. This provides flexibility for renovations, greenfield developments and selective inorganic opportunities. Despite temporary headwinds from West Asia affecting international hotels and airline catering, the company maintained hotel EBITDA margins of 32.6%. This also absorbed ~Rs 15 Cr of pre-opening costs related to Frankfurt and the Noida TajSATS facility. Continued benefits from renovation-led asset management, disciplined revenue management and improving operating leverage should support healthy cash generation and margin resilience over the medium term.

*** Note: Target Price is based on our Q1FY27 Result Update Report***

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August 2026

Top Conviction Ideas
IT Services & Telecom

Kuber Chauhan
Abhishek Bhalotia

IT Services: Q1FY27 Review

✓ Stable Profitability; AI Deployment Remains a Key Catalyst

From our coverage universe, IT companies have reported broad-based growth ranging from 0.9% to 16.5% YoY in constant currency terms. At a broader level, Q1FY27 financial performance was in line with our expectations. Key verticals such as BFSI, Healthcare & Life Sciences, Energy & Utilities and Travel remain relatively resilient while Consumer/Retail, Hi-Tech and Communication remained weak due to discretionary budget constraints. Geographically, North America continued to stay strong. Europe, particularly Continental Europe, is showing relatively better traction while India and selected emerging markets continue to deliver stronger growth. Although tech companies benefited from rupee depreciation, better employee utilisation, deferment of wage hikes and tighter subcontracting costs.

- **TCS, Infosys & HCL Tech Reported Steady Growth on a Sequential Basis:** Among large-cap space, companies reported stable revenue performance while bottom line remained weak due to higher operating expenses and forex hedge losses. TCS posted a revenue growth of 13% YoY and 2% QoQ; net profit grew by 5%YoY while it fell by 3% QoQ due to annual wage hikes and one-time exceptional expenses. Infosys reported 14% YoY and 4% QoQ revenue growth due to a higher revenue mix, while operating margins remained stable, indicating continued benefits from utilisation, pyramid optimisation, productivity initiatives and cost discipline. HCL Tech saw an uptick of 13.9% YoY in revenue, while sequentially it remained flat at 1.8%, led by seasonality and continued client caution. Operating margins remained flat, i.e 58bps YoY and 32bps QoQ, including 62bps of restructuring costs.
- **Wipro and Aurionpro Solutions Remain Weak:** Wipro reported 11% YoY and 1% QoQ despite a healthy deal pipeline. Operating margins continued to face pressure on a YoY and QoQ basis, owing to higher investments in people and strategic priority areas. Revenue increased by 6.3% YoY and 3.6% QoQ. Higher operating costs and AI investments weighed on profitability.
- **LTIMindtree and Tech Mahindra Continued to Remain Resilient:** LTIMindtree reported a topline growth of 18% YoY and 3% QoQ. Despite a wage hike, Operating margin grew by 121bps and 36bps QoQ, aided by a cost optimisation program and forex gains. Tech Mahindra's performance improved by 18% YoY and 4.2% QoQ, and operating margins continued to show improvement by 335bps YoY and 58bps QoQ, driven by ongoing cost optimisation initiatives under Project Fortius, currency tailwinds, and Comviva seasonality.

IT Services: Q1FY27 Review

- **Mid-Tier IT Players Continue to Outperform:** Cyient's revenue remained robust with 21% YoY and 8% QoQ growth, supported by healthy momentum across its engineering-led businesses, while Cyient Semiconductors continued its strong trajectory with the fifth consecutive quarter of organic growth. LTTS reported revenue of 12% YoY due to growth in its sustainable segment. In the geographical mix, out of four, only North America saw growth, while others registered degrowth, supported by continued strength in Sustainability, while Mobility returned to growth, signalling an improvement in the previously challenged segment. KPIT Tech's revenue grew by 9% YoY but fell 2% QoQ, led by softness in the auto sector. Coforge reported revenue growth of 49%, led by consolidation of Encora as well as healthy underlying business momentum, while Persistent Systems grew by 16% YoY, due to sustainable growth across its niche segment. Both companies benefited from agility in execution, sector-specific focus and faster adoption of AI-powered solutions.

- **Steady Margins Amid Cost Pressures and Optimisation Gains:** Operating margins continued to remain steady on a sequential basis across top-tier companies on account of rising subcontracting costs, wage hikes, investments, and deflationary impact, though currency tailwinds supported to offset some weakness. Tech Mahindra and LTIMindtree continued to witness growth in margins, driven by cost efficiencies under the cost optimisation program, AI automation, and 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. KPIT Tech saw sequential weakness on the margin front, led by higher operating expenses and weak demand. Though the macro environment remained stable during the quarter, Tech transition and productivity gains are prioritised by the clients, leading to increased spending on AI-led transformation, cloud modernisation, digital engineering and automation initiatives.

- **Vertical Performance:** BFSI remained the most resilient vertical, supported by AI, cloud modernisation, cybersecurity and regulatory-led technology spending, while Healthcare & Life Sciences continued to witness strong momentum. Manufacturing and ER&D showed improving demand, driven by engineering, automation and digitalisation initiatives. In contrast, Consumer/Retail remained subdued amid cautious discretionary spending, while Communications/Telecom growth was mixed. Overall, clients continued to prioritise technology investments focused on productivity, cost optimisation and measurable business outcomes.

IT Services: Outlook

- **Improving Sequential Momentum:** Demand visibility for discretionary spends has gradually started improving as clients continue to monitor outcome-based projects. However, they continue to be selective while making decisions for these spends, embedding AI for productivity gains. As a result, the focus continues on deliverables upon traditional legacy contracts.
- **Deal Wins and Revenue Conversion:** One of the biggest positives is that deal bookings remain healthy despite weak revenue growth. TCS reported $9.5 Bn TCV, HCL Tech $2.4 Bn, Wipro $1.6 Bn of large deals, Persistent $1.15 Bn TCV and Coforge $691 Mn new order intake, reflecting faster client decision-making. However, deal ramp-ups and revenue conversion remain delayed due to higher investments for AI. Hence, book-to-bill, executable order book and large-deal conversion will be the most important indicators to track over the next few quarters.
- **Employee Additions Remain Subdued:** Employee additions remained subdued across most large IT companies despite healthy deal bookings, indicating that clients are increasingly prioritising productivity, automation and AI-led delivery rather than traditional linear headcount-based growth. Midcap companies witnessed relatively stronger headcount additions, supported by healthy deal momentum and revenue growth.
- **Geographical Outlook:** North America remains the key swing factor, but spending continues to be selective, with cost optimisation, vendor consolidation and AI-led transformation taking precedence over discretionary programmes. Europe is showing relatively better momentum, while India and selected emerging markets continue to grow faster from a smaller base. Therefore, a broad recovery in US discretionary spending remains critical for a sustained sector-wide acceleration.
- **AI – Both Opportunity and Disruption:** Q1FY27 reinforced that AI is transitioning from experimentation towards actual enterprise deployment. Companies are seeing demand for AI implementation, data modernisation, AI agents and cloud infrastructure, while simultaneously using AI to improve delivery productivity. This creates a double-edged impact, i.e AI can increase addressable spending but can also reduce effort requirements in traditional services, creating pricing/volume pressure. We believe long-term winners would be those companies that can monetise AI while using it to improve delivery economics.

Short and Medium-term Outlook

The Indian IT services industry has sequential growth backed by deal conversions and AI-led revenue amidst macroeconomic uncertainties. It is anticipated that earnings growth will continue sequentially across large-cap players, while midcaps will continue to outperform. Overall, the long-term outlook remains robust, supported by operational efficiencies, AI-led deal wins 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 key revenue vertical and geographical mix

(b) Deal wins remain resilient

(c) Cost optimisation initiatives to help gain margins.

Key monitorables – *(1) Deal wins and macroeconomic conditions, (2) Ability to spend on automation by the world's largest economies.*

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Telecom: Q1FY27 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 Q1FY27, driven by an increase in subscriber base across mobile and home segments, rural network expansion and digital adoption. Bharti Airtel delivered a strong Q1FY27, with consolidated revenue growing 18.4% YoY, supported by healthy India operations and robust growth in Africa. Airtel also reported its highest-ever quarterly postpaid additions, indicating that higher-value customers continue to migrate towards Airtel. Reliance Jio's topline grew by 11.8% YoY, supported by subscriber market-share gains, ARPU expansion and strong growth in data consumption.
- **Rapid 5G Adoption Boosts ARPU for Jio and Airtel:** Overall, Reliance Jio earmarked its mobile customer base of ~533 Mn users, Out of which 285 Mn are using 5G as of Q1FY27, making up more than half of the customer base, reflecting rapid network rollout and uptake, while Bharti Airtel added 3.9 Mn customers to reach a customer base of 376 Mn (171% YoY). The ARPU for Bharti Airtel stood at Rs 264 (+5.6% YoY; +2.7% QoQ) and Jio at Rs 216 (+3.3% YoY and +0.7% QoQ). Bharti Airtel continues to improve ARPU through focusing on higher post-paid customers, international roaming, and upgradation to smartphones from feature phones.
- **Airtel and Jio Continue Heavy Investment:** On the Capex front, Bharti Airtel's focus remains on 5G densification, fibre rollout, Connected Homes, enterprise connectivity and data centres; management has indicated that while radio capex is moderating, transport/fibre and non-wireless investments will remain elevated. Reliance Jio to continue the Capex trajectory significantly towards 5G capacity, fibre, home broadband and digital infrastructure.
- **Focused on Strengthening Growth Beyond Traditional Connectivity:** Airtel is increasingly expanding beyond connectivity through Airtel Finance, Nxtra and Airtel Cloud. Jio is pursuing a broader digital ecosystem strategy, with growth extending from mobility into home broadband, enterprise, cloud, AI and digital services.

Telecom: Outlook

- **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, AI and Subscriber Additions 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. ARPU of Telecom Giants is witnessing expansion; Vodafone Idea’s financial position remains significantly weaker than its peers.
- **Leveraging New Pockets of Growth Beyond Connectivity:** Bharti Airtel and Jio are building additional growth engines beyond mobile connectivity. Airtel is expanding into payments, lending, cloud, cybersecurity and data centres, with Airtel Cloud adding 11 customers in Q1FY27. Jio is scaling Homes, enterprise connectivity, cloud, AI and digital services. This creates opportunities to increase wallet share per customer/household.
- **Industry Structure Remains Favourable:** The next phase of growth for telecom players is expected to be driven by ARPU expansion, premiumisation and monetisation of the large 4G/5G subscriber base, rather than subscriber additions. With 5G rollout moving towards the monetisation phase, capex intensity should gradually moderate, supporting stronger free cash flow and balance-sheet improvement. Meanwhile, home broadband, FWA, enterprise connectivity, cloud, data centres and digital services are emerging as incremental growth engines beyond traditional mobility. Airtel and Jio are well positioned to benefit from the favourable industry structure, given their strong subscriber franchises and balance sheets, while Vodafone Idea's recovery remains a key monitorable for competitive intensity and industry pricing discipline.

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

(d) Regulatory headwinds

(a) Continued ARPU gains

(b) Demand for data accelerated

(c) Capex moderation

(d) New pockets of growth beyond connectivity

Key monitorables – *(1) Tariff hikes will help to gain ARPU, (2) New segment performance excluding connectivity*

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
LTM Ltd	BUY	Rs 4,560*	✓ **Financial Performance:** In Q1FY27, LTM reported revenue of Rs 11,608 Cr vs Rs 9,841 Cr (Q1FY26), up 18% YoY and 2.8% QoQ. EBIT stood at Rs 1,799 Cr vs Rs 1,407 Cr, up 27.9% YoY and 5.3% QoQ. EBIT margins stood at 15.5% (+121 bps YoY/+36 bps QoQ). Net income came in at Rs 1,469 Cr vs Rs 1,255 Cr, up 17.1% YoY and 5.9% QoQ, led by higher other income during the quarter. However, in CC terms, revenue grew by 6.4% YoY and 0.3% QoQ, marking an order inflow of $1.7 Bn during the quarter. ✓ **Robust Order Inflow:** Total inflows stood at $1.7 Bn, remaining stable on a sequential basis. The total order book includes two large deal wins secured during the quarter. This inflow includes a large IT landscape consolidation deal for a US-based multinational organisation, an infrastructure modernisation contract with a US insurance company, and two outcome-based AI implementation wins for their BlueVerse Voicing SLM platform. ✓ **AI Revenue Scales to $150 Mn Quarterly Run-Rate:** LTM now operates through three primary lines of business: iRun, iTransform, and Business AI, all built on the foundational BlueVerse AI ecosystem. Combined AI revenue reached a quarterly run-rate of $150 Mn, supported by strong momentum across Business, Creative and Industrial AI. ✓ **Five-Year "Lakshya 31" Ambition Reaffirmed:** Management reiterated its ambition to nearly double revenue to $10 Bn by FY31. Key growth drivers include expansion opportunities across Europe and Asia-Pacific, the acquisition of Randstad, and faster growth across its three AI-led businesses. The completion of productivity-linked pricing discussions with large clients also removed a key overhang and strengthened the company's growth outlook.

•*Note: Target Price is based on our Q1FY27 Result Update Report*

Top Conviction Ideas: IT Services

Stock	Reco.	TP/CMP*	Recommendation Rationale
TECH mahindra Tech Mahindra Ltd.	BUY	Rs 1,735*	✓ **Financial Performance:** Tech Mahindra reported revenue of Rs 15,712 Cr vs Rs 13,351 Cr, up 17.7% YoY and 4.2% QoQ. EBIT stood at Rs 2,264 Cr vs Rs 1,477 Cr, registering a growth of 53.3% YoY and 8.6% QoQ, driven by ongoing cost optimisation initiatives under Project Fortius, currency tailwinds, and Comviva seasonality, despite ongoing investments in AI and transition costs from a recent deal. EBIT margin stood at 14.4%, up 335 bps YoY and 58 bps QoQ. Net income came in at Rs 1,486 Cr vs Rs 1,129 Cr, up 31.7% YoY and 9.6% QoQ. In CC terms, revenue expanded by 2.6% sequentially and 6.6% on a YoY basis. Organic constant currency growth stood at 2.5% QoQ and 6.2% YoY. ✓ **Shift in Demand from Legacy Services to Modernisation:** Management indicated that while the macroeconomic environment remains broadly stable, enterprise spending is increasingly shifting toward high-growth digital themes. The company is witnessing rising demand for cloud modernisation, data engineering (Databricks, Snowflake), enterprise platforms (SAP, ServiceNow, Salesforce), and sovereign AI, while demand for legacy CRM, traditional infrastructure, manual testing, and standalone e-commerce solutions continues to decline. ✓ **Higher Deal Wins and Deepening Key Accounts:** The company secured total deal wins of $1.1 Bn during the quarter, marking its third consecutive quarter with TCV exceeding the $1 Bn milestone and reflecting 33.3% YoY growth. Key client relationships also strengthened, with the number of accounts generating over $50 Mn in annual revenue increasing by seven YoY, highlighting strong client confidence and deeper account penetration. ✓ **Aiming to Sustain Growth Trajectory:** Management remains confident of sustaining its growth trajectory in FY27. Although it expects an approximately 30 bps headwind in Q2FY27 due to the early completion of a European automotive project, this impact is expected to be largely offset by the ramp-up of previously won large deals. The company also reiterated its target of exiting FY27 with an EBIT margin above 15%, despite the phased impact of wage hikes in the next quarter.

•Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
Persistent Systems Ltd	BUY	Rs 6,400*	✓ **Financial Performance:** Persistent Systems reported revenue of Rs 4,303 Cr vs Rs 3,334 Cr in Q1FY26, registering growth of 29.1% YoY and 6.1% QoQ. In CC terms, revenue grew 16.5% YoY and 4.1% QoQ to $452 Mn. EBIT stood at Rs 687 Cr vs Rs 518 Cr, up 32.7% YoY and 4.2% QoQ (adjusted for forex hedge losses). EBIT margin stood at 16.0% (+43 bps YoY, -29 bps QoQ). The sequential decline was led by lower utilisation and investments in AI delivery tools, although favourable currency tailwinds and lower doubtful debt provisions supported sustaining margin. Net income came in at Rs 483 Cr vs Rs 425 Cr in Q1FY26, reflecting growth of 13.7% YoY, but down by 8.7% QoQ. ✓ **Robust Deal Wins Provide Strong Revenue Visibility:** Persistent delivered a record TCV of US$1.15 Bn, including a US$650 Mn multi-year strategic deal, reinforcing its ability to win large and complex digital transformation mandates. Management expects the US$650 Mn deal to contribute 75–80% of its peak revenue by Q2FY27 and achieve a full run-rate by Q3FY27, providing healthy revenue visibility. Supported by a diversified pipeline and consistent client mining, we believe these large deal wins will drive sustainable double-digit revenue growth over the medium term. ✓ **AI-Led Engineering Strengthens Competitive Positioning:** The company continues to strengthen its AI capabilities through its 3C AI architecture (Core, Context, Coordination) and proprietary platforms such as SASWA, GenAI Hub, and iAura. These platforms are increasingly embedded into client engagements, enabling higher productivity, lower total cost of ownership, and differentiated enterprise AI solutions. We believe the company's strong product engineering heritage, expanding AI IP portfolio, and outcome-based delivery capabilities position it well to gain market share amid rising enterprise AI adoption. ✓ **Confident Growth Amid Uncertainty:** Management remains confident of delivering healthy growth in FY27, supported by its differentiated AI-led capabilities, strong client mining strategy, robust deal pipeline, and continued market share gains.

•Note: Target Price is based on our Q1FY27 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
Coforge Ltd	BUY	Rs 2,275*	✓ **Financial Performance:** Coforge reported revenue of Rs 5,528 Cr vs Rs 3,689 Cr, registering growth of 49.9% YoY and 24.2% QoQ, supported by two months of Encora consolidation. In dollar terms, revenue stood at $592 Mn, up 33.3% YoY and 21.1% QoQ, while organic CC growth came in at 1.1% QoQ. Excluding the businesses exited during the quarter, the organic growth was 5.2% QoQ, well ahead of the company's flat-quarter guidance. EBIT stood at Rs 817 Cr vs Rs 418 Cr, up 95.5% YoY and 17.3% QoQ, driven by AI-led productivity gains, lower SG&A costs and Encora synergies. EBIT margin stood at 14.8% vs 11.3% on a YoY basis. Consequently, net income grew 85.8% YoY but declined by 20.2% QoQ to Rs 532 Cr due to a one-time tax reversal in Q4FY26. Attrition further improved to 10.4%, among the lowest in the industry. The board declared an interim dividend of Rs 4/share. ✓ **Strong Order Book Conversion to Facilitate Revenue Growth:** In Q1FY27, order intake remained strong at $691 Mn, entirely from the organic business, excluding Encora bookings and UK framework agreements. The 12-month executable order book reached a record $2,228 Mn, up 44.2% YoY. Notably, management expects a higher number of large deals in Q2, with several already secured, including a $230+ Mn five-year modernisation deal in Europe. ✓ **AI Investments Driving Delivery Efficiency:** Coforge continues to strengthen its AI capabilities with the launch of Nuuron, an AI platform that helps clients move from pilot projects to enterprise-scale AI adoption. The company now has 11,000+ AI and data professionals, eight AI platforms, 22 AI assets, and 100+ reusable AI agents, backed by nearly $58 Mn of AI investments in FY26. Around 30% of active projects already leverage AI in delivery, improving productivity and execution, while outcome-based contracts now contribute 6–7% of overall revenue. ✓ **FY27 Guidance Reaffirmed:** Management maintained its FY27 guidance of 20.5–21.0% EBITDA margin, 16.5–17.0% standalone EBIT margin, 15.5%+ consolidated EBIT margin, and FCF/PAT above 100%. Wage hikes were limited to a small group in Q1, with no broad-based salary revision expected before Jan'27, helping support margins. Utilisation has been maintained at 82.5% to prepare for stronger growth in the coming quarters.

•*Note: Target Price is based on our Q1FY27 Result Update Report*

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
Affle 3i Ltd	BUY	Rs 1,840*	✓ **Financial Performance:** The company reported revenue of Rs 747 Cr, up 20.4% YoY and 3.1% QoQ, marking its 14th consecutive quarter of sequential top-line growth. EBIT stood at Rs 133 Cr, up 17.2% YoY and 4.4% QoQ. EBIT margin stood at 17.9% (-48 bps YoY, 22 bps QoQ). Net Income grew 21.7% YoY and 7.5% QoQ to Rs 128 Cr. The number of user conversions stood at 124 Mn at a CPCU rate of Rs 60. India and emerging markets contributed 72.2% of revenue (growing 20.2% YoY), while developed markets contributed 27.8% and grew slightly faster this quarter. ✓ **Strong Growth Momentum continued Despite Sector Headwinds:** Affle demonstrated resilient performance in Q1FY27 despite regulatory and macroeconomic pressure across key verticals such as RMG and FinTech. Around 95% of its remaining revenue portfolio delivered over 25% YoY growth on an adjusted basis, highlighting strong underlying demand. Developed markets also grew 20.7% YoY, increasing their contribution to 27.8% of revenue. The rising share of developed markets is expected to support better unit economics and diversify Affle's growth profile. ✓ **AI Innovation, IP and AdColony Acquisition to Provide Scalability:** Affle is increasingly leveraging AI-led platforms such as Niko and Optics, supported by a portfolio of over 300 unique patent claims focused on targeting, fraud intelligence and data optimisation. The acquisition of AdColony adds another scalable growth lever, with management targeting activation across 100,000+ apps and 500 Mn+ connected devices. These assets can expand revenue without a proportionate increase in investment, supporting both growth and operating leverage. ✓ **10x Growth Vision Supported by Organic and Inorganic Routes:** Affle's expansion beyond mobile advertising into CTV and intelligent connected devices provides access to a much larger addressable market. The company is also evaluating a meaningful acquisition targeted for early 2027, with management emphasising profitability and margin accretion. Combined with ~20% organic growth and strategic acquisitions, Affle aims to sustain its historical growth trajectory and work toward its ambitious $1 Bn revenue target.

•*Note: Target Price is based on our Q1FY27 Result Update Report*

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Top Conviction Ideas: Telecom

Stock	Reco.	TP	Recommendation Rationale
Bharti Airtel Ltd	BUY	Rs 2,530*	✓ **Financial Performance:** In Q1FY27, reported revenue stood at Rs 58,539 Cr, up 18.4% YoY and 5.7% QoQ, led by strong performance in India and Africa business. EBITDA grew 61 bps YoY but remained flat QoQ at Rs 33,303 Cr. EBIT grew 24% YoY and 6.8% QoQ to Rs 19,068 Cr. EBIT margin stood at 32.6% (+149bps YoY, +35bps QoQ). The company made a provision of Rs 354 Cr for a dispute settlement in a group subsidiary in Africa during the quarter. Thus, PAT stood at Rs 10,012 Cr, up by 34.9% YoY and 8.3% QoQ, led by higher other income. ARPU for the quarter stood at Rs 264 (+5.6% YoY, +2.7% QoQ). Capex for the quarter stood at Rs 13.3 Bn. ✓ **Focus on Network Expansion & B2B Strategy:** Bharti Airtel continues to focus on transport network by expanding cable capacity, connecting data centres, and expanding its existing 139,000 km optical fibre backbone. Moreover, the company's capital expenditure allocation is actively redirecting to fibre transport, homes, and data centres as its Radio Capex moderates while standalone 5G Capex remains modest and software-led. ✓ **Strong Subscriber Gains & ARPU Momentum:** The Indian mobile business delivered strong growth during the quarter driven by solid customer additions and plan upgrades. The company added 3.3 Mn revenue-earning users along with 5 Mn smartphone data users. Moreover, postpaid performance hit a major milestone with 1 Mn new additions, one of the highest quarterly increases ever, taking postpaid users to over 8% of the total customer base. Average Revenue Per User (ARPU) reached Rs 264, supported by 5G adoption, higher data usage, customer premiumization and an extra day in the calendar quarter. Management highlighted that long-term ARPU growth depends on repairing the industry's tariff structure mainly by moving toward charging directly for higher data consumption instead of offering unlimited data at low price points. ✓ **Nxtra Data Centre Scaling Up Strategy:** Nxtra is accelerating its data centre expansion from the current 120–130 MW capacity towards its long-term target of 1 GW. Management stated that the expansion is supported by existing hyperscaler contracts, including Google's upcoming capacity additions and planned land acquisitions in Mumbai. The company believes these initiatives provide strong visibility for achieving its long-term capacity target over the next few years.

•Note: Target Price is based on our Q1FY27 Result Update Report

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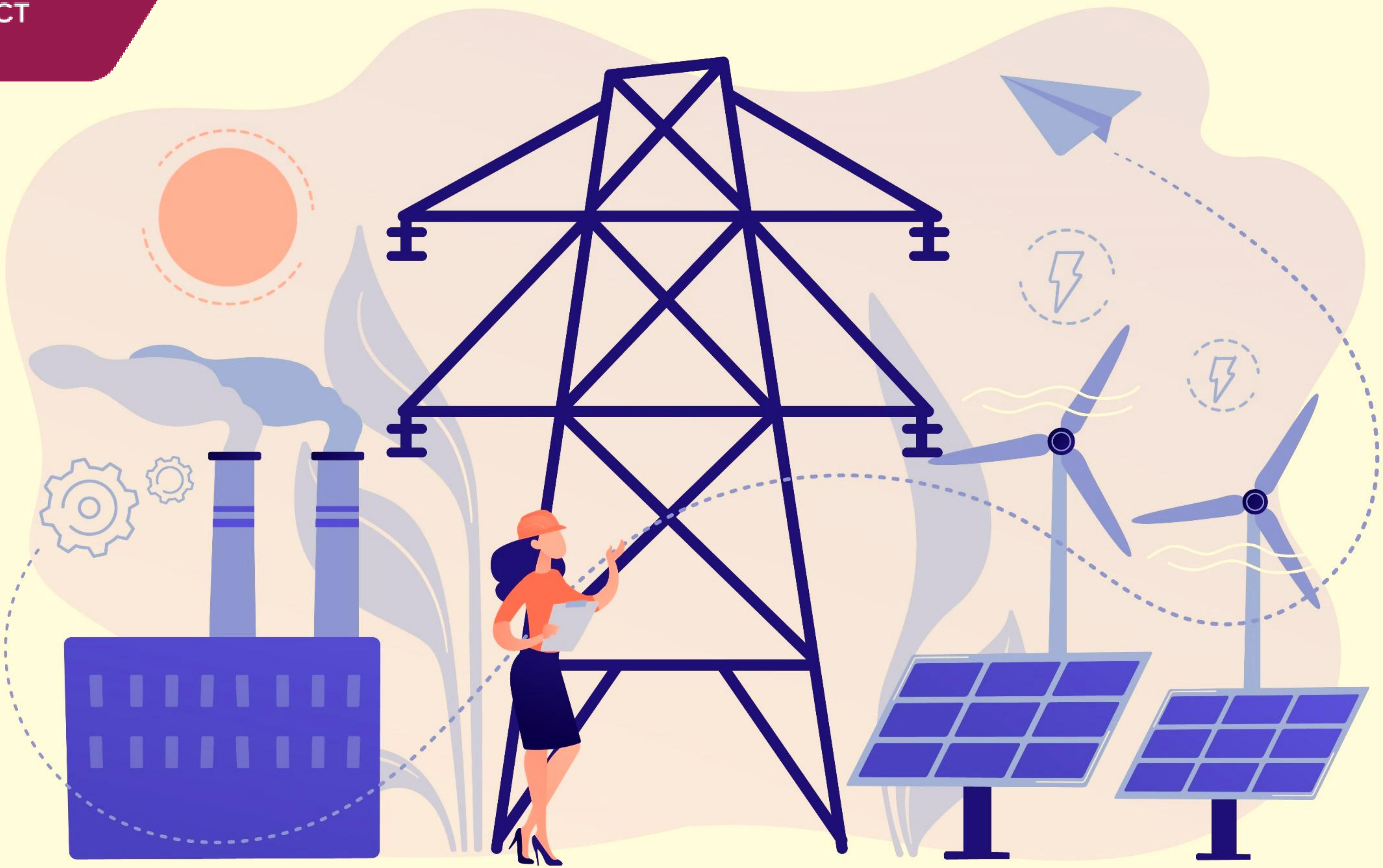
August 2026



Top Conviction Ideas: Power & Utilities

Aditya Welekar
Keval Barot

Power & Utilities – Q1FY27 Performance Review

Strong Demand Momentum Sustains; Mixed Quarter

Financial Performance

- **NTPC's** Consolidated Net Sales stood at Rs 50,741 Cr, up 8%/2% YoY/QoQ, missing our estimates by 11% and consensus estimates by 2%. EBITDA stood at Rs 16,231 Cr, up 29%/6% YoY/QoQ, in line with our estimates and consensus. EBITDA margin was 32%, up 526bps/115bps YoY/QoQ. PAT stood at Rs 6,896 Cr, up 13% YoY but down 35% QoQ, beating our estimates by 32% and consensus by 21%. PAT adjusted for regulatory deferral movement stood at Rs 6,376 Cr.

- **NLC India's** Consolidated net sales stood at Rs 4,717 Cr, up 23% YoY, but down 6% QoQ, missing our estimates. EBITDA stood at Rs 1,471 Cr, up 57% YoY, but down 17% QoQ, a 9% Miss on our estimates. EBITDA margins were at 31.2%, up 676bps YoY, but down 399bps QoQ. PAT, after considering the regulatory deferral movement, was down 48%/71% YoY/QoQ to Rs 436 Cr, largely due to the regulatory deferral income changes, which were positive Rs 77 Cr. After adjusting for regulatory movements, the profit stood at Rs 359 Cr.

- **JSW Energy's** Consolidated Net sales grew 1%/16% YoY/QoQ to Rs 5,207 Cr, beating our estimate by 12%. EBITDA stood at Rs 2,873 Cr, up 3%/28% YoY/QoQ, a 15% beat on our estimates. PAT was down 36%/7% YoY/QoQ, to Rs 533 Cr due to lower other income.

- **Skipper Limited** Consolidated Net sales stood at Rs 1,310 Cr, up 4% YoY, but down 21% QoQ, in line with our estimates. EBITDA stood at Rs 140 Cr, up 10% YoY, but down 19% QoQ, in line with our estimates. The EBITDA margins stood at 10.7%, up 56bps/29bps YoY/QoQ. PAT stood at Rs 57 Cr, up 26% YoY, but down 27% QoQ, an 18% Beat on our estimates

- **Genus Power's** standalone net sales stood at Rs 1,365 Cr, up 45% YoY, but down 10% QoQ, an 11% beat on our estimate. EBITDA stood at Rs 260 Cr, up 30% YoY, but down 8% QoQ, an 18% beat on our estimate. EBITDA margins stood at 19.1%, down 211bps YoY, but up 42bps QoQ; sequential improvement aided better cost control and operating efficiency. PAT stood at Rs 163 Cr, up 27% YoY, but down 10% QoQ, a 20% beat on our estimates. The sequential decline is due to higher finance costs.

Power & Utilities - Outlook

Demand and Capacity

- Q1FY27 (over Apr-Jun'26) cumulative all-India electricity demand stood at 483 BU, up 14% QoQ and 8% YoY. The peak demand was the highest ever at 271 GW during Q1FY27 in May'26 vs. 243 GW during Q1FY26 in Jun'25 and 245 GW during Q4FY26 in Mar'26. The support in electricity demand is led by strong industrial activity and rising household electrification; the momentum accelerated sharply into early FY27 by hitting a record high peak power demand of 271 GW on 21st May, 2026, driven by a severe heatwave and rising cooling load. The IEX DAM prices in Q1FY26 stood at Rs 3.88/KWh, declining by 2% YoY and up 31% QoQ. The YoY decline is led by strong exchange volumes, primarily driven by robust RE generation, and the QoQ increase is due to relatively high overall power demand.
- 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 ~554 GW as of Jun'26.

Thermal Power

- Thermal capacity (including gas and diesel) in the country was 251 GW as of Jun'26.
- 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 13 GW QoQ in Q1FY27 to 242 GW in Jun'26, led mainly by solar capacity additions of ~12 GW and 1 GW of wind. In Apr-Jun'26, 2,500 MW, 2,031 MW and 1,300 MW of RE tenders were issued, respectively, under the project development category. During Apr-Jun'26, 3.6 GW of renewable capacity was awarded.
- 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.

Power & Utilities - Outlook

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 Jun'26, India's wind capacity stood at 57 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.
- ~7.75 GW of renewable capacity (~6.79 GW solar and ~0.71 GW wind) was added in April–May 2026. Out of the capacity awarded through project development tenders in Q1 FY27, 2.5 GW comprised RTC RE projects alongside 1,540 MW / 5,080 MWh of standalone BESS.

Transmission

- In Q1FY27, India added transmission line capacity of 3,090 ckm (1,993 ckm of ISTS and 1,097 ckm of InSTS), up 3% YoY and against a target of 16,554 ckm for FY27. As of Jul'26, India's total transmission line capacity stood at 5,10,594 ckm (2,22,859 ISTS and 2,87,735 InSTS), with 220 kV at 42%, 400 kV at 41%, 765 kV at 12%, 500 kV at 1.85%, and 800kV at 1.89%, and the balance at 320 kV.
- In Q1FY27, India added substation capacity of 27,425 MVA (16,815 MVA of ISTS and 10,610 MVA of InSTS), up 9% YoY against the target of 1,58,339 MVA. As of Jul'26, India's total substation capacity stood at 14,86,196 MVA (6,49,605 MVA ISTS and 8,36,591 MVA InSTS).
- Under the new framework, renewable energy developers will now get more time to connect to the interstate transmission network if they have made sufficient progress on their projects and pay extension charges.

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 12.9 Cr have been awarded, while ~6 Cr are installed (as of 17th Aug, 2026).

Medium-Term Outlook

(a) Expected consistent increase in the power demand (expected to grow at a CAGR of 6.0% over FY25-29E)

(b) The government's focus on increasing the installed capacity as per the NEP – both RE and thermal.

(c) The Government's focus on transmission capacity (expected capex of Rs 9.2 Tn over 2023-2032).

(a) Inadequate grid flexibility to absorb rising RE capacity

(b) Land Acquisition Hurdles delaying RE and transmission execution

(c) On-ground execution challenges regarding capacity additions as well as transmission.

Key Monitorable

(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	2026	2027	2028	2029	2026	2027	2028	2029	2026	2027	2028	2029	2026	2027	2028	2029
Power Generation Utilities																			
NTPC Ltd	337	3,26,589	5,99,035	12.27	12.04	12.09	11.95	1.69	1.55	1.43	1.30	10.48	9.38	8.59	7.90	14.14	13.28	12.25	11.31
Adani Power Ltd	204	3,93,744	4,47,190	18.02	17.52	17.28	16.01	5.83	4.89	4.15	3.74	22.02	18.99	15.51	12.89	37.32	31.06	26.22	23.08
Tata Power Company Ltd	379	1,21,163	2,03,093	11.40	11.27	11.51	11.19	3.09	2.70	2.42	2.09	14.04	12.44	10.98	9.82	28.42	25.57	22.86	20.26
JSW Energy Ltd	544	99,751	1,71,437	7.72	7.24	8.28	9.44	3.11	2.69	2.50	2.27	16.11	13.49	11.13	9.22	41.17	40.49	30.55	23.59
NHPC Ltd	76	76,571	1,32,400	9.59	9.66	12.45	15.65	1.86	1.73	1.61	1.44	18.61	13.12	10.36	8.41	20.69	17.95	13.48	9.87
Torrent Power Ltd	1,244	62,718	74,955	13.95	13.71	14.22	13.14	3.32	3.04	2.73	2.41	12.96	10.82	9.21	8.05	23.99	22.20	19.52	19.02
SJVN Ltd	66	25,972	56,105	6.60	9.93	12.04	13.80	1.77	1.73	1.61	1.48	20.31	13.68	10.82	9.04	27.52	18.05	13.97	11.23
NLC India Ltd	268	37,197	67,667	11.25	13.30	13.45	12.20	1.80	1.51	1.33	1.18	12.44	8.62	7.74	7.01	15.81	11.29	9.89	9.12
CESC Ltd	160	21,180	38,423	12.71	13.10	13.47	15.23	1.65	1.57	1.44	1.29	9.05	8.43	7.97	6.38	13.66	12.48	11.14	9.32
Gujarat Industries Power Company Ltd	172	2,671	5,982	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Transmission Utilities/Infra																			
Power Grid Corporation of India Limited	264	2,45,257	3,84,003	16.38	16.15	16.22	16.05	2.46	2.28	2.11	1.93	9.48	8.88	8.21	7.50	15.47	14.49	13.44	12.37
Kalpataru Projects International Limited	1,377	23,526	25,286	13.24	14.37	15.67	16.37	N.A.	2.67	2.34	N.A.	11.30	9.76	8.22	7.42	25.38	19.05	15.38	13.29
KEC International Ltd	423	11,282	16,238	13.43	10.87	13.78	15.91	1.88	1.67	1.47	1.27	8.98	9.08	7.31	6.05	14.55	15.94	11.33	8.56
Techno Electric & Engineering Company Ltd	998	11,603	9,306	13.00	13.35	13.80	N.A.	2.79	2.50	2.23	N.A.	18.97	15.16	12.77	N.A.	22.57	19.24	16.64	N.A.
GE Vernova T&D India Ltd	4,100	1,05,059	1,03,474	53.49	45.66	40.62	38.43	37.83	26.25	18.56	13.62	63.24	50.15	38.92	30.08	85.69	66.84	52.11	39.68
Voltas Ltd	1,222	40,498	40,380	8.40	11.62	14.87	16.41	5.90	5.83	5.23	4.79	52.16	39.08	28.75	24.42	73.43	53.29	37.68	30.52
Transformers and Rectifiers (India) Ltd	291	8,749	9,055	18.87	17.58	17.93	18.85	5.94	4.83	4.02	3.39	22.46	18.93	14.99	11.77	33.10	28.69	23.44	18.85
Skipper Ltd	549	6,732	7,643	17.50	16.05	16.85	N.A.	N.A.	N.A.	N.A.	N.A.	13.36	11.32	9.14	N.A.	29.54	23.48	17.96	N.A.
RE Power																			
Adani Green Energy Ltd	1,293	2,13,141	3,20,261	11.18	12.38	18.24	20.77	10.65	9.59	7.98	6.56	29.10	20.83	15.28	12.32	112.71	74.26	43.09	33.85
Ntpc Green Energy Ltd	92	77,328	1,08,592	3.85	5.69	8.57	9.95	4.08	3.91	3.46	2.76	40.63	19.52	11.94	8.72	114.53	63.44	35.35	24.01
Solar EPC/Components																			
Sterling and Wilson Renewable Energy Ltd	196	4,581	5,455	31.20	33.80	34.70	N.A.	N.A.	N.A.	N.A.	N.A.	20.30	14.54	10.66	N.A.	21.76	16.05	10.88	N.A.
Waaree Renewable Technologies Ltd	881	9,203	8,953	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Waaree Energies Ltd	2,688	77,120	72,742	33.20	26.39	22.01	20.29	5.77	4.10	3.25	2.61	12.30	10.40	8.83	7.49	19.46	17.56	16.37	14.51
Premier Energies Ltd	1,002	45,350	46,455	37.99	37.78	30.04	25.41	10.79	7.22	5.35	4.19	20.16	12.40	10.16	8.95	32.23	22.34	20.06	18.23
Wind WTG/EPC																			
Suzlon Energy Limited	47	64,337	63,382	31.38	22.78	21.55	19.25	7.67	5.53	4.45	3.41	20.05	16.83	14.08	12.64	27.52	25.22	21.48	20.79
Inox Wind Limited	74	12,754	14,887	10.43	11.18	11.78	12.90	1.73	1.86	1.65	1.42	13.99	11.03	9.42	8.60	19.58	16.78	13.80	11.70
Adani Enterprises Limited	2,990	4,29,038	5,34,640	4.60	6.09	8.64	11.88	#N/A	4.44	3.93	3.49	31.30	23.68	18.87	16.22	126.23	98.46	66.45	56.42

Source: LSEG Workspace, priced as of 18th Aug'26

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Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
NTPC Ltd	BUY	Rs 420*	✓ **Total Capacity Addition:** NTPC group's installed capacity grew by 1,796 MW in Q1FY27 to 90,904 MW as of 30th June, 2026 vs 89,108 MW in Q4FY26, split across 820 MW thermal (uprated the capacity of two units (Unit no. 5 and 6) of Dadri Thermal Power Station by 20 MW and 800 MW Patratu/PVUNL Unit 2 COD), 250 MW Tehri PSP hydro, and 726 MW RE. The group carries ~35.7 GW under construction (Coal 15,720 MW, Hydro incl. PSP 3,581 MW, RE 16,401 MW). ✓ **Thermal Outlook:** Thermal capacity is guided up modestly from 74 GW (Jun'26) to 84 GW by FY32 and 97 GW by FY37. To manage rising backing-down and sub-55% technical-minimum PLFs, NTPC is installing ~5 GWh of regulated-return BESS at affected thermal stations, has secured approval to shut select units without mandatory restart during peak hours, and is pushing states toward uniform technical-minimum norms, noting that short-duration (1-2 hr) curtailment is often better absorbed via RE curtailment than thermal backing-down. ✓ **RE Targets:** NTPC Group's operational renewable energy capacity currently stands at ~12 GW as of 30th June, 2026, backed by 16.4 GW of RE capacity currently under construction (comprising 10 GW solar and 6.4 MW wind). To reach its long-term target of 136 GW by FY37E, the group has outlined a clear step-up expansion trajectory: scaling operational RE capacity to 20 GW by FY27E, 28 GW by FY28E, 60 GW by FY32E, and further scaling to 136 GW by FY37E.

****Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
Skipper Limited Skipper Ltd	BUY	Rs 605*	✓ **Strong Order Book:** Skipper's order inflow stood at Rs 1,674 Cr in Q1FY27, including two prestigious 765 kV transmission line projects from a reputed domestic developer in Maharashtra. The closing order book hit a fresh high of Rs 9,217 Cr as of Jun'26, up 8.4% vs Rs 8,502 Cr in Q4FY26. The order book comprises 80% domestic T&D orders, 11% non-T&D domestic orders (Railways, Telecom, Solar, Water EPC and other steel structural items) and 9% export orders. Bidding pipeline remains at a record level of over ~Rs 35,000 Cr, driven by domestic and international opportunities. ✓ **Capacity Expansion on Track:** The ongoing 75,000 MTPA capacity expansion is now on track for commissioning by the end of Q2FY27, which is a slight spillover from the previous target of Jun'26 (Q1FY27). This addition will increase the total installed manufacturing capacity from 375,000 MTPA to 450,000 MTPA. Commercial ramp-up of the incremental capacity is still expected from Q3FY27. The long-term roadmap to 600,000 MTPA, previously guided for FY28-end, has also been pushed out to FY29. ✓ **Export Headwinds in Q1, Sharp Recovery Guided for FY27:** Exports declined ~50% YoY to Rs 162 Cr (vs Rs 326 Cr in Q1FY26), impacted by geopolitical developments in West Asia leading to delays and temporary holds in shipments. Exports constituted 9% of the order book as of Jun'26. Management guided for export order inflows to grow by over 50% YoY in FY27, with qualification audits completed from developed-market customers in the USA, Finland and Australia during the quarter, and new wholly-owned subsidiaries established in Brazil and UAE.

***** Note: Target Price is based on our Q1FY27 Result Update Report***

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
JSW Energy Ltd.	BUY	Rs 630*	✓ **Capacity Ramp-Up**: Installed capacity grew by 872 MW, up 8%/24% YoY/QoQ to 14.5 GW in Q1FY27, led by organic RE capacity additions, including hybrid projects. On a YTD basis (till 8th July, 2026), capacity addition reached 1,081 MW comprising 442 MW solar, 381 MW hybrid, 150 MW hydro (Tidong, commissioned ahead of the Oct'26 schedule to capture the ongoing hydrology season) and 108 MW wind and covering 36% of the FY27 guidance of 3 GW, already exceeding ~87% of the total organic capacity added in entire FY26. Total locked-in capacity now stands at 32.4 GW (14.5 GW operational, 13.6 GW under construction and 4.3 GW in the pipeline), providing clear visibility to the target of 30 GW by 2030. ✓ **Thermal Projects:** Amidst continued focus on firm power, JSWE has scaled its thermal platform to 10,958 MW (5,658 MW operational, 3,800 MW under construction and 1,500 MW under pipeline/acquisition). At Salboni (3.2 GW; 2 phases of 2x800 MW, both now reflected under construction with fixed tariffs), Phase I (1,600 MW) moved into active execution during the quarter. At Mahanadi (1,800 MW brownfield expansion, balance of plant infrastructure already in place for all three units), the first 600 MW unit remains on track for FY28 commissioning with equipment ordered and material under dispatch from the original suppliers, while the balance 1,200 MW (2x600) carries a FY29 COD target, with supplier discussions ongoing. ✓ **Balance Sheet Deleveraging:** JSWE executed the largest growth capital raise in the Indian power sector at Rs 10,150 Cr, comprising Rs 3,000 Cr of preferential allotment to promoters (Rs 1,125 Cr received, balance due by Jun'27), Rs 3,150 Cr from a partial stake sale in JSW Steel, and a Rs 4,000 Cr QIP. This has driven TTM operational net leverage down to 4.95x from ~5.2x in FY26, with Net Debt/Equity improving sharply to 1.70x from 2.15x in Q4FY26. The company holds a healthy liquidity cushion of Rs 12,881 Cr in cash and equivalents, comfortably funding the equity portion of its ~Rs 1.1 Lc Cr capex plan through FY30, with cost of debt also easing to 8.36% from 8.87% a year ago.

*** Note: Target Price is based on our Q1FY27 Result Update Report***

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