AXIS DIRECT

November 2026







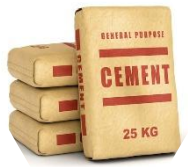
Top Conviction Ideas

Q2FY27

(Consolidated)









Top Conviction Ideas: Q2FY27 (Consolidated)



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Top Conviction Ideas: Cement

Uttam K Srimal

Cement Sector: Q2FY27 Review

Q2FY27 Cement Review – Volume Momentum Remained Strong Amid Cost Headwinds

✓ ***Financial Performance***

- **Companies under our coverage reported volume and revenue growth of 9% and 13%, respectively,** while EBITDA and PAT declined by 2% and 50%, respectively. The decline in PAT was largely attributable to exceptional gains and tax write-offs recognised by Ambuja Cement. This compares with our estimates of 10% volume growth, 8% revenue growth, 4% EBITDA decline and 35% PAT decline.

- **EBITDA/tonne declined 19% QoQ/YoY to Rs 811/tonne due to elevated costs.** EBITDA margins contracted by 231 bps YoY and 384 bps QoQ.

- **Blended realisation/tonne improved 2% QoQ/YoY to Rs 5,752,** as cement prices increased across most regions on a sequential basis. Cost/tonne stood at Rs 4,941, up 5% QoQ and 6% YoY, primarily due to higher P/F and other expenses. P/F costs increased by 18%/34% QoQ/YoY to Rs 1,400/tonne. Q3FY27 is expected to see a further cost impact of Rs 100–125/tonne from higher fuel prices.

- **Performance across our coverage universe remained mixed.** JK Cement, UltraTech Cement and Shree Cement delivered relatively strong performances, while Ambuja Cement, Dalmia Bharat, JK Lakshmi, Birla Corporation and Star Cement underperformed.

- **During the quarter, UltraTech Cement commissioned 4.6 MTPA of capacity,** while Ambuja Cement commissioned 4.6 MTPA of cement grinding capacity. Capacity expansion plans announced earlier by various companies remain largely on track.

- Management highlighted that **cement prices improved across regions during the quarter and are expected to increase further,** factoring in higher fuel and packaging costs. While demand remained robust in Q2FY27, the industry is guiding for volume growth of 8–9% in FY27.

Cement Sector: Q2FY27 Review

Volume Improved YoY with Cost of Production Mounting

Cement Volume Growth and Cost Pressures: In Q2FY27, cement volumes across our coverage universe grew by 9%. Blended realisations improved by 2% QoQ/YoY, as cement prices were increased to offset higher power and fuel, diesel and packaging costs. We expect demand conditions to remain favourable in FY27, supported by higher government spending on infrastructure and steady housing demand. During the quarter, cement production cost/tonne stood at Rs 4,941, up 5% QoQ and 6% YoY.

Cement Demand Remained Resilient in Q2FY27

- **Volume-led Growth:** The Indian cement industry witnessed healthy demand momentum in Q2FY27, supported by sustained government infrastructure spending, improving construction activity and a gradual recovery in rural demand. Industry cement demand is expected to grow by around 8–9% in FY27. Despite the weak monsoon, the industry did not witness the usual seasonal moderation in demand during Q2, reflecting the underlying strength in construction activity. Management commentaries across leading cement players remained optimistic, with demand conditions continuing to be strong in Q3FY27 and expected to improve further in Q4FY27. Sustained infrastructure investments, resilient housing demand and an anticipated pickup in industrial and commercial construction activity are expected to support industry growth over the coming quarters.
- **Realisation Improved QoQ:** After remaining under pressure for a large part of FY26, cement prices improved meaningfully during Q1FY27 and continued to strengthen in Q2FY27 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 improved by 2% QoQ/YoY for our coverage universe, with most regions witnessing an improvement during the quarter. Currently, cement prices remain stable across regions, with an upward bias. 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 Housing infrastructure activity, Rural and commercial demand, the South and East regions witnessed softness owing to a slowdown in infrastructure-related spending.

Cement Sector Outlook

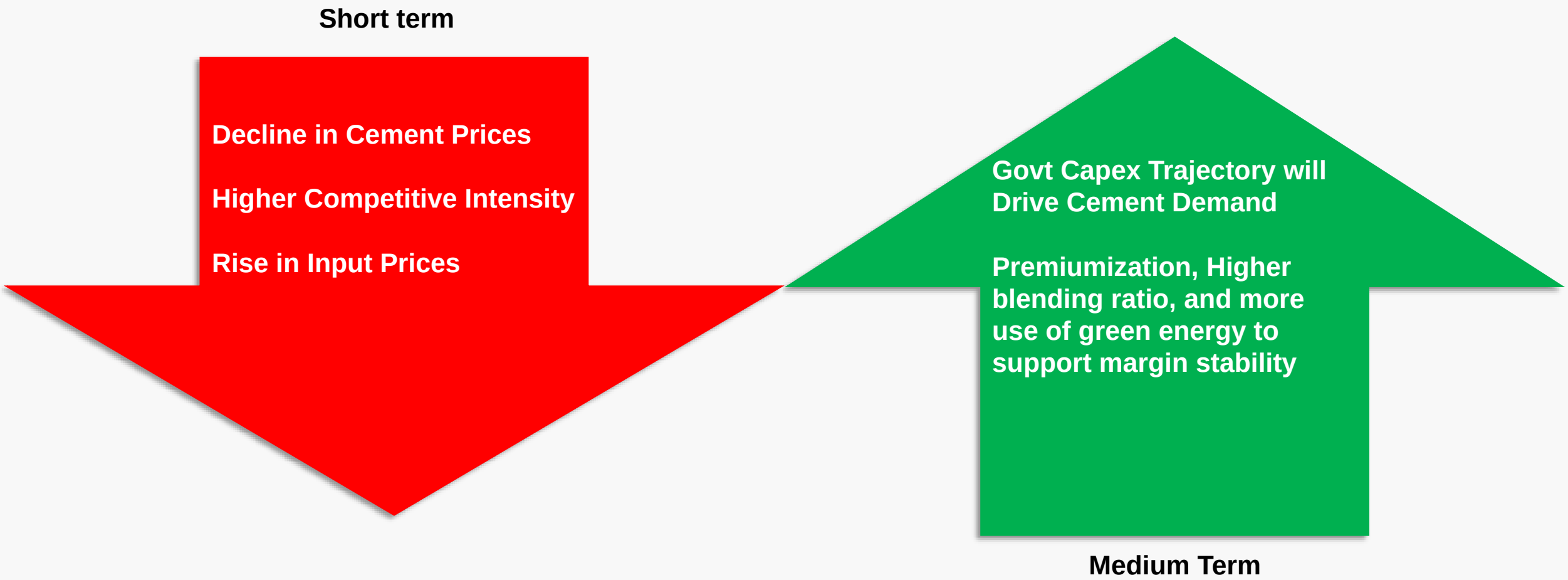
Input Cost

During the quarter, power and fuel costs increased by 19% QoQ to Rs 1,400/tonne for our coverage universe, while on a YoY basis, costs were higher by 34% on a per-tonne basis, as fuel costs for both Pet Coke and Coal remained elevated. The impact of higher fuel prices is expected in Q3FY27, as international Pet Coke prices remained elevated at $180-185/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 Q3FY27.

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 8-9% 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. Cement prices, regional demand and supply dynamics, and trends in input costs will be key monitorables.

Short and Medium-term Outlook



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

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
UltraTech Cement Ltd	BUY	Rs 13,250*	✓ **Capacity Expansion to Support Higher Volume Growth:** The company's capacity expansion programme is progressing as planned, with 4.6 MTPA commissioned, taking its total consolidated grey cement capacity to 209.9 MTPA as of Sept 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, 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 ~29% to ~32-33%. 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. ✓ **Market Share Gains Continue:** UltraTech's 13.8% YoY volume growth in Q2FY27 significantly outpaced estimated industry growth of 9–10%, while capacity utilisation improved to 71%. Its extensive distribution network, premium product portfolio, and planned capacity additions provide a strong platform for sustaining growth. Continued demand from housing, infrastructure and private-sector capex should support medium-term volume expansion.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
JK Cements Ltd	BUY	Rs 5,500*	✓ **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 15% over FY26–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. Cement prices increased by around Rs 20/bag from mid-September to mid-October. If the increases sustain and further price hikes materialise, they could partly offset rising fuel costs and support EBITDA per tonne recovery in H2FY27. ✓ **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 19% revenue CAGR over FY26–FY28E.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

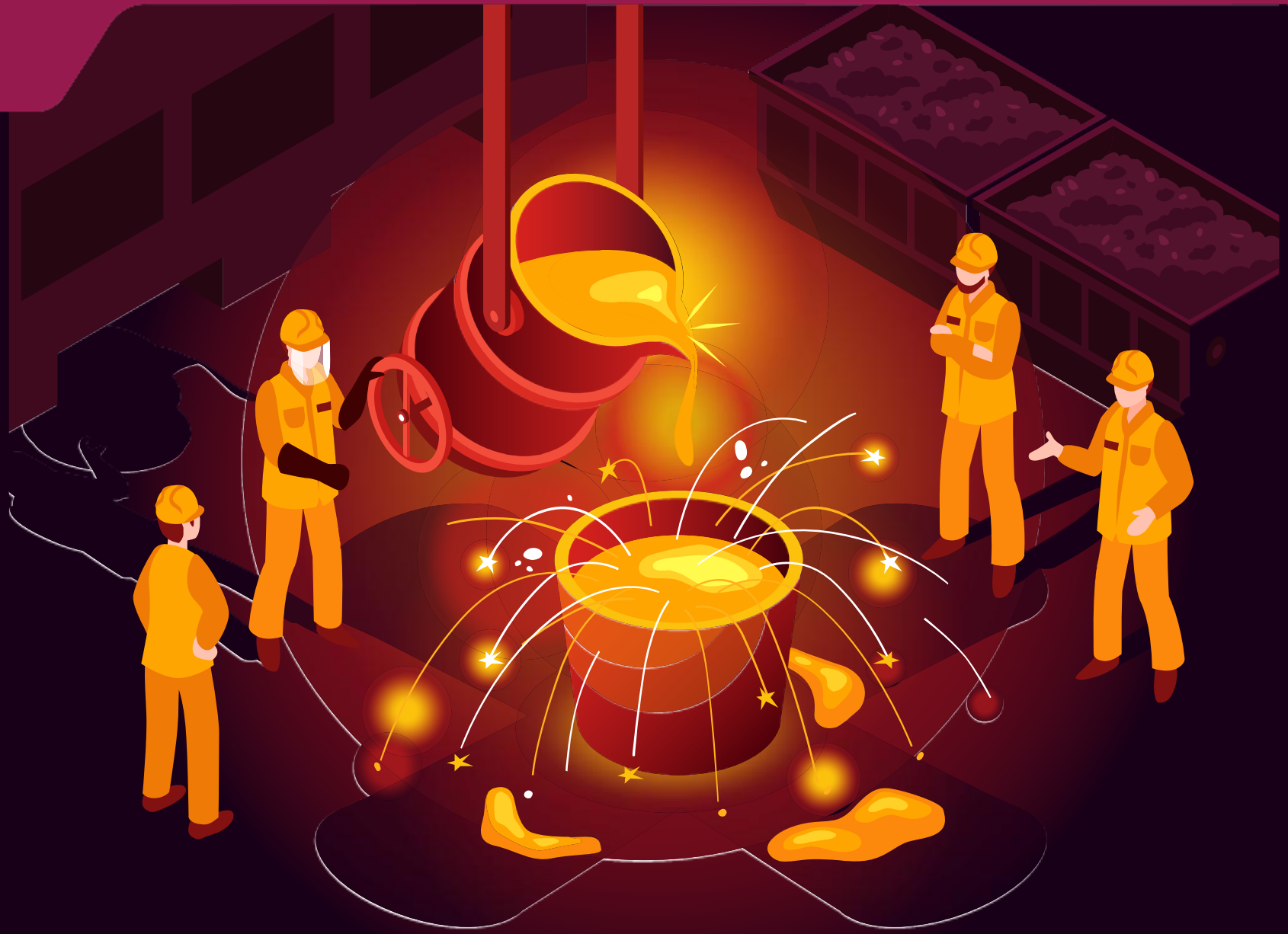
Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
Shree Cement Ltd	BUY	Rs 25,600*	✓ **Strong Volume Growth and Improving Market Penetration:** Dalmia Shree Cement delivered 17.7% YoY India volume growth in Q2FY27, with broad-based regional performance and domestic utilisation improving to 56.0%. Management targets 40-41 MT of India sales in FY27, with growth ahead of the industry, supported by infrastructure spending and expansion into new markets. We expect a volume CAGR of around 8% over FY25-FY28E, supported by enhanced regional presence and incremental contributions from new capacities. ✓ **Premiumisation and Operational Efficiency Provide Margin-Recovery Levers:** Premium cement share increased to ~29-30%, with a target of over 40% in the coming years. Better pricing, freight optimisation, higher alternative-fuel usage and renewable power offer potential cost and realisation benefits, although rising fuel costs remain a near-term headwind. ✓ **Strong Balance Sheet & Long-term Expansion Opportunities:** Consolidated net cash of approximately Rs 8,168 Cr provides financial flexibility to fund the Meghalaya project, UAE expansion and efficiency initiatives. The long-term 80 MT capacity ambition and growing RMC business offer additional growth opportunities, with returns dependent on capacity utilisation and disciplined capital allocation.

** Note: Target Price is based on our Q2FY27Result Update Report*

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Top Conviction Ideas: Metals & Mining

Manisha Kesari
Keval Barot

Metals & Mining: Q2FY27 Review

Q2FY27: Operating Leverage and Value-Added Mix Cushion Raw Material Headwinds

✓ *Financial Performance*

- **For Aluminium companies under coverage:**
  - ✓ **Hindalco** reported a steady performance for Q2FY27. Consolidated revenue stood at Rs 91,708 Cr (up 39% YoY, up 8% QoQ), beating our estimates by 13%, driven by firm LME aluminium realizations ($3,226/t, up 23% YoY) and broad-based volume growth. EBITDA printed at Rs 12,831 Cr (up 43% YoY, beating our estimates by 10%), with reported EBITDA margins expanding by 40 bps YoY to 14%. Adjusted Attributable PAT stood at Rs 7,533 Cr (up 59% YoY, up 7% QoQ).
  - ✓ **NALCO's** consolidated revenue stood at Rs 5,419 Cr (up 26% YoY), beating our and consensus estimates by 13% and 9%, respectively, led by higher metal sales volumes (119 Kt, up 6% YoY). EBITDA stood at Rs 2,411 Cr (up 25% YoY), marginally missing our estimates by 2%, with EBITDA margins contracting to 44% (-100 bps YoY). Operational profitability was weighed down by cost pressures, as power & fuel expenses surged by 45% YoY, alongside a jump in raw material consumption by 43% YoY. Employee expenses remained relatively controlled at Rs 408 Cr (down 7% YoY). Consolidated PAT (excl. exceptional items) stood at Rs 1,835 Cr (up 28% YoY) in line with our estimates.
- **For Steel companies under our coverage:**
  - ✓ **Tata Steel** reported a steady performance in Q2FY27. Consolidated revenue stood at Rs 65,436 Cr (up 11% YoY, 8% QoQ), coming in 11% ahead of our estimates. Adjusted EBITDA stood at Rs 13,462 Cr (up 19% YoY, 4% QoQ; beating our estimate by 4%), delivering an Adjusted EBITDA per tonne of Rs 13,216 (up 12% YoY, 8% QoQ; 2% ahead of our expectations) with EBITDA margins expanding to 16.1%. Underlying Attributable PAT stood at Rs 3,318 Cr (down 6% YoY, but up 25% QoQ), beating our estimate by 6%.

Metals & Mining: Q2FY27 Review (Cont'd)

Q2FY27: Operating Leverage and Value-Added Mix Cushion Raw Material Headwinds

Financial Performance

- **SAIL** Adj. revenue (excl. rail provision) stood at Rs 31,998 Cr, up 20% YoY and 20% QoQ, largely in line with our estimates, supported by higher sales volumes, which grew 24% QoQ despite a 3% QoQ decline in realisations. However, adjusted EBITDA missed expectations at Rs 4,216 Cr, up 67% YoY but down 5% QoQ, impacted by elevated coking coal costs during the quarter. Consequently, EBITDA/tonne contracted by ~Rs 1,800/t QoQ to Rs 8,171/t. Underlying PAT for the quarter stood at Rs 1,805 Cr, up 3% QoQ.
- **Coal India** reported a mixed set of numbers in Q2FY27, with topline outperforming while operating profitability lagged expectations. Net sales stood at Rs 44,179 Cr, up 21% YoY, beating our estimates by 9%. EBITDA came in at Rs 8,499 Cr (up 29% YoY) with an EBITDA margin of 19.2%, missing consensus estimates by 13%. Adjusted EBITDA (excluding OBR) stood at Rs 7,394 Cr (up 29% YoY), with an adjusted EBITDA/tonne of Rs 397/tonne (up by 14% YoY). Attributable net profit stood at Rs 6,516 Cr, up 53% YoY, but came in 6% below consensus estimates. The board declared a 2nd interim dividend of Rs 10.25/share.
- **APL Apollo Tubes** has beaten our estimates in terms of EBITDA and PAT. Consolidated revenue stood at Rs 6,797 Cr, up 25% YoY and 35% QoQ, marginally missing our estimates by 4%. However, EBITDA stood at Rs 578 Cr, up 29% YoY and 40% QoQ, beating our and consensus estimates. EBITDA/t stood at Rs 5,999/t, up 15% YoY and 9% QoQ, underscoring the company's strong brand positioning, freshness of product offerings, and a strict focus on margin protection. PAT stood at Rs 382 Cr, up 27% YoY and 45% QoQ.

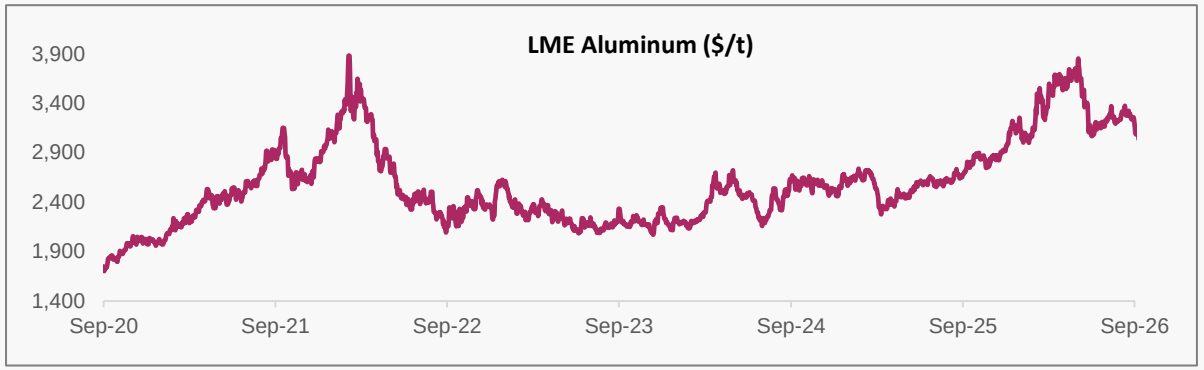
Steel Sector Outlook

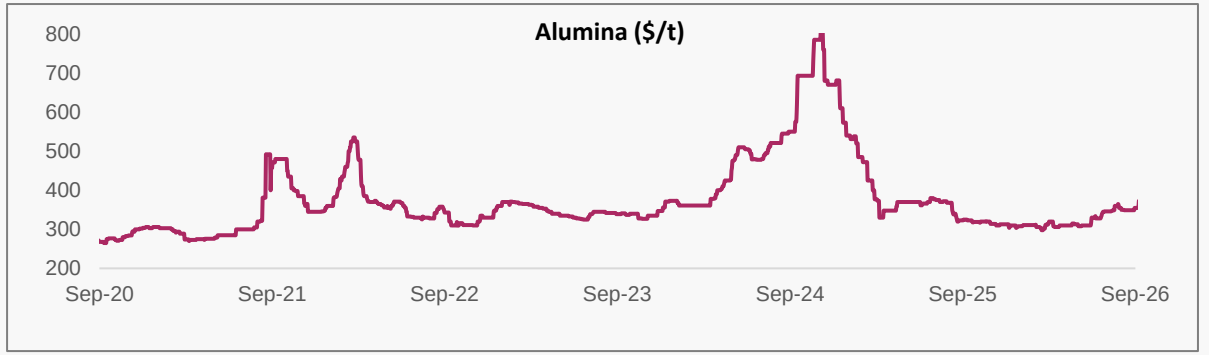
- **Steel prices remain elevated:** Domestic steel prices remained elevated during Oct–Nov'26, averaging Rs 63,965/t (up 7% from the Q2FY27 average of Rs 59,800/t), supported by higher raw material costs and a post-monsoon pickup in demand. Meanwhile, Chinese HRC prices (FOB China SS400 Rizhao) traded largely flat over the same period, averaging $506/t (+1% vs. Q2FY27). Consequently, domestic HRC prices are now trading at a ~5% premium to Chinese landed prices, cushioned by the 12% safeguard duty and rupee depreciation. Going forward, domestic steel realisations are expected to remain firm, underpinned by robust infrastructure and manufacturing demand from public and private capex alongside upward revisions in automotive contracts.
- **Steel raw material prices:** Coking coal prices in Oct-Nov'26 remained elevated, averaging $268/t, up ~8% vs. the Q2FY27 average, driven by ongoing geopolitical and maritime freight disruptions. Iron ore prices remained flat at $109/t in Oct-Nov'26 compared to Q2FY27 levels. Iron ore prices are expected to remain subdued, with media reports indicating Chinese iron ore prices at $90/t, reflecting persistent weakness in China's industrial demand. Against this raw material backdrop, we expect Indian steel spreads to remain positive in Q3FY27, as strong domestic realization momentum offsets elevated coking coal costs, while softer iron ore prices provide additional margin support.
- **Company outlook:** In Q3FY27, steel companies' margins are expected to be supported by higher steel realisations and sales volumes, partly offset by elevated coking coal costs. **Tata Steel:** India NSR is projected to increase by ~Rs 3,500–3,600/t QoQ in Q3FY27, supported by strong volume growth from Kalinganagar and Ludhiana EAF ramp-ups, cushioning the ~$15/t QoQ increase in coking coal costs. Europe presents a mixed outlook, with UK NSR likely to improve by ~£28–30/t QoQ and EBITDA breakeven targeted by Q4FY27 as channel imports ease. In contrast, Netherlands NSR is expected to moderate by ~€11/t QoQ due to mix shifts ahead of Q4 contract resets. The impact of higher coking coal costs (~$15/t) will be partially offset by a $5/t reduction in iron ore prices. **SAIL:** Q3FY27 pricing momentum remains strong, with Oct'26 NSR improving by ~Rs 4,000/t over Q2FY27 (longs at Rs 58,700/t and flats at Rs 61,700/t). However, higher coking coal costs are expected to result in a ~Rs 1,000/t spread drag before easing from ~Rs 24,000/t in Oct-Nov'26 to ~Rs 22,000/t in Q4FY27. **APL Apollo Tubes:** Operational outlook remains robust, with management reaffirming 15–20% YoY volume growth in core branded products and EBITDA/t guidance of ~Rs 6,000. This is supported by strong Q3 momentum, pricing discipline, and lower discounting across primary offerings, alongside tactical pricing flexibility in price-sensitive segments such as SG Premium.

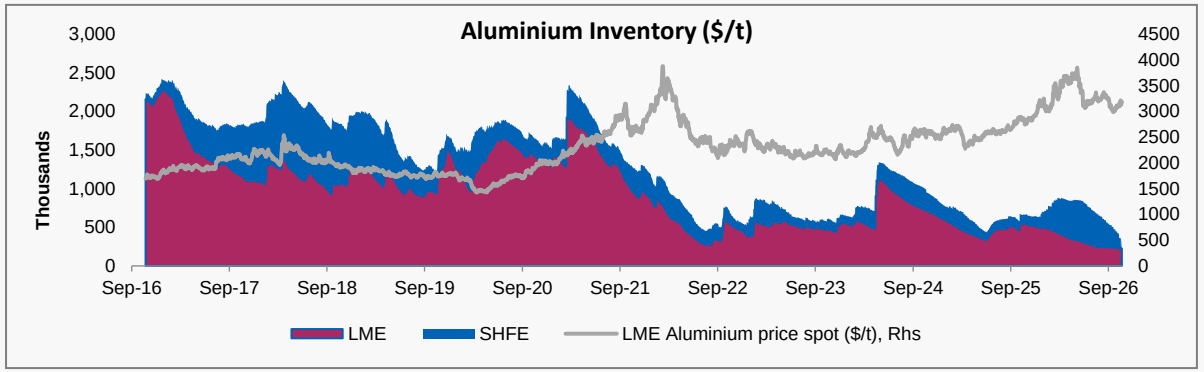
Aluminium Sector Outlook

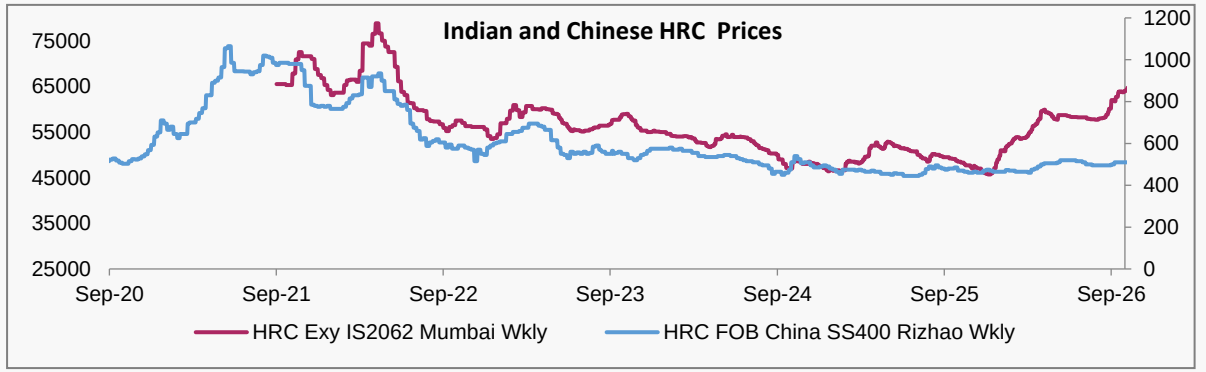
- **Aluminum Correcting from Elevated Levels:** LME aluminium spot prices have declined by ~4% from the Q2FY27 average, hovering around $3,081/t in Oct–Nov'26. While tight global inventories (LME warehouse stocks are down ~56% since January to ~226 kt) and geopolitical logistics friction keep prices elevated on a YoY basis, near-term momentum has cooled due to faster-than-expected Middle East smelter restarts, led by Emirates Global Aluminium smelter resuming 61% of reduction cells at its Al Taweelah smelter. Furthermore, strong smelting margins kept Chinese primary output high, with a surge in Chinese aluminium exports to 5.9 MT (Jan-Oct'26), which, alongside aggressive smelter commissioning in Indonesia, kept prices at higher levels, thereby impacting aluminium prices in the near term.
- **Alumina prices rebounded**: Alumina prices in Q3FY27 to date (Oct-Nov'26) averaged $382/t (up 11% QoQ from $345/t in Q2FY27), primarily due to renewed smelter demand from Middle East restarts (such as EGA's Al Taweelah smelter) and new primary capacity commissioning in Indonesia and China. Additionally, higher refining input costs — including firmer thermal coal, caustic soda, and bauxite prices amid Guinea's export controls- have raised the marginal cost floor. Thin spot market liquidity and elevated maritime freight rates have further amplified these recent upward price swings.
- **Bauxite prices remain subdued:** CIF China bauxite prices softened following a surge in seaborne supply from Guinea, which exported 165 MT in 9MCY26 (tracking ahead of its 183 MT FY25 volume). While elevated maritime freight rates offer marginal cost support, Guinea's export policy remains the primary price catalyst, following its June'26 move to introduce a 150 MT annual export quota.
- **Company outlook: Hindalco** - Aluminium cost of production (CoP) rose ~5% QoQ in Q2FY27 due to northern monsoon disruptions and lower coal linkage materialisation, with a similar ~5% QoQ increase guided for Q3FY27 before softening in Q4FY27. Downstream EBITDA/t is expected to cross $300/t in H2FY27 as Aditya FRP utilisation scales past 50% alongside high-margin product qualifications. Meanwhile, Novelis' Adjusted EBITDA is set to recover on the back of the Oswego ramp-up, diminishing US tariff headwinds by Q4FY27, and Bay Minette commissioning (maiden coil rolled in Sep'26; commercial dispatches in Q1FY28), keeping it on track to re-achieve its $600/t EBITDA run-rate. **NALCO:** FY27 alumina production guidance has been marginally moderated from 2.5 MT to 2.45 MT owing to delays in the commissioning and ramp-up of the 5th stream alumina refinery, while aluminium production will continue to operate near peak capacity at ~4.7 Lc tonnes. Higher input costs, such as caustic soda (expected to increase by Rs 2,000/t in Q3FY27) and CP coke (expected to rise by Rs 7,600/tonne), will weigh on margins, though firmer alumina realisations of ~$370-$380/t will partially offset these headwinds.

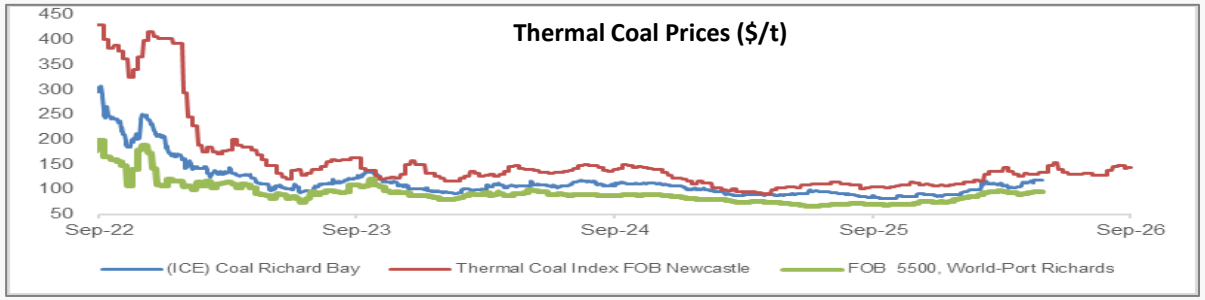
Metals & Mining Key Charts

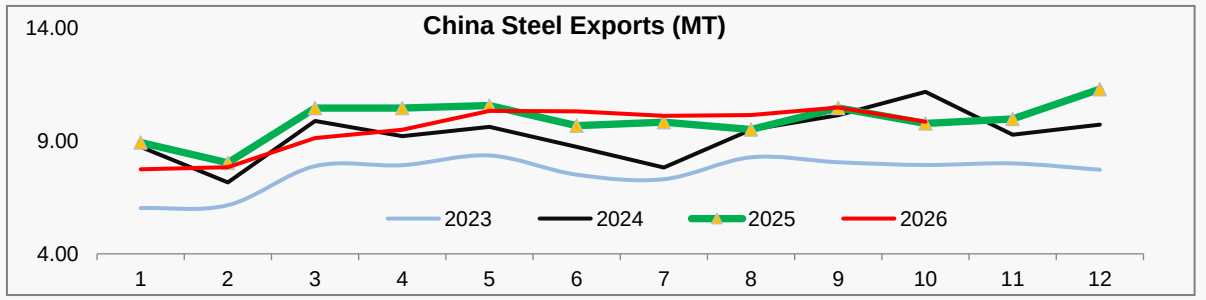












Source: LSEG Workspace

Valuation- Peer Comparison

Company	Price	Mkt Cap	EV	PE (x)				EV EBITDA (x)				FCF (Rs Cr)			
	Local	Rs Cr/U$Mn	Rs Cr/U$Mn	FY25A	FY26A	FY27E	FY28E	FY25A	FY26A	FY27E	FY28E	FY25A	FY26A	FY27E	FY28E
Aluminium															
Vedanta Ltd	260	1,01,596	1,19,073	7.35	4.83	6.44	7.34	2.79	2.16	3.27	3.61	17,362	20,893	17,864	16,186
Hindalco Industries Ltd	944	2,11,447	3,04,556	13.75	12.53	7.83	8.5	9.59	8.89	6.29	6.44	520	-4,844	-2,216	13,922
National Aluminium Co Ltd	330	60,736	48,636	13.98	11.75	8.13	7.86	7.47	6.32	4.76	4.63	2,770	3,390	6,242	4,674
Norsk Hydro ASA	68	14,183	1,636	15.21	13.61	8.26	9.84	5.95	5.42	4.56	4.97	7,795	12,151	11,706	11,601
Alcoa Corp	40	10,490	1,090	41.4	10.51	5.77	7.94	6.86	5.5	3.62	3.89	6,432	9,871	3,651	13,641
Mean				**18.34**	**12.1**	**7.5**	**8.53**	**7.47**	**6.53**	**4.81**	**4.98**	**4,379**	**5,142**	**4,846**	**10,960**
Steel															
JSW Steel Limited	1,348	3,29,857	3,96,591	70.17	35.55	19.53	17.59	16.83	13.17	10.28	9.43	5,350	7,659	9,119	6,615
Tata Steel Ltd	187	2,33,532	3,24,919	60.15	19.94	13.51	11.67	12.94	9.51	7.3	6.8	615	11,849	12,970	18,391
Jindal Steel Ltd	1,158	1,18,108	1,33,733	27.1	33.84	20.58	13.68	13.67	14.07	10.07	7.84	805	-1,822	2,387	4,551
Steel Authority of India Ltd	176	72,933	1,01,137	42.53	23.53	9.7	10.12	11.09	8.96	5.77	5.6	4,687	682	-3,882	-2,317
Mean				**49.99**	**28.21**	**15.83**	**13.27**	**13.64**	**11.43**	**8.35**	**7.42**	**2,864**	**4,592**	**5,149**	**6,810**
Iron ore															
NMDC Ltd	70	61,496	52,025	8.99	8.08	7.32	7.01	6.17	5.49	4.88	4.62	3,852	2,851	3,673	1,258
Godawari Power and Ispat Ltd	220	14,827	14,133	-	17.47	12.65	9.78	-	12.01	7.93	6.09	-	-	-	-
Mean				**8.99**	**12.77**	**9.99**	**8.4**	**6.17**	**8.75**	**6.41**	**5.36**	**3,852**	**2,851**	**3,673**	**1,258**
Zinc															
Hindustan Zinc Ltd	555	2,34,934	2,23,800	23.01	17.87	11.66	12.21	13.07	10.51	7.37	7.63	12,722	10,796	17,275	14,927
Nexa Resources SA	11	1,481	323	-	13.31	3.65	2.86	-	13.31	3.65	2.86	115	1,041	4,821	1,761
Boliden AB (publ)	500	14,192	1,589	13.65	14.99	10.46	8.58	13.65	14.99	10.46	8.58	-3,562	3,722	10,236	13,341
Glencore PLC	510	79,051	11,577	22.48	33.72	10.47	9.68	22.48	33.72	10.47	9.68	20,298	51,047	92,086	67,723
Mean				**19.71**	**19.97**	**9.06**	**8.33**	**16.4**	**18.13**	**7.99**	**7.19**	**7,393**	**16,651**	**31,104**	**24,438**

Source: LSEG Workspace, priced as of 16th Nov'26

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
APL Apollo tubes	BUY	Rs 2,500*	✓ **Robust Volume Rebound Driven by Core Momentum and Roofing Scale-up:** Sales volume for Q2FY27 rebounded sharply to ~9.6 Lc tonnes (+13% YoY), despite continuing disruptions in UAE operations. The performance was anchored by strong domestic traction in core APL Apollo branded products (targeting 15-20% YoY growth) alongside accelerated adoption in roofing products (achieving ~1.35 Lc tonnes in Q2FY27, with a quarterly target of ~1.75 Lc tonnes). While consolidated volume guidance remains flexible due to export uncertainties, management has guided for continued volume momentum into H2FY27 led by domestic infrastructure, housing demand, and brownfield debottlenecking. ✓ **Value-Accretive Product Mix and Structural Margin Expansion:** Prioritizing profitable sales over low-margin tonnage yielded significant unit profitability expansion, with EBITDA/t reaching ~Rs 5,999/t (+15% YoY) and EBITDA growing +29% YoY to ~Rs 578 Cr. This structural improvement in spreads was driven by: (i) premium realisations and brand pricing power in core black pipes (commanding a Rs 1,000-2,000/t premium over peers); (ii) a richer product mix led by higher-margin roofing products; (iii) operational efficiencies, including power cost optimisation, freight savings, and fixed-cost operating leverage. Management considers ~Rs 6,000/t EBITDA spread sustainable going forward, expecting Q3FY27 spreads to improve further, and is targeting FY27 absolute EBITDA to surpass ~Rs 2,200 Cr (~20% YoY growth). ✓ **Long-Term Capacity Scaling and De-commoditization:** Capacity expansion remains fully on track to scale towards ~8 MTPA by FY28 via balanced greenfield, brownfield, and debottlenecking initiatives. The strategy focuses: (i) reducing exposure to secondary-steel and price-sensitive product categories over the next 1-2 years to cushion against raw-material swings; (ii) expanding roofing capacity to ~7 Lc tonnes annually across diversified housing (50%) and industrial/commercial (50%) end-markets; (iii) scaling the newly commissioned specialised tube mill into high-barrier defence and aerospace applications; and (iv) scaling UAE capacity towards ~5 Lc tonnes annually, which presents an asymmetric upside of EBITDA/tonne of ~Rs 8,000-10,000/t upon geopolitical normalisation.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

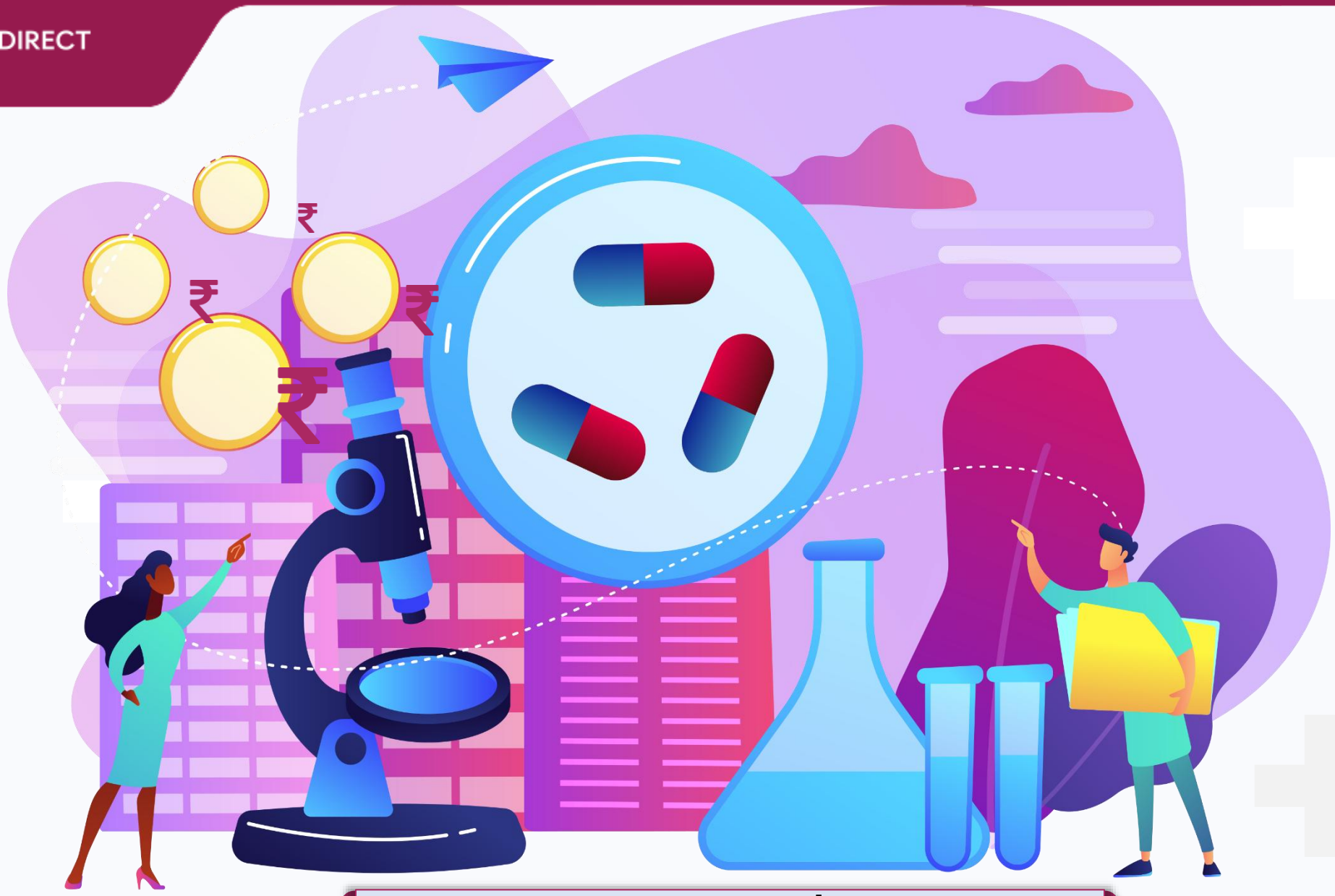
Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
Hindalco	BUY	Rs 1,060*	✓ **Upstream Aluminium EBITDA/ton** stood at robust $2,125/t (up 40% YoY), supported by steady upstream volume of 233 kt (up 3% YoY), higher net export premiums, and value-added upstream pricing. While Q2FY27 CoP rose ~5% QoQ due to heavy northern monsoon disruptions and low coal linkage materialization, management expects additional ~5% QoQ rise in Q3FY27 before coal costs soften in Q4FY27. Long-term cost insulation will be fortified as Banda (H2FY28) and Chakla (mid-FY28) captive coal mines ramp up. ✓ **Downstream Aluminium EBITDA/ton** stood at $289/t (up 9% YoY), supported by a 5% YoY and 14% QoQ increase in 3rd-party shipments to 119 kt. Management expects downstream EBITDA/t to cross $300/t in H2FY27 as the Aditya FRP facility scales past 50% utilization and qualifications progress for high-margin battery foil, ultra-light gauge foil, and can body stock. ✓ **Copper segment EBITDA** surged 164% YoY to an all-time high of Rs 1,673 Cr, with metal shipments recovered to 116 kt (up 3%/10% YoY/QoQ) The exceptional performance was anchored by robust domestic rod demand, long-term concentrate sourcing securing feed despite negative spot TC/RCs (-$0.48 to -$0.58/lb), elevated sulphuric acid realizations (~Rs 16,000/t vs Rs 7,000/t YoY), and ~Rs 350–400 Cr of non-recurring byproduct/derivative gains. Management guided sustainable underlying quarterly EBITDA at Rs 1,200–1,300 Cr, supported by firm sulphuric acid pricing (Rs 14,000–15,000/t).Q2FY27. ✓ **Novelis delivered Adj EBITDA of Rs 4,858 Cr** ($553/t, up 23% YoY, down 2% QoQ). Operations at Oswego hot mill have fully normalized, with cumulative insurance recoveries reaching $519 Mn through Sep'26 (additional ~$47 Mn will flow into EBITDA by FY27-end). Labor disruption at Yeongju ($20 Mn EBITDA impact in Q2 and Q3FY27) has been resolved, and US tariff friction will ease to marginal levels by Q4FY27. With the Bay Minette greenfield project producing its maiden cold-rolled coil in Sep'26 ahead of commercial dispatches in Q1FY28, Novelis remains positioned to re-achieve $600/t EBITDA run-rates ahead and deleverage to 2.5x-2.8x over the next 2 years.

Note: Target Price is based on our Q2FY27 Result Update Report

AXIS DIRECT

November 2026



Top Conviction Ideas:
Pharmaceutical & Hospitals

Sukhad Kumar Sahu

Pharma & Hospital Sector: Q2FY27 Review

Q2FY27 Pharma Review – Healthcare Continues to Perform Well, while Pharma Remains Mixed

➢ Key Highlights & Financial Performance

- **Q2FY27 Pharma Growth at 8% YoY; India Leads Again:** The pharmaceutical universe under our coverage reported Q2FY27 growth of 8.0% YoY and 4.4% QoQ, led by strong India performance (+13.6% YoY). The US business improved by 15.6% YoY, supported by Lannett integration and injectables scale-up despite lenalidomide normalisation. Key assets like Tolvaptan and Mirabegron faced competitive price erosion, partly cushioned by new complex launches and steady inhalation shares. Overall, Europe and RoW markets delivered healthy growth.

- **IPM Up 14.7% YoY in Q2FY27; GLP-1 Momentum Continues:** IPM grew 14.7% YoY in Q2FY27, led by chronic therapies (+17.5%) and acute (+12.4%). In Q2FY27, the GLP-1 segment maintained strong momentum, led by Tirzepatide and Semaglutide. Mounjaro from Eli Lilly and Company scaled to Rs 547 Cr (~57% share), while Yurpeak by Cipla Ltd reached over Rs 80 Cr for the quarter with continued category expansion. Semaglutide therapies remained robust, with Wegovy and Rybelsus posting steady sales, while newer launches such as Ozempic and Poviztra from Emcure are steady after initial growth.

- **Q2FY27 Healthcare Growth Strong; New Bed Ramp-Up Weighs on Margins:** The healthcare sector delivered 22.6% YoY revenue growth in Q2FY27 (9.5% QoQ), exceeding our expectations. Industry occupancy stood at 63% with ARPOB at ~Rs 70k, while operational bed days rose 20.2% YoY, supported by a stronger surgical mix and improving insurance penetration. Industry EBITDA margins came in at 24% (-30 bps YoY, 180 bps QoQ), with operating leverage from mature assets partly offset by losses from new beds. Overall, capacity expansion continues across leading players, positioning the sector for gradual improvement in occupancy and margins as new beds stabilise.

Pharma Sector: Outlook – Mixed Performance

- **Pharma Universe Up 8% YoY in Q2FY27; India Leads, while US Dips:** The pharmaceutical universe under our coverage reported Q2FY27 growth of 8.0% YoY and 4.4% QoQ, led by strong India performance (+14% YoY). The US business improved by 3.5% YoY, with major support from Lupin's Tolvaptan despite the Revlimid patent cliff. Base portfolios of Lupin and Dr Reddy's Laboratories Ltd faced competition and pricing pressure, partly offset by new launches. Overall, Europe and RoW markets delivered healthy growth.
- **Pharma EBITDA at 21.2% in Q2FY27; US Generics Weigh on Margins:** EBITDA margins stood at 21.2%, declining 200 bps YoY. The pressure was largely driven by the US generics business, where negligible contribution from gRevlimid led to an adverse product mix shift, along with continued low single-digit price erosion. During the quarter, Cipla Ltd and Lupin Ltd reported margin contraction of 630 bps and 690 bps YoY, respectively, whereas Aarti Drugs and Gland Pharma had improvement in margins, supported by a better revenue mix and higher capacity utilisation.
- **Aurobindo Pharma Ltd (US Sales: $477 Mn, +25.2% YoY):** Aurobindo delivered a record-setting operational performance in Q2FY27. Growth was propelled by the commercial synergies unlocked through the integration of Lannett, sustained volume momentum in oral solids, and accelerating contributions from its injectable facility network. Expansion into complex speciality formulations and biosimilars in key regulated markets continues to fortify operating profitability and support long-term valuation.
- **Lupin Ltd (US Sales: $317 Mn, -13% QoQ, +12.4% YoY):** Sequential US revenue moderated due to increased competition in generic Tolvaptan and Mirabegron price concessions, though Lupin maintained defensible market shares in core inhalation franchises, including Tiotropium (~36%) and Albuterol (~15%). Offsetting overseas compression, the domestic Indian formulations business delivered robust growth, generating Rs 2,384 Cr with core prescription (Rx) sales expanding 13.8% YoY to outperform the IPM by 1.2–1.3x. Anti-diabetes treatments surged >25% led by the Semaglutide rollout, moving Lupin closer to its 70% chronic portfolio target supported by a commercial sales force of ~11,400.
- **Cipla Ltd (US Sales: $172 Mn, -19% YoY, +$10 Mn QoQ):** US top-line continued to navigate near-term headwinds from supply bottlenecks in Lanreotide. However, foundational respiratory execution remained sturdy: generic Ventolin demonstrated healthy volume expansion, generic Albuterol sustained its #1 market share position at 22%, and the portfolio received a major regulatory catalyst via USFDA approval for generic Advair Diskus. In India, the One India franchise set an all-time record of Rs 3,516 Cr (+12% YoY), driven by a market-beating 15% growth in branded prescriptions. Chronic therapies accounted for 60.3% of domestic revenue, powered by double-digit Respiratory and Cardiac gains and swift uptake of Tirzepatide (Yurpeak).
- IPM grew 14.0% YoY in Q2FY27, led by chronic therapies (+17.5%). Lupin Ltd and Cipla Ltd have delivered strong India growth of 14.1% and 12% YoY, respectively.
- Looking ahead, a strong pipeline in biosimilars, non-US semaglutide, and peptides is expected to drive growth over the next three years. Companies with higher chronic exposure continue to outperform IPM. We maintain our positive stance on Aarti Drugs, Biocon, and Gland Pharma.

Hospital Sector: Outlook - Structural Growth Unchanged

Healthcare: Temporary Margin Dip, Structural Growth Unchanged

- **Healthcare Growth Accelerates; Expansion Drag Moderates Post-Q2FY27:** The Indian healthcare sector demonstrated robust operational momentum in Q2FY27, comfortably exceeding consensus expectations with consolidated revenue surging 22.6% YoY across the major listed hospital chains. Rather than persistent profitability headwinds, operating margins rebounded sequentially as gestation losses from newly commercialised capacity moderated significantly. Turnaround performance was headlined by Medanta, whose 550-bed Noida hospital achieved operating EBITDA breakeven within its inaugural year, alongside rapid volume absorption at KIMS's newly commissioned 500-bed Kondapur facility. Consequently, initial margin compression from brownfield and greenfield activations is subsiding, paving the way for sustained operating leverage across coverage hospital networks.
- **Occupancy Expands to 68%; Quaternary Case Mix Elevates ARPOB:** Hospital network occupancy remained strong, averaging ~68% across the coverage universe, supported by high clinical complexity and double-digit inpatient volume growth. KIMS led top-line expansion with revenue surging 39.9% YoY, propelled by rapid patient ramp-up in Kondapur and Maharashtra, while Medanta posted exceptional 33.6% YoY revenue growth. Max Healthcare and Fortis Healthcare delivered steady, high-quality growth of 18.4% and 17.3% YoY, respectively. Realisations trended sharply upward: Fortis recorded an industry-leading ARPOB of Rs 83,369 (+21.2% YoY), Max sustained a premium ARPOB of Rs 78,796 with 77% occupancy, Medanta achieved Rs 70,386 ARPOB, and KIMS expanded ARPOB by 14.8% YoY to Rs 48,227.
- **Operating Margins Rebound to 23.5%; Maturing Capacity Drives Leverage:** Sector EBITDA margins strengthened sequentially to 23.8%, reflecting operating leverage at mature flagships and sharp loss narrowing at newer hospital wings. Medanta delivered standout operational performance, expanding operating margins by 425 bps YoY to 25.3% as EBITDA surged 60.6% YoY to Rs 371 Cr, buoyed by 110% EBITDA growth across Cluster 2 (Lucknow and Patna) and Noida turning profitable. Max Healthcare's operating EBITDA margin recovered 196 bps QoQ to 26.1% (operating EBITDA Rs 797 Cr), with Saket brownfield beds approaching breakeven. Fortis recorded a 22.8% consolidated margin (+168 bps QoQ), aided by Agilus Diagnostics expanding to 26.2%. KIMS posted an EBITDA of Rs 260 Cr (19.4% margin, +42 bps QoQ) with 27 of 28 units operating profitably, while HCG normalised margins at 19.7% as North Bangalore losses shrank to Rs 6.1 Cr. Over 2,000 operational beds were added across leading operators over the past twelve months.
- **Payer Mix Optimisation Offsets Drug Pricing Headwinds; Surgical Specialities Surge:** Hospitals actively refined their payer profiles during the quarter, deliberately curtailing low-yielding institutional contracts in favour of private insurance and cash patients—exemplified by Max trimming institutional bed share to 29.3% and HCG expanding non-institutional revenue to 69%. The sector effectively navigated regulatory headwinds regarding the 30% trade margin cap on 137 oncology formulations through direct manufacturer procurement, package restructuring, and volume expansion. Tailwinds from revised CGHS super-speciality tariffs and scheduled 6% insurance rate revisions provided substantial support. High-complexity disciplines, including robotic oncology, cardiac sciences, and neurosciences, expanded at double-digit rates, while international medical tourism surged 33% YoY at Max (Rs 307 Cr) and 54% at HCG Kenya, reinforcing long-term earnings visibility.
- **Outlook:** We expect the healthcare sector to sustain its growth trajectory, with modest ARPOB growth of 3% and approximately 600 bps improvement in occupancy rates. Key growth drivers include a favourable shift in payer mix, higher surgical volumes, and rising insurance penetration. We remain positive on HCG Ltd and Global Health Ltd.

Short and Medium-term Outlook - Pharma

Short Term

Trend in price erosion after the normalisation of drug shortage supply in the US: Base generic pricing held stable, but increased competition and exclusivity normalisation drove renewed mid-single-digit erosion in Q2FY27.

India: Chronic expansion and GLP-1 rollouts drove outperformance: Domestic formulations grew 12–17% YoY

Medium Term

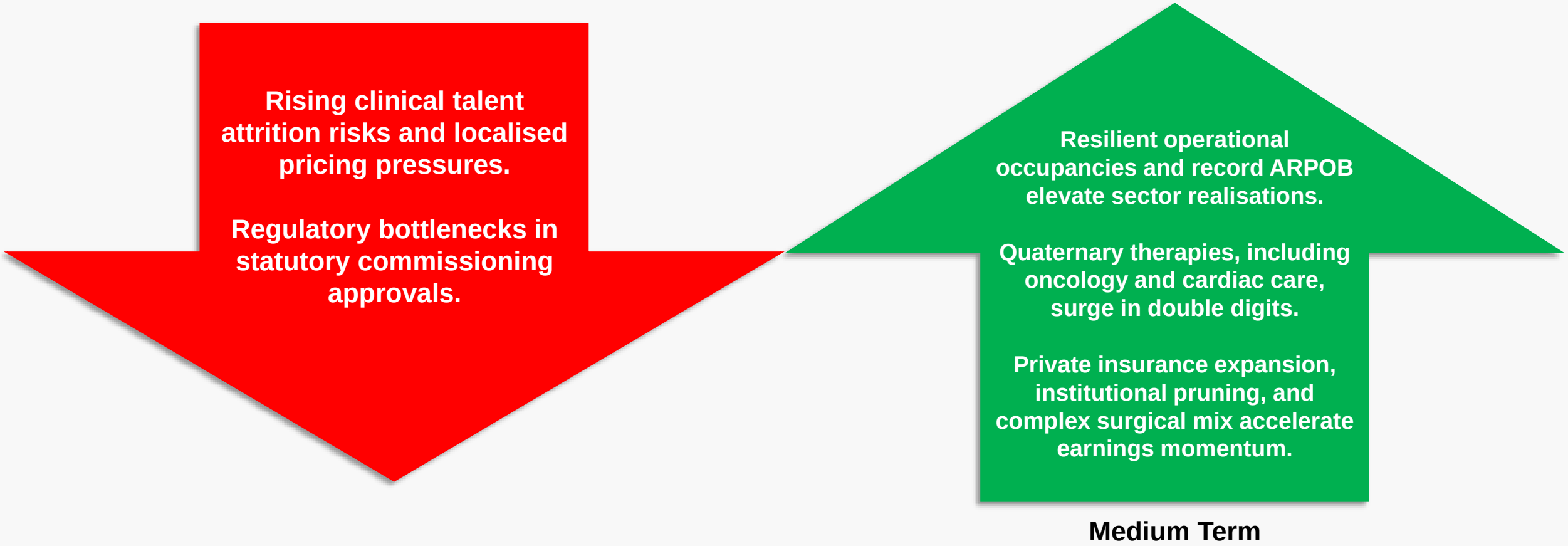
Novel GLP-1 commercial launches across key markets are driving chronic sales.

New brand additions and volume expansion are propelling double-digit domestic growth.

Operational rebound and domestic execution are cushioning freight inflation and erosion.

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

Short and Medium-term Outlook - Hospitals



Key Monitorables – Improved occupancies; Insurance penetration; New hospital projects

Top Conviction Ideas: Pharma

Stock	Reco.	TP	Recommendation Rationale
Aarti Drugs Ltd	BUY	Rs 610*	✓ **Strong growth across business segments**: Aarti Drugs reported healthy growth across APIs, speciality chemicals, and formulations. API revenue grew 17% YoY, speciality chemicals increased 92%, while formulations registered strong growth of 58%, supported by higher exports and entry into new markets. ✓ **Improving operational efficiencies and backward integration**: The Saykha Methylamine facility operated at 72% utilisation, with captive consumption for the anti-diabetic portfolio increasing to 85%. This is expected to improve cost efficiencies, raw material security, and margins over the long term. ✓ **Expanding presence in regulated markets:** The company is strengthening its USFDA-approved manufacturing capabilities through capacity expansion at Tarapur and Sarigam. This, along with its expanding formulations and oncology portfolio, is expected to improve its presence in higher-margin regulated markets. ✓ **Strong formulations growth and oncology opportunity:** Formulations' revenue grew 58% YoY, driven by exports and commercialisation in newer markets. The company has 25–30 oncology molecules at various stages of development and filings, providing a significant growth opportunity over the medium term. ✓ **Focus on product mix and cost optimisation:** Energy optimisation, process improvements, and backward integration are expected to support sustainable margins, while increasing exposure to niche APIs and regulated markets could further improve the business mix.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Pharma

Stock	Reco.	TP	Recommendation Rationale
Gland Pharma Ltd	BUY	Rs 3,890*	✓ **Strong Core:** Consolidated revenue grew 23% YoY to Rs 1,834 Cr, with the core Critical Injectables business delivering Rs 1,011 Cr (+18% YoY). Growth was powered by a 42% YoY expansion in the US from new launches, including Sugammadex, partially offset by ROW tender delays in Saudi Arabia. Group adjusted EBITDA margin stood at ~27%. ✓ **Cenexi Operational Progress Gaining Traction:** Cenexi recorded Q2FY27 revenue of €41 Mn with an EBITDA loss of €6 Mn due to scheduled summer shutdowns; profitability is slated to rebound from Q3, keeping full-year guidance of ~€200 Mn with high single-digit margins intact. Mr. Ajay Sahni joined as President to drive transformation, while Gland expanded CDMO capabilities by securing contracts for microsphere and respiratory products. ✓ **Strategic & Capex Outlook:** From a capex standpoint, the Board approved an incremental Rs 1,000 Cr brownfield expansion at Pashamylaram for three isolator vial lines (operational by FY30), bringing total 4-year planned Capex to ~Rs 5,000 Cr alongside the ongoing Rs 2,000 Cr program and Vizag greenfield. Management reiterated its 15% constant currency revenue growth guidance for FY27. On pipeline expansion, Gland in-licensed a second long-acting injectable from China addressing a $2 Bn patent-protected market, while GLP-1 CDMO tech transfers advance toward commercialisation in H1FY28. Incoming CEO Deepak Sapra takes charge on 16th November 2026.

Note: Target Price is based on our Q2FY27 Result Update Report

Top Conviction Ideas: Pharma

Stock	Reco.	TP	Recommendation Rationale
Biocon Ltd	BUY	Rs 485*	✓ **Biopharmaceuticals Lead Top-Line Growth; Services Segment Recovers Sequentially:** Biocon reported revenue from operations of Rs 4,389 Cr in Q2FY27, registering 2% YoY growth. Revenue growth was primarily driven by the Biopharmaceuticals division, with the Biosimilars business growing 3% YoY to Rs 2,809 Cr, supported by strong traction in North America and new product launches like Yesafili and Yesintek, though tempered by a 5% shipment revenue deferral into Q3. The Generics segment also delivered healthy growth of 10% YoY to Rs 774 Cr, driven by the scale-up of generic Liraglutide across global markets, including the US, along with improved capacity utilisation. However, overall revenue growth was partially offset by a 9% YoY decline in the Services segment (Syngene) to Rs 833 Cr, despite a 13% QoQ rebound. ✓ **Operational Efficiencies Support Margins; Lower Interest Costs Aid Deleveraging:** EBITDA for Q2FY27 stood at Rs 865 Cr, down 7% YoY, with the EBITDA margin at 20%. Profitability was supported by sustained turnaround in the Generics business, where EBITDA increased to Rs 64 Cr with an 8% margin, representing an improvement of over 700 bps YoY. The Biosimilars business delivered EBITDA of Rs 623 Cr with a 22% margin, impacted by shipment deferrals. R&D expenditure remained well-controlled at Rs 237 Cr, representing around 7% of revenue, excluding Syngene. Lower balance sheet leverage reduced interest expenses by 12% YoY to Rs 240 Cr, while net profit before exceptional items stood at Rs 44 Cr. ✓ **Disciplined Capital Allocation and Strategic Commercial Milestones:** Biocon continues to transition towards stronger cash generation and a healthier balance sheet. Management indicated that free cash flow will primarily be utilised for debt reduction and improving ROCE. Key operational milestones included commercial supplies commencing from the second Malaysia insulin line following EMA/MHRA approvals, alongside a landmark 10-year, $400 Mn Pertuzumab partnership in Brazil and a global Genentech settlement. Working capital increased marginally due to higher inventory levels to support the expected scale-up in Biosimilars and Generics during H2FY27. Management remains confident of delivering stronger revenue growth, improved cash flows, and better return ratios during H2FY27, backed by accelerating operational momentum.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Hospitals

Stock	Reco.	TP	Recommendation Rationale
Healthcare Global Enterprise Ltd	BUY	Rs 820*	✓ **Inline Revenue Performance:** HCG delivered revenues of Rs 732 Cr, growing a steady 16% YoY, supported by broad-based performance across operating clusters; top-line growth was slightly tempered in Gujarat by strategic rationalisation of lower-realisation institutional contracts to improve margins. ✓ **Margin Performance:** The company reported an EBITDA margin of 19.7%, expanding 50 bps YoY from 19.2% (EBITDA of Rs 143 Cr, up 17% YoY, or >20% excluding wage revisions). H1 Adjusted PAT reached Rs 29 Cr, up 30% YoY, as operational losses narrowed to Rs 6.1 Cr at the ramping North Bangalore facility. ✓ **Patient Volumes Grew 9% YoY (Excluding Fertility):** This was supported by healthy demand across network clusters and ongoing bed additions. Average Revenue Per Patient (ARPP) registered a 7% YoY increase, as positive payor-mix gains (non-institutional mix rising over 300 bps to 69%) were further aided by high-complexity oncology adoption.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Hospitals

Stock	Reco.	TP	Recommendation Rationale
Global Health Ltd	BUY	Rs 1,615*	✓ **Strong Growth Visibility from Capacity Expansion and Hospital Maturation:** Medanta is well-positioned to sustain strong revenue growth through the commissioning of new hospitals and the gradual maturation of recently operationalised facilities. The Noida hospital achieving operating EBITDA breakeven within its first year, alongside 110% YoY growth in Cluster 2 operating EBITDA, demonstrates the company's ability to ramp up new facilities and improve profitability as occupancy scales up. The planned addition of approximately 3,450 beds over the next 4–5 years provides significant long-term growth visibility. ✓ **Strong Operating Leverage and Improving Profitability:** The company's growth is increasingly translating into operating leverage, supported by higher patient volumes, improved occupancy and better utilisation of existing infrastructure. The Noida hospital's turnaround from an operating EBITDA loss of Rs 199 Mn in Q2FY26 to a profit of Rs 86 Mn in Q2FY27 highlights the earnings potential of maturing hospitals. Further improvement in profitability is expected as recently commissioned facilities move towards optimal utilisation. ✓ **Brownfield Expansion to Drive Asset Productivity:** Medanta's strategy of expanding procedural infrastructure at mature hospitals provides an additional growth lever without requiring significant incremental bed additions. The upcoming addition of operating theatres, cath labs, OPD capacity and wards across Gurugram, Patna and Lucknow is expected to enhance patient throughput, improve asset utilisation and support higher-margin complex procedures. ✓ **Focus on High-Acuity and Quaternary Care:** Continuous investments in advanced medical technology, robotic surgery systems, specialised operating theatres and advanced cath lab infrastructure strengthen Medanta's positioning in complex and high-acuity treatments. This enables the company to attract a wider patient base, improve treatment capabilities and increase the share of specialised procedures, supporting sustainable revenue growth and profitability. ✓ **Long-Term Network Expansion Strengthens Market Position:** Medanta's planned expansion across Ghaziabad, South Delhi, Guwahati, Mumbai, Varanasi and Pitampura will strengthen its geographical presence and diversify its revenue base. The planned capex of over Rs 6,000 Cr over the next 4–5 years, targeting more than 7,600 beds, positions the company to capitalise on rising demand for organised tertiary and quaternary healthcare services.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

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NOVEMBER 2026



Top Conviction Ideas

Banking, Financial Services & Insurance (BFSI)

Dnyanada Vaidya
Abhishek Pandya

Banks: Q2FY27 Performance Review

Broad-Based Growth Powers Through; Earnings Healthy on Asset Quality Resilience

- **Banks** (incl. SFBs) delivered a strong performance on the growth front, with growth remaining broad-based and further support from lending against FCNR(B) flows. **Credit growth for our coverage banks was slightly ahead of expectations (~2% beat) and accelerated to +20/6% YoY/QoQ, with the private banks taking the lead (+22/8% YoY/QoQ), followed by PSBs delivering a robust credit growth of +18/4% YoY/QoQ**. Amongst the private banks, credit growth was equally strong for both Small/Mid-sized (SMID) (+23/8% YoY/QoQ) and Larger Private banks (+21/8% YoY/QoQ). Banks are witnessing improved traction in the unsecured segments, as collections in these segments normalise and credit costs are on a declining trend. **Commentary around H2 credit growth sustaining remains constructive, with banks looking to deploy the FCNR(B) flows, demand buoyancy during the festive season, and renewed confidence towards unsecured lending amidst tighter underwriting norms**.
- **Deposit growth was strong during Q2 at +23/6% YoY, primarily supported by healthy FCNR(B) flows across banks (barring which it would have been ~12% YoY). Private (pvt.) banks captured a materially larger market share of the FCNR(B) flows vs their overall deposit market share.** However, these flows weighed on CASA Ratios across banks, which declined by 70-350bps QoQ, with DCB, FB, AUSFB, and EQSFB being outliers. Many banks utilised the strong FCNR(B) flows to retire the higher-cost wholesale deposits, enabling them to better manage CoD/CoF. Private banks led the FCNR(B) mobilisation, with deposit growth solid at +22/8% QoQ, followed by mid-sized banks growing at +20/8% YoY/QoQ. PSBs delivered a deposit growth of +13/5% YoY/QoQ in Q2.
- **NIM** trended lower in Q2, on expected lines; due to excess liquidity from the FCNR(B) flows and deposit rate actions undertaken by banks in the previous quarter, reflecting in a slight inch-up in CoD for certain banks, primarily SFBs. In line with our expectations, mid-sized banks (ex-IDFCFB) were able to better manage their margins, with NIMs contracting ~10bps (IDFCFB contraction was higher at 38bps), with CUB and FB being outliers. Larger private banks witnessed a 10-22bps compression, while PSB surprised on margins, aided by stable yields and better liability management, aiding CoF. **Banks have indicated that as excess liquidity gets gradually deployed over the next few quarters and benefits of rate hikes start reflecting in EBLR-linked loans, margin pressures should ease.**
- **Core fee income** growth was healthy across most banks; however, weak treasury performance due to elevated bond yields remained a drag on operating performance. Banks continue to exercise control over opex growth, though sustained investment in tech, AI, digitization, automation, and franchise building continues. **Cost ratio improvement was visible across most banks (barring banks witnessing one-offs or front-loading of investments), supported by controlled opex growth and improving operating leverage**. Resultantly, **PPOP growth was robust at +21/6% YoY/QoQ.**
- **Slippages** during the quarter declined after a seasonal spike in Q1, with secured and corporate portfolios showing resilience and **stress in the unsecured portfolios having normalized, and collections holding up well across geographies and customer segments, so far.** However, lenders remained watchful of any potential stress arising from El Niño and continued geopolitical uncertainties, especially in select geographies of Maharashtra (MH), Karnataka (KA), and Andhra Pradesh (AP). Underlying credit costs improved, while banks made standard asset provisions towards lending against FCNR(B). Resultantly, credit costs were higher slightly by ~8% QoQ (~9% lower vs our estimates) for our coverage universe banks, aiding earnings growth. Our coverage banks delivered a strong **19/13% YoY/QoQ PAT growth during the quarter.**

NBFCs: Q2FY27 Performance Review

Strong Show by NBFCs in H1; Pockets of Stress Warrant Caution

- Our coverage universe NBFCs **delivered a strong performance**, with growth remaining robust across financiers, supported by strong underlying demand. Disbursement momentum continued to gather pace, and AUM growth continued to show strength, with our coverage NBFCs registering a strong growth of 23/6% YoY/QoQ, with growth led by **Gold Financiers (+60/5% YoY/QoQ)**, **Diversified Financiers (+26/7% YoY/QoQ)** and **Vehicle Financiers (+19/4% YoY/QoQ)**. Microfinanciers reported a healthy +19/2% YoY/QoQ AUM growth largely led by the non-MFI segments, while core MFI growth continues to stabilise. Growth continued to remain lackluster in the housing financiers owing to elevated prepayments and temporary operational lulls due to system overhauls (for CANF).
- **NIM trends remained divergent and were primarily an outcome of effective liability management, utilisation of excess liquidity and pricing actions undertaken supporting yields.** Within our coverage universe, **housing financiers were able to better manage their NIMs, which remained broadly range-bound**. An outlier was **Microfinancier – CAGRAMEEN, which reported a meaningful margin improvement of 70bps QoQ,** led by a combination of stable CoF, lower interest reversals, and upward yield recalibrations. Within **Vehicle Financier – SFL maintained a strong margin profile** due to efficient deployment of fresh equity capital and relief from the lower CoF, while **CIFC witnessed margin contraction** mainly due to yield fluctuations on higher DA volumes, which should even out going ahead. **Diversified Financiers reported margin compression mainly owing to higher CoF. Gold Financier – MANAPPURAM reported improved NIMs (calc.),** backed by lower interest reversals, healthy gold yields and well-managed CoF. **NII growth remained strong, growing at +27/7% YoY/QoQ in Q2, marginally ahead of our estimates**.
- Fee income remained healthy, broadly tracking business growth, while the discussion around insurance commission caps and their impact on fee income dominated the conversation during the quarter. Financiers maintained tight cost controls, keeping cost ratios well-contained despite front-loaded IT investments, digital platform rollouts, frontline sales strengthening, and investments towards the franchise and distribution strength. **Investments made so far are beginning to yield results, driving tangible efficiency gains; NBFCs under our coverage reported a 1-3% decline in the C-I Ratio.** As a result, in Q2, PPOP growth was strong at +28/7% YoY/QoQ.
- **Headline asset quality trends continued to fare well across most financiers, barring transient stress in certain pockets seen amongst select lenders, thereby keeping credit costs largely contained and aiding earnings. Gauging potential stress arising from the drought-affected geographies resulted in lenders tightening their credit filters during the quarter.** In Q2, **Microfinanciers witnessed asset quality improvement**, though GS2/PAR15 witnessed a slight inch-up due to drought-related stress in key states, driving credit costs higher sequentially. **Diversified Financiers reported broadly stable asset quality trends** and well-controlled credit costs. Housing Financiers reported healthy asset quality outcomes with the core housing portfolio exhibiting resilience. **Vehicle Financiers were able to deliver stable asset quality metrics**; however, certain segments remained stressed. SFL witnessed higher slippages reflecting seasonal and geographic stress in select borrower segments, while CIFC's asset quality trends improved across most stressed segments. **Gold financiers reported mixed bag performance on asset quality with improvement visible in certain segments, while the already stressed segment asset quality continued to deteriorate.** With credit cost trends remaining relatively benign, NBFCs under our coverage reported a robust 47/6% YoY/QoQ earnings growth.

Diversified Financials: Q2FY27 Performance Review

Healthy Operating Performance Amidst Evolving Business Dynamics

- Credit card issuer **SBICARD reported a strong earnings recovery, with the highlight of the quarter being lower credit costs (<6%) (at a multi-quarter low).** Asset quality trends remained encouraging tracking better than pre-COVID levels, with slippages declining with its tighter underwriting ability and customer segmentation tools having improved SBIC's ability to identify borrowers' vulnerability early. Spends growth was modest, however, management remains optimistic around a strong festive season pick-up going into Q3. Retail spend momentum held steady, with encouraging consumer traction across festive categories such as consumer durables, electronics, and lifestyle categories. Management's purposeful decision to curtail low-margin corporate spends highlighted a commitment to margin preservation over superficial headline growth. In Q2, SBIC continued to demonstrate strong customer acquisition momentum, adding 1+Mn customers during the quarter. The company's acquisition strategy remains focused on acquiring profitable customer cohorts rather than pursuing irrational growth. Receivables growth continued to remained muted in Q2. An unfavourable receivables mix along with marginally higher CoF continued to weigh on margins. **However, NIMs remained flat QoQ supported by pricing actions taken in the EMI portfolio**.

- **Life insurer SBILIFE demonstrated healthy performance in Q2**, **highlighted by a structurally positive shift in product mix toward non-PAR savings, annuities, and pure protection offerings, aiding VNB margin expansion**. Operational execution remained best-in-class, as demonstrated by industry-leading expense ratios and improvement in customer persistency across early and mid vintage cohorts. SBILIFE continued to diversify its product mix, with non-ULIP products gaining traction and the mix improving to 38%, while ULIP contribution is expected to decline to 63% in FY27 from 66% in FY26. On the distribution front, the banca channel continued to anchor the franchise, while agency and other channels gained traction, supported by continued agent additions, branch expansion and onboarding of new distribution partners. On the regulatory front, management expects limited impact from the IRDAI consultation paper, noting that its existing business model is broadly aligned with the proposed framework.

- **Asset management company NAM** demonstrated remarkable underlying resilience despite broader market volatility, and delivered a healthy operational performance in Q2. While broader industry net flows moderated, NAM demonstrated stickiness, garnering stable equity net flows across categories without suffering net outflows in large caps. Management exercised deliberate strategic restraint by avoiding opportunistic NFO launches, deliberately prioritizing investor suitability and long-term portfolio outcomes over transient customer additions. **Core operating performance remained healthy, as strict cost controls cushioned revenue yields from the impact of telescopic pricing**. Q2 earnings was dented due to a one-time settlement charge for the legacy Yes Bank AT1 bond exposure, an intentional decision taken by management to eliminate protracted legal friction and restore absolute clarity to its core earnings trajectory going ahead.

Q2FY27 PERFORMERS: WINNERS AND LOSERS

	HITS	MISSES
Banks	ICICI BANK	
	STATE BANK OF INDIA	
	BANK OF BARODA	
	CITY UNION BANK	
	FEDERAL BANK	
	UJJIVAN SFB	
NBFCs and Diversified Financials	CREDITACCESS GRAMEEN	APTUS VALUE HOUSING FINANCE
	CHOLAMANDALAM INV & FIN	
	MANAPPURAM FINANCE	

** Based on Q2FY27 Performance

BFSI Sector Outlook: Banks

The Way Forward

- ✓ After a strong performance in H1, banks gear up for another sustained healthy performance, reaffirming a positive credit growth outlook supported by adequate liquidity from FCNR(B) to be deployed towards credit demand, strong corporate loan pipelines, improving demand in select retail segments, and increased comfort in pursuing unsecured segments given tighter underwriting measures in place. **Near-term outlook remains supported by continued deployment of FCNR(B) flows and expectations of strong festive season demand. We pencil in ~17% CAGR credit growth over FY26-29E for our coverage universe banks, with private banks (~19% CAGR) gaining market share over PSBs (~15% CAGR).**

  Within private banks, we expected improved growth buoyancy among the larger private banks, which are expected to report a strong 18% CAGR in credit growth. Mid-sized private banks and SFBs should continue to diversify their portfolios while delivering a robust 20% CAGR and 24% CAGR growth over FY26-29E, respectively.

- ✓ The FCNR(B) flows have supported deposit growth and provided banks with adequate liquidity to cater to near-term demand. Thus, **in the near term, the surplus liquidity should not result in banks competing aggressively for deposits, especially on rates**. However, over the medium term, as system liquidity dries up, we expect the fight for deposit accretion to intensify to support the strong credit growth momentum. We pencil in deposit growth of ~15% CAGR over FY26-29E, with **private banks continuing to outperform PSB peers, thereby gaining deposit market share**. Banks remained focused on improving CASA traction and franchise granularity, with a focus on retail deposits.

- ✓ With the rate cycle reversing, we believe private banks (ex-SFBs) will remain bigger beneficiaries supported by a more favourable portfolio mix. While the full impact of FCNR(B) flows could result in some volatility in Q3 margin performance, **NIMs should expand from Q4 onwards as the full impact of the 25bps rate hikes reflects on yields**. Moreover, expectations of further rate hikes in Dec'26 should provide an additional tailwind to the margin profile of banks. Improving portfolio mix and a meaningful growth revival in the unsecured segments should further benefit NIMs for lenders. SFBs, on the other hand, are expected to witness continued NIM compression, mainly given their largely fixed loan portfolios, diversification towards lower-yielding secured segments, and continued CoF pressures.

BFSI Sector Outlook: Banks

The Way Forward

- ✓ Fee income will continue to be healthy given concentrated efforts to strengthen the core fee income profile. **However, the potential impact of the insurance commission caps on banks' fee income remains keenly eyed.** Banks will continue to leverage their investments already made in the distribution network and tech to improve productivity. However, continued investments in tech, automation, and franchise build-out will also continue in order to support medium-term growth, albeit 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 ~17% CAGR over FY26-29E**.

- ✓ **Collection Efficiency across customer cohorts and geographies has remained stable; however, we remain watchful of the impact of weather-related (El Niño) stress arising in impacted geographies, especially in the rural and semi-urban pockets. The unsecured segments, which have been major contributor to the elevated credit costs thus far, are now out of the woods,** while the secured and corporate segment asset quality remains well resilient. Multiple **lenders have continued to strengthen their provision buffers in Q2**, as they prepare for the ECL transition along with uncertainties arising on account of continued geopolitical conflict and weather-related headwinds. ECL transition and the resultant impact on steady-state credit costs remain a key monitorable going ahead, though at present the impact appears manageable as highlighted by most managements.

- ✓ With the NIM trajectory reversing from Q4 onwards, we believe healthy NII growth and improving operating efficiency should adequately offset any potential impact on credit costs from the ECL transition and uncertain macro effects and potential insurance commission caps, driving a **strong 17% CAGR earnings growth for banks under our coverage**. We expect RoA to improve by ~15-30bps by FY29E for the SMID banks, while larger pvt banks could see a 10-15bps improvement over the same period. PSB banks are likely to maintain their 1% RoA delivery. **We believe that, despite the recent rally in the banking stocks, valuations remain favourable. However, we remain selective in our stock-picking approach and prefer larger private banks and select mid-sized banks, along with SBI, in the PSB space.**

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, improving customer acquisition momentum with support from regulatory push. However, we **remain watchful of the intensifying competitive landscape**. The non-gold portfolio for Gold Financier – Manappuram is 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; however, near-term risks in tractor financing warrant caution**. **Microfinanciers** are experiencing a gradual **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, albeit at a slower pace,** aided by underlying disbursement momentum, leveraging geographic expansion, connector networks, and stepping-up disbursements to counter elevated prepayments. As the rate cycle has reversed, we will watch out for BT-out pressures impacting growth momentum for housing financiers. **Disbursement momentum in H2 is expected to remain fairly healthy, though certain segments, especially amongst Vehicle Financiers and Microfinanciers, could see some moderation given potentially impacted rural income, increased stress amid drought-related headwinds, and tighter credit filters in place**. **We expect NBFCs under our coverage to deliver a healthy AUM growth of ~21% CAGR over FY26-29E**.

- ✓ **As the rate hike cycle commences, we do not see much support for margins through H2FY27 for our coverage NBFCs.** While a smaller proportion of the floating portfolio could partially cushion the impact of the rate hike with lenders looking to pass on the rate hike, a sharper increase in CoF will result in broad-based margin compression across our coverage universe NBFCs. **While lenders will look to optimize their borrowing mix to protect margins, we expect a 10-30bps NIM compression across lenders (ex-CANF) in our coverage universe,** primarily led by CoF increases, along with further pressures from a higher proportion of fixed-rate loans, portfolio mix shift towards relatively lower-yielding segments, or pursuing growth in higher ticket size segments by certain lenders. **We expect NII growth to remain healthy at ~20% CAGR over FY26-29E.**

BFSI Sector Outlook: NBFCs

The Way Forward

- ✓ **The cap on insurance commissions remains a risk to earnings for NBFCs under our coverage.** While certain management have indicated that they will look to partially mitigate the impact of these regulations to minimize the impact on profitability, we expect some impact on RoA.
- ✓ Operating efficiency is likely to strengthen steadily, **driving cost ratios lower across lenders (C-I Ratio lower by 1-5% 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, though weather related headwinds impact especially on rural and agri-linked businesses warrant increased caution.** Q2 saw some impact of drought related stress in Maharashtra, Karnataka and Andhra Pradesh amongst certain lenders, though full impact is likely to be visible on Q3. Encouragingly most lender pointed at nil to negligible signs of stress build-up. Lenders continue to strengthen their underwriting mechanism and tighten credit filters in drought affected geographies and customer segments. Overall, **lenders' structural pivot toward disciplined credit underwriting, stronger collection mechanisms and provision buffers ensures that overall balance sheet quality will remain healthy despite macro and weather-related uncertainties, which might have a bearing on near-term performance. We expect earnings growth to remain resilient, with our covered NBFCs likely to deliver a ~27% CAGR over FY26-29E. Despite NIM pressures, RoA improvement of 20-80bps is expected to be visible across lenders, with risks arising from insurance commission caps being a key monitorable.**

BFSI Sector Outlook: Diversified Financials

The Way Forward

- ✓ **SBICARD** offers a classic cyclical turnaround opportunity, transitioning from an asset-quality consolidation phase into an earnings recovery cycle. With credit costs fundamentally normalized and limited scope for any further improvement along with a conservative management overlay against external headwinds, future earnings volatility is significantly reduced. The company's focus on profitable customer segments, disciplined underwriting and a calibrated approach to corporate spends should support asset quality going forward. The ongoing efforts toward improving EMI conversion rates, alongside strategic merchant partnerships across major digital ecosystems, provides a powerful structural tailwind support portfolio yields. **While elevated CoF is likely to exert pressure on NIMs, remedial actions through calibrated pricing actions, borrowing mix optimisation and a gradual improvement in EMI balances should provide some margin support**. As festive-led transaction volumes gather pace, SBICARD expects receivables growth to resume. **Overall, stable opex ratios and lower credit costs should enable SBICARD offset the impact of margin pressures, despite best efforts to maintain range-bound NIMs and deliver RoA of 4.5-4.7% over FY27-29E**.
- ✓ **SBILIFE's continued shift towards non-PAR savings, annuity and protection products should strengthen its VNB growth trajectory.** Despite strong execution and better-than-expected VNB margin performance, management has retained its FY27E VNB margin guidance of 26-28%. **Supported by an expanding agency and non-SBI distribution network, alongside a strong bancassurance channel, management has also reiterated its FY27 IRP growth guidance of 14-15%**. Furthermore, the expected limited impact of the IRDAI consultation paper reduces the risk of material disruption to the business model. We remain positive on SBILIFE, with its strong distribution franchise, improving product mix and healthy margin profile underpinning confidence in sustained growth.
- ✓ **NAM benefits from a large retail footprint, superior and sticky SIP franchise and clear market leadership in exchange-traded funds (ETFs)**, where it holds over 21% market share and manages ~45% of industry trading volume. The **prospective entry into SIF represents a critical growth catalyst, providing another avenue to monetize HNI relationships under a well-differentiated architecture** once regulatory clearances are secured. Overall, NAM remains well-positioned to capitalise on the structural growth of India's MF industry, with MF QAAUM, revenue and earnings expected to deliver CAGRs of 20%, 17% and 17%, respectively, over FY26-29E, supported by (i) diversified product offerings, (ii) improving market share across segments and (iii) a strong SIP franchise.

Medium Term Outlook – Banks and NBFCs

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

(B) Earnings Impact on Banks and NBFCs Due to Insurance Commission Caps

(C) Headwinds For Growth And Asset Quality Due To Monsoon-related Challenges, especially in rural/semi-urban markets and agro-related segments

(D) CoF Trajectory and Impact on NIMs for NBFCs

(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) Rate Hike Cycle Providing Tailwinds for NIM Expansion for Banks

(D) Strong Earnings Growth with Gradual RoA Improvement

Key Monitorables

1. NIM Trajectory For NBFCs Amidst Rate Hike Cycle
2. Growth Recovery in Unsecured Segments
3. Impact on Asset Quality and Growth, Especially in Rural/Semi-Urban Markets and Agri-related Segments
4. RoA Tailwinds (for Banks) from Expanding NIMs, Steady Credit Costs and Gradually Improving Operating Leverage

Top Conviction Ideas: Private Banks

Stock	Reco.	TP	Recommendation Rationale
Kotak Mahindra Bank Ltd.	BUY	Rs 550*	✓ **Credit Growth Broad-Based; FCNR(B) Liquidity to Support Further Expansion:** In Q2, KMB delivered healthy credit growth of 25% YoY and 12% QoQ, with growth remaining broad-based across corporate banking, SME and Retail segments. The growth trajectory is expected to remain healthy as KMB continues to deploy the FCNR(B) flows into customer assets over the next few quarters. Within the unsecured segment, KMB remains focused on lending to existing customers, leveraging relationship data and distribution capabilities to maintain underwriting discipline and control acquisition costs. Management remains confident of delivering credit growth of 1.5-2x nominal GDP growth and expects KMB's credit growth to outpace system growth and build in a strong ~17% CAGR over FY26-29E. ✓ **NIM Recovery Supported by Liquidity Deployment and Rate Transmission:** Management indicated that core NIMs remained broadly stable QoQ, barring the impact of FCNR(B) flows. The near-term margin trajectory is likely to reflect opposing forces, with Q3 NIMs capturing the full-quarter impact of FCNR(B) mobilisation, while the benefit of deploying unutilised liquidity into higher-yielding customer assets is expected to accrue progressively. Furthermore, the transmission of the repo rate hike to floating-rate loans, which account for 65-70% of the total loan book, with 60% of the book being repo-linked, is expected to begin reflecting in margins from Q3, with a larger impact visible in Q4. We expect meaningful margin expansion from Q4 onwards, with NIMs ranging between 4.4-4.6% over FY27-29E. ✓ **Outlook:** KMB's earnings trajectory is poised for meaningful improvement, driven by strong underlying credit growth, deployment of FCNR(B)-funded liquidity and the transmission of higher lending rates, supporting growth and NIM recovery. Improving asset quality and benign credit costs, alongside a gradual improvement in cost ratios, are expected to provide further support to earnings. The appointment of Mr Anup Saha as MD & CEO, effective Jan'27, addresses the key leadership overhang, provides longer leadership tenure, and brings an experienced consumer-finance leader with a strong execution track record to the helm. We expect KMB to consistently deliver RoA/RoE of 2.1-2.2%/12-14% over FY27-29E, second best after ICICI Bank.

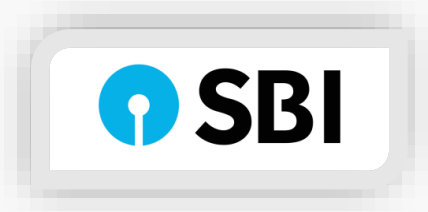
**** Note: Target Price is based on our Q2FY27 Result/Company Update/Top Picks Report***

Top Conviction Ideas: Private Banks

Stock	Reco.	TP	Recommendation Rationale
ICICI Bank Ltd.	BUY	Rs 1,865*	✓ **NIM Improvement from Q4 Onwards:** Domestic NIM, excluding the impact of the tax refund, stood at 4.32% compared with 4.36% in Q1. Management indicated that the full-quarter impact of FCNR(B) deposits mobilised during Q2, along with seasonally higher KCC slippages, is likely to result in further NIM moderation in Q3, partly offset by the recent policy rate hike. Currently, 57% of the domestic loan portfolio is EBLR-linked, 14% is MCLR-linked, and the remaining 29% is fixed-rate. However, management expects the pressure to be transient, with NIM likely to recover from Q4 onwards, even assuming no further rate hikes. ✓ **Credit Growth Broad-Based; Retail Traction Improving:** ICICIB's credit growth has been the best amongst the larger private banks (+30/12% YoY/QoQ in Q2), aided by lending against FCNR(B) deposits. Barring this, growth would have been 24/7% YoY/QoQ, indicating that underlying credit expansion remains robust. The management expects excess liquidity to be deployed over the next 2 quarters, supporting growth. Retail loan growth has recovered from single-digit levels to ~15%, led by personal loans (PL) and mortgages. The strong corporate credit growth (+10% QoQ) also reflects sustained customer demand, working capital requirements, investment activity, and a shift in funding from bond and offshore borrowing markets towards domestic bank credit, and not merely temporary deployment of FCNR(B) deposits. ICICIB remains open to pursuing growth across both retail and corporate segments, while considering risk-adjusted returns and prevailing pricing conditions. ✓ **Outlook:** ICICIB continues to distinguish itself from its peers through its consistent execution capability, underpinned by well-diversified growth, superior asset quality performance, resilient and well-managed margin delivery, and robust operating efficiency. Q2 was another such quarter, reflecting strong underlying business momentum, robust core earnings growth, and pristine asset quality. ICICIB has consistently demonstrated its ability to outperform peers even during periods of heightened uncertainty, reinforcing the strength of its franchise and execution capabilities. Consequently, we believe the bank continues to deserve its premium valuations vs peers, and remains our preferred pick amongst the large private banks. We expect superior RoA/RoE delivery of 2.2-2.3%/16-18% to continue over FY27-29E.

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Top Conviction Ideas: PSU Banks

Stock	Reco.	TP	Recommendation Rationale
 State Bank of India	BUY	Rs 1,275*	✓ **NIM Guidance Maintained at 3% for FY27 Supported by Tailwinds:** SBI's domestic NIMs surprised positively and improved 11bps QoQ to 3.11%, ahead of management guidance of 3%. This expansion was supported by lower CoD, primarily driven by active liability management, including replacement of higher-cost wholesale deposits with FCNR(B) flows and stronger daily average CASA balances, with further support from improved yields. Going forward, management sees further scope for improvement from the full transmission of the 25bps rate hike on the EBLR-linked portfolio and the 15bps MCLR hike undertaken, with the benefit expected to accrue through H2 as the loan book reprices. Moreover, an anticipated (by SBI) 50bps repo rate hike likely in Dec'26 would provide a further fillip to NIMs. At present, SBI's portfolio comprises 32% loans which are EBLR-linked, 17% T-bill linked, 27% MCLR-linked, and the balance are fixed-rate loans. Furthermore, the availability of excess SLR (Rs 3.5-3.7 Lc Cr) provides a meaningful cushion against CoF pressures, as the bank need not compete aggressively for deposits. ✓ **1% Cross-cycle RoA Guidance Retained:** SBI's solid 1.2% RoA delivery in Q2 was supported by one-off stake sale gains in SBI Funds Management, strong margin delivery and benign credit costs. Going ahead, management reiterated its confidence in sustaining RoA of 1% and RoE of 15% through the cycle, with the guidance already factoring in the anticipated ECL transition impact. ✓ **Outlook:** SBI's earnings trajectory is poised to remain buoyant over the medium term, with 1-1.1% RoA delivery emerging as an achievable metric rather than an aspirational target. The strong corporate loan pipeline and improving retail demand should support strong credit growth over the medium term. Focus on profitable growth over margin-dilutive growth, along with benefits of rate hikes accruing and adequate liquidity keeping CoD under control in the near term (while it will recalibrate eventually with the pass-on of rate hikes), provides margin resilience. Asset quality remains a key strength and at a multi-decadal low, supporting benign credit costs, while the phased ECL transition could pose some interim earnings volatility. Thus, SBI's 1% through-cycle RoA delivery ability remains underpinned by its ability to maintain healthy margins at ~3.1% (+/-5bps), contained opex growth with focus on productivity improvement, and controlled credit costs.

**** Note: Target Price is based on our Q2FY27 Result/Company Update/Top Picks Report***

Top Conviction Ideas: Mid-Sized Private Banks

Stock	Reco.	TP	Recommendation Rationale
Federal Bank	BUY	Rs 405*	✓ **Margins Hold Steady in Q2; NIMs to Trend Better:** Management indicated that the lending yields have bottomed in Q1 and, adjusted for the FCNR(B), yields would have been steady to marginally better in Q2. However, going forward, the 25bps repo-rate hike should provide a tailwind to FB's yields, with ~45% of the portfolio being EBLR-linked, which would reprice ahead of deposits. However, management expects deposit competition to intensify as systemic liquidity eases, which could weigh on CoF eventually. Accordingly, management reiterated its earlier guidance of 5-6bps improvement in NIMs per quarter over the next 3-4 quarters, albeit with a non-linear trajectory. We expect FB's margins to range between 3.3-3.4% over FY27-29E, supported by a structurally stronger liability franchise and continued asset mix optimisation. ✓ **Broad-Based Momentum Across Focus Segments; Mid-Teen Guidance Intact:** FB will pursue a selective inorganic growth strategy, prioritising earnings accretion, access to new capabilities and scale, while ensuring strategic alignment with its core franchise. Despite the strong reported growth in Q2, management retained its mid-teen credit growth guidance, indicating a continued preference for calibrated expansion over irrational growth. We bake in credit growth of 18% CAGR over FY26-29E, led by strong growth in focus segments. ✓ **Outlook:** Post a stellar H1, FB continues to consistently deliver on its charted path to deliver improved RoA. The bank remains well poised to sustain healthy balance sheet growth, supported by strong traction across focus segments along with continued portfolio optimisation and a structurally improving liability franchise. NIMs are expected to improve gradually over the coming quarters, aided by asset repricing as the rate cycle reverses, calibrated growth in higher-yielding segments and sustained efforts to strengthen the CASA mix, though deposit competition and its impact on CoF remains a key monitorable. Robust core fee income and benign credit costs should support earnings growth, while continued investments in distribution, tech and franchise are likely to keep cost ratios elevated in the near term.

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Top Conviction Ideas: Mid-Sized Private Banks

Stock	Reco.	TP	Recommendation Rationale
City Union Bank	BUY	Rs 280*	✓ **Broad-Based Momentum Across Key Segments:** CUB's growth engine has been up and running, delivering strong growth (+26/7% YoY/QoQ in Q1). Management reiterated its growth strategy, with continued focus on core MSME, Gold loans, and Secured Retail loans, targeting 2-3% above system growth. The bank continues to maintain a disciplined approach towards customer selection and undertakes bureau checks, evaluates repayment behaviour, and conducts customer-level assessments through its branch network, with larger exposures subject to central credit scrutiny. Overall, the bank's calibrated approach to growth, supported by disciplined underwriting and a focus on secured lending, should help sustain credit growth of ~22% CAGR over FY26-29E, while keeping risks in check. ✓ **Rate Hike Provides Boost to Margins; Guidance Raised:** Going ahead, management expects NIM to remain in the range of 3.85-3.95% in Q3 and Q4, an improvement over its earlier expectation of 3.7-3.75%. At present, ~55% of the portfolio is repo-linked, 33% is fixed, and 12% is MCLR-linked. Gold loan yields are currently at 10.8%, with management indicating a further 5-10bps headroom for improvement, though it does not intend to undertake a rate revision immediately. However, CUB also acknowledged that CoD is expected to inch up in the coming quarter. Factoring in strong H1 performance on NIMs and tailwinds from the rate hike, we revise our NIM estimates upwards to 3.9% (+/-5bps) over FY27-29E. ✓ **Outlook:** CUB's ability to sustain strong credit growth across its core MSME, gold loan and secured retail franchises reflects healthy underlying demand. Growth has been accompanied by improving asset quality, disciplined underwriting and a calibrated approach to risk, strengthening confidence in the sustainability of earnings. Improving outlook on margins and tighter cost control should further support profitability. Focus remains on building a strong granular retail franchise with dedicated efforts to support strong CASA growth. We believe CUB's consistent execution across growth, profitability, and asset quality merits premium valuations. We expect CUB to consistently deliver a superior RoA/RoE of 1.7% (+/-5bps)/16-18% over FY27-29E, the best among our coverage of mid-sized banks.

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Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
Bajaj Finance Ltd.	BUY	Rs 1,255*	✓ **Growth Momentum Remains Broad-Based; Growth Guidance Raised to 26-27%:** BAF's growth remained broad-based across consumer and commercial lending. Considering the strong growth delivery in H1 and factoring in the early festival-season momentum, management has raised its AUM growth guidance to 26-27% in FY27 vs earlier guidance of 22-24%. Importantly, the revised growth guidance already factors in BAF's calibrated approach to lending in select geographies and customer segments amid weather-related risks. We bake in a strong 25% CAGR AUM growth over FY26-29E. ✓ **CoF Relief Offers Support to Q2 NIMs; Rate Hikes to Extend Margin Pressure over H2:** In Q2, BAF's margins contracted by 10-12bps QoQ despite CoF improving by 9bps QoQ, partly supported by interest-rate hedging undertaken. Over H1, NIMs have contracted by ~5bps vs Mar'26. However, the impact of the rate hike is expected to be visible on CoF over H2, prompting management to indicate a slightly higher NIM compression vs earlier guidance of 10-15bps, though the pressure remains manageable at this stage. BAF expects to navigate the margin headwind through a combination of operating efficiencies and lower credit costs, thereby protecting overall RoA. ✓ **Strong Earnings Delivery Despite Prudential Provisioning:** BAF's consistent superior delivery of 4.5%+ RoA is a testament to its franchise despite margin headwinds and continued investments in distribution and tech. Going ahead, RoA should find support from continued strong growth, improving credit costs and operating efficiencies, which should partly offset the anticipated margin compression. ✓ **Outlook:** We continue to retain BAF as our top pick within our NBFC coverage, 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 Q2FY27 Result/Company Update/Top Picks Report***

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
Cholamandalam Investment & Finance Co Ltd.	BUY	Rs 2,085*	✓ **Asset Quality Trends Improve Across Lending Segments; FY27 Credit Cost Guidance Retained at 1.5%:** CIFC's asset quality trends are improving across its MSME financing portfolio, with delinquencies moderating in LAP, unsecured Business Loans (BL) and SME Term Loans. The sub-Rs 5 Lc secured loan segment, which had been a source of stress, is also showing signs of improvement. CIFC is exercising caution in these markets and moderating disbursements wherever repayment capacity appears uncertain. Importantly, CIFC's exposure to tractor financing is limited to ~3% of its Vehicle Finance (VF) book, while its overall exposure to the inherently drought-prone geographies is relatively low, providing a cushion against weather-related disruptions. CIFC has guided for H2 credit costs to be lower than H1 and has retained its 1.5% credit cost guidance for FY27E. ✓ **Margin Compression to be Visible in H2:** With the rate cycle reversing, CIFC expects 15-20bps pressure on CoF, assuming a cumulative 50bps repo rate hike. At present, 25% of borrowings are repo-linked, and another 25% are linked to other benchmarks, while the balance is either fixed or MCLR-linked. However, CIFC NIMs should find some support from the repricing of floating-rate loans in the affordable housing and part of the SME portfolio. The company intends to pass on the rate hike in these segments over the next 1-2 months, thereby partly offsetting the CoF headwinds. However, management has guided for ~10bps NIM compression in H2. We build-in NIMs of 7.8-7.9% over FY27-29E, largely in-line with management guidance. ✓ **Outlook:** CIFC remains well-positioned to sustain healthy growth, supported by its diversified lending franchise and expectations of strong H2 disbursement momentum across key business verticals. Asset quality trends across most segments are encouraging, with management expecting lower credit costs in H2, which should partly offset the anticipated 10bps margin compression and support the pre-tax RoA target of 3.5%. The scaling up of the Consumer Finance portfolio, calibrated expansion in Gold Loans, and recovery in Housing loans and LAP portfolio should strengthen growth diversification and improve the portfolio mix over the medium term. Sustained AUM growth, improving operational profitability, and a marginally improving-to-steady credit cost trajectory are expected to support earnings growth and enable CIFC to deliver a consistent RoA/RoE of 2.4-2.5%/19-20% over FY27-29E.

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Top Conviction Ideas: Diversified Financials

Stock	Reco.	TP	Recommendation Rationale
Nippon Life India Asset Management Ltd.	BUY	Rs 1,175*	✓ **Net Flows Remain Resilient Despite Market Volatility; Strong SIP Franchise Lends Support:** Despite market volatility and a moderation in industry-wide flows, NAM indicated that its net inflows remained broadly stable in Q2, with equity (ex-index and arbitrage) net-sales market share continuing at high single-digit levels. The management highlighted that incremental flows have been well-distributed across categories, including large, mid, small, multi-cap and hybrid funds. While continued market weakness has weighed on investor sentiment, the industry has witnessed higher outflows from large cap funds among HNIs. ✓ **Customer Additions Moderate Amid Industry Slowdown and Deliberately Lower NFO Launches:** The pace of incremental customer additions moderated in Q2, reflecting broader industry trends and NAM's deliberate restraint on NFO launches. The management acknowledged that investor growth across the mutual fund industry has flattened amid market volatility, with SIP growth and incremental investor acquisition also showing signs of moderation. The absence of new NFO launches by NAM was another factor contributing to slower customer additions. NAM has consciously avoided launching products without an established track record in a volatile market, prioritising investor suitability and long-term outcomes over near-term customer acquisition. ✓ **Outlook:** NAM's strong market positioning, diversified product portfolio, and leadership in ETFs provide a solid foundation for sustaining growth, despite moderation in industry flows and temporary headwinds in customer additions. The company's sizeable SIP franchise and broad retail reach provide resilience through market volatility, while continued market share gains reflect the strength of its diversified distribution capabilities. The upcoming SIF launch offers an incremental growth opportunity. Overall, NAM remains well-positioned to capitalise on the structural growth of India's MF industry, with MF QAAUM, revenue and earnings expected to deliver CAGRs of 20.0%, 17.0% and 17.0%, respectively, over FY26-29E, supported by (i) diversified product offerings, (ii) improving market share across segments and (iii) a strong SIP franchise.

**** Note: Target Price is based on our Q2FY27 Result/Company Update/Top Picks Report***

Valuation Comparison - Banks

	Rating	TP	RoA (%)			RoE (%)			P/E (x)	P/ABV (x)
			FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	Sep'28E	Sep'28E
Banks										
HDFC Bank	BUY	950	1.8%	1.8%	1.9%	13.9%	14.9%	15.6%	11.5	1.5
ICICI Bank	BUY	1,865	2.2%	2.3%	2.3%	16.8%	17.5%	17.4%	14.4	1.9
Kotak Mahindra Bank	BUY	550	2.1%	2.1%	2.2%	12.5%	13.3%	14.1%	20.3	0.0
State Bank Of India	BUY	1,275	1.1%	1.1%	1.1%	16.0%	15.0%	15.0%	9.5	1.0
Bank of Baroda	BUY	290	1.0%	1.0%	1.0%	13.3%	13.5%	13.6%	5.4	0.8
Bandhan Bank	BUY	190	1.2%	1.3%	1.4%	9.7%	11.8%	13.2%	7.4	0.9
City Union Bank	BUY	280	1.7%	1.7%	1.7%	16.2%	17.0%	17.5%	10.3	1.6
DCB Bank	BUY	265	1.0%	1.0%	1.0%	13.8%	14.8%	15.2%	5.7	0.9
Federal Bank	BUY	405	1.3%	1.4%	1.5%	13.4%	14.1%	14.7%	12.7	1.7
IDFC First Bank	BUY	91	1.0%	1.2%	1.3%	9.5%	12.2%	14.2%	8.9	1.2
Small Finance Banks										
AU Small Finance Bank Ltd.	BUY	1,180	1.7%	1.7%	1.8%	16.9%	17.7%	19.2%	14.0	2.5
Equitas Small Finance Bank Ltd.	BUY	74	1.3%	1.3%	1.5%	13.6%	14.5%	16.5%	5.2	0.8
Ujjivan Small Finance Bank Ltd.	BUY	86	2.1%	2.0%	2.0%	18.6%	17.9%	18.0%	6.8	1.1

Valuation Comparison – NBFCs & Diversified Financials

	Rating	TP	RoA (%)			RoE (%)			P/E (x)	P/ABV (x)
			FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	Sep'28E	Sep'28E
NBFCs										
Bajaj Finance	BUY	1,255	4.1%	4.0%	4.0%	20.6%	21.0%	21.8%	19.4	3.9
MAS Financial Services	BUY	340	3.0%	3.0%	3.0%	13.7%	14.7%	15.9%	8.2	1.3
Can Fin Homes	BUY	915	2.2%	2.2%	2.3%	16.3%	16.0%	16.0%	7.6	1.3
Aptus Value Housing Finance	BUY	250	7.5%	7.4%	7.4%	20.1%	20.7%	21.7%	6.0	1.2
Cholamandalam Investment & Finance Company	BUY	2,085	2.5%	2.5%	2.5%	20.0%	20.0%	20.0%	17.6	3.9
Shriram Finance	BUY	1,085	4.1%	4.2%	4.2%	15.8%	14.2%	14.6%	13.1	1.9
CreditAccess Grameen	BUY	1,405	5.3%	4.9%	4.7%	22.0%	20.2%	19.3%	7.4	1.4
Manappuram Finance	BUY	400	3.1%	3.2%	3.2%	14.3%	15.0%	15.8%	8.8	1.4
SBI Cards and Payment Services	BUY	710	4.5%	4.5%	4.7%	18.4%	17.3%	17.3%	14.9	2.4

	Rating	TP	RoE (%)			Dividend Yield (%)			P/E (x)	P/ABV (x)
			FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	Sep'28E	Sep'28E
Diversified Financials										
Nippon Life India Asset Management	BUY	1,175	36.2%	42.3%	46.4%	2.4%	3.0%	3.5%	31.3	N.A

	Rating	TP	RoEV (%)			VNB Margin (%)			P/E (x)	P/EVPS
			FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	Sep'28E	Sep'28E
Life Insurers										
SBI Life Insurance Company	BUY	2,150	17.6%	16.6%	16.2%	27.5%	27.5%	27.6%	49.1	1.5

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November 2026



Top Conviction Ideas: Chemicals & Midcaps

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Chemicals Sector: Q2FY27 Review

✓ Specialty Resilience Amid Agrochemical Headwinds and Pricing Divergence

- **The chemical sector** witnessed a highly polarised performance in Q2FY27, with fluorochemicals, CDMO, specialty intermediates, and integrated players delivering resilient growth, while export-oriented agrochemicals, rubber chemicals, and generic-heavy intermediates faced margin pressures. China's supply rationalisation supported select chemical spreads, whereas persistent overcapacity, geopolitical shipping disruptions, and elevated freight costs continued to weigh on sector profitability. Capacity commercialisation emerged as a key operating theme.

- **Chemistry Plays:** Companies leveraging advanced fluorination chemistry, specialty ingredients, and integrated CDMO platforms outperformed. Navin Fluorine International delivered a strong earnings beat, supported by favourable HFC pricing and robust CDMO execution, while Jubilant Ingrevia benefited from improved chemical intermediate spreads. Aarti Industries surpassed Rs 3,600 Cr in quarterly revenue, driven by fuel additives and Zone 4 commercialisation. Conversely, Apcotex Industries and NOCIL faced margin pressure from raw material inflation and elevated conversion costs. Dhanuka Agritech demonstrated resilience through strong insecticide and biostimulant demand, while PI Industries reported a sharp earnings decline amid global destocking and generic competition. Camlin Fine Sciences remained under severe financial stress due to liquidity constraints and continued suspension of its Dahej diphenol facility.

- **Outlook and Guidance:** Sectoral recovery is expected to remain uneven, with high-barrier specialty chemicals, fluorochemicals, and CDMO platforms offering superior earnings visibility. Commercialisation of recently commissioned capacities is expected to drive operating leverage, while semiconductor chemicals and advanced CDMO platforms remain key growth opportunities. Near-term recovery across agrochemical CSM and commodity intermediates remains contingent on global destocking normalisation, pricing improvement, and easing of input and logistics costs.

Chemicals Sector: Q2FY27 Review

✓ Financial Performance: Chemicals

- **Dhanuka Agritech's** performance has beaten our expectations on all fronts. The company reported revenue of Rs 658 Cr, up 10% YoY and 42% QoQ, beating our estimates by 21%. EBITDA stood at Rs 153 Cr, up 12% YoY and 178% QoQ, surpassing our estimate of Rs 70 Cr. EBITDA margins improved to 23.3% vs. 22.9% in Q2FY26 and 11.9% in Q1FY27. PAT came in at Rs 109 Cr, up 16% YoY and 201% QoQ, beating our estimates. Management expects low single-digit revenue growth in FY27, with gross and EBITDA margins contracting by ~100 bps and ~125 bps, respectively, amid GST refund-related accounting impacts, input cost inflation, and weak demand. Near-term growth remains subdued due to dry El Niño conditions, with Rabi demand generation focused on Southern and Eastern markets.

- **PI Industries'** performance missed our estimates on all fronts. Consolidated revenue stood at Rs 1,702 Cr, down 9% YoY but flat QoQ, missing our estimates by 3%. Gross margin contracted to 49.5% versus 57.3% in Q2FY26. EBITDA came in at Rs 233 Cr, down 57% YoY and 37% QoQ, missing our estimates. EBITDA margin declined to 13.7%, down 1,524 bps YoY. PAT stood at Rs 122 Cr, down 70% YoY and 50% QoQ, missing our estimates. Management has revised its FY27 outlook to flattish revenue growth, reflecting continued weakness in agrochemical exports and near-term pricing pressures, which are expected to persist over the next couple of quarters. However, the company anticipates green shoots in the export business towards the end of FY27.

- **Jubilant Ingrevia Ltd** performance exceeded expectations on all fronts. Revenue stood at Rs 1,394 Cr, up 24% YoY and 7% QoQ, beating estimates by 3%. EBITDA came in at Rs 212 Cr, up 57% YoY and 7% QoQ, beating our estimates by 9%. EBITDA margins improved to 15.2%, compared to 12.1% in Q2FY26. PAT stood at Rs 111 Cr, significantly up 60% YoY, driven by improved operating leverage, outperforming the estimated Rs 101 Cr. Management reaffirmed its FY27 EBITDA guidance of Rs 750-800 Cr, indicating that strong H1 performance positions the company closer to the upper end of the range. Growth is expected to remain broad-based across all three operating segments.

- **Navin Fluorine International Ltd. (NFIL)** delivered a robust performance in Q2FY27 on all fronts. Revenue came in at Rs 1,191 Cr, registering a 57% YoY increase and 14% QoQ, beating our estimates by 12%. EBITDA rose to Rs 407 Cr, marking a robust 66% YoY and 14% QoQ growth, surpassing the estimate of Rs 359 Cr. EBITDA margins expanded significantly to 34.2% vs 32.5% in Q2FY26, led by operating leverage and improved product mix. PAT stood at Rs 269 Cr, up 81% YoY and 11% QoQ, beating our estimate of Rs 235 Cr. The company's growth outlook remains strong, supported by capacity expansions across HPP, CDMO and Specialty Chemicals. Management expects FY27 EBITDA margins to sustain at ~34%, with a long-term floor of 30%, supported by annual capex of Rs 700–1,000 Cr and EBITDA-to-cash conversion of 60–65%.

Chemicals Sector: Q2FY27 Review

✓ Financial Performance: Chemicals

- **Aarti Industries Ltd.'s** performance exceeded expectations on all fronts. Revenue stood at Rs 3,668 Cr, up 75% YoY and 54% QoQ, beating our estimates. EBITDA came in at Rs 410 Cr, up 41% YoY and 7% QoQ, beating estimates by 12%. EBITDA margins stood at 11.2%, compared to 13.9% in Q2FY26. PAT stood at Rs 170 Cr, significantly up 102% YoY and 11% QoQ, driven by improved operating leverage, outperforming the estimated Rs 114 Cr. Aarti Industries expects sustained growth driven by resilient export demand, stronger customer partnerships, and new capacity commercialisation. The company plans FY27 capex of Rs 700–800 Cr. Management reaffirmed its FY28 EBITDA target of Rs 1,800–2,200 Cr while maintaining Net Debt/EBITDA below 2.5x.
- **Apcotex Industries'** performance missed our estimates on all fronts. The company reported revenue of Rs 499 Cr, up 48% YoY but down 5% QoQ, missing our estimates by 7%. Sales volume grew 7% YoY. EBITDA stood at Rs 58 Cr, reflecting a growth of 44% YoY but a degrowth of 50% QoQ, missing our estimate. EBITDA margins stood at 11.7%, declined 37 bps YoY and 1,059 bps QoQ. PAT came in at Rs 35 Cr, up 38% YoY but declined 56% QoQ, missing our estimate. Apcotex Industries targets 10–12% volume CAGR over the next 3–5 years, driven by structural demand across automotive and industrial applications. Growth will be supported by Rs 210 Cr capex at Valia, with solid NBR expansion expected by Apr'27 and SBR latex expansion by Q2FY28.
- **Archean Chemical Industries'** performance exceeded our estimates on the EBITDA and profitability front. Consolidated revenue stood at Rs 297 Cr, up 28% YoY but down 9% QoQ, in line with our estimates. EBITDA stood at Rs 70 Cr, up 12% YoY and 4% QoQ, beating our estimates by 11%. The EBITDA margin stood at 23.6%, a drop of 324 bps YoY. The company's PAT was Rs 31 Cr, up 8% YoY and 3% QoQ, surpassing our estimate of Rs 27 Cr. Management remains optimistic about H2FY27, expecting a sequential recovery in Industrial Salt shipments and margin improvement following the Hajipur road corridor commissioning.
- **Camlin Fine Sciences** Q2 performance missed our expectations on all fronts. CFS reported revenue of Rs 491 Cr in Q2FY27, up 7% YoY but down 5% QoQ, below our estimates by 7%. EBITDA stood at Rs 2 Cr, significantly down by 93% YoY and 76% QoQ, below our estimates. EBITDA margin contracted 681 bps YoY and 133 bps QoQ to 0.5%. The company reported a net loss of Rs 30 Cr after accounting for discontinued operations. Management expects Q3FY27 performance to remain broadly at Q2FY27 levels, with marginal improvement in margins, while a meaningful recovery is anticipated from Q4FY27 as liquidity constraints ease and operating efficiencies improve.
- **NOCIL** reported revenue of Rs 427 Cr, up 33% YoY and 6% QoQ, beating our estimates by 11%. EBITDA stood at Rs 36 Cr, up 61% YoY but down 20% QoQ, below our expectation of Rs 42 Cr. EBITDA margin was 8.4%, compared to 7.0% in Q2FY26 and 11% in Q1FY27. PAT was Rs 24 Cr, up 98% YoY but fell 13% QoQ, missing our estimate of Rs 26 Cr. NOCIL expects FY27 revenue to reach the upper end of its Rs 1,400–1,600 Cr guidance range, with operating EBITDA margins targeted at ~10%. Management anticipates 8–10% full-year volume growth, supported by domestic demand recovery post-GST 2.0 and export market share gains under the China+1 strategy.

Chemicals Sector: Outlook

✓ Earnings Recovery Driven by Specialty Strength, Capacity Commercialisation, and Selective Demand Revival

Capacity Ramp-up and Supply Realignments Drive Growth Prospects: Q2FY27 witnessed continued divergence across the chemical sector, with high-barrier specialty platforms demonstrating earnings resilience, while commodity intermediates and export-oriented agrochemicals remained impacted by Chinese overcapacity, global destocking, and elevated logistics costs. The sector is transitioning from peak capex execution towards commercialisation and utilisation ramp-up of newly commissioned capacities, supporting medium-term operating leverage. Selective improvement in chemical spreads, driven by Chinese supply rationalisation and European supply disruptions, provides incremental tailwinds. However, persistent geopolitical uncertainties and volatile input costs remain key near-term challenges.

Speciality Chemicals: High-value fluorochemicals, advanced intermediates, and CDMO platforms continue to offer superior earnings visibility, supported by long-term customer contracts, favourable product mix, and increasing commercialisation of specialised capacities. Capacity ramp-ups across fuel additives, multi-purpose plants, and niche specialty projects are expected to drive incremental revenue and operating leverage. Additionally, increasing exposure to semiconductor chemicals, electronic materials, and advanced CDMO applications is strengthening long-term growth prospects while reducing dependence on cyclical commodity demand.

Agrochemicals: Export-oriented crop protection players continue to face an extended global downcycle, characterised by customer destocking, generic competition, and pricing pressure. Domestic formulation demand remains impacted by erratic monsoon distribution, with lower herbicide demand partially offset by stronger insecticide and biostimulant traction. Companies with diversified product portfolios and strong distribution networks are relatively better positioned. A recovery in global channel inventories, stabilisation of realisations, and improvement in export volumes remain key triggers for earnings recovery. Meanwhile, biologicals and differentiated crop protection molecules offer incremental medium-term growth opportunities.

Chemicals - Short and Medium-term Drivers

Negatives

- Erratic monsoon impacting domestic agrochemical demand.
- West Asia disruptions, higher freight costs and shipment delays.
- Chinese dumping and persistent global overcapacity.
- Global agrochemical destocking and pricing pressure.
- Logistics bottlenecks and delayed capacity ramp-ups.

Positives

- India- EU FTA
- India- US Trade Agreement
- Recovery in global agrochemical inventories.
- China+1 & structural tailwinds
- New product launches and portfolio diversification.
- Growing semiconductor, electronics and CDMO opportunities.
- Rising domestic demand and cost rationalisation.

Key Monitorables: RM price movements, Chinese overcapacity, dumping and potential anti-dumping measures; global inventory destocking; geopolitical disruptions and freight costs; capacity commissioning, utilisation and capex execution; export order inflows and customer contract renewals; monsoon trends and domestic crop protection demand; and margin recovery across key chemical value chains; Demand trends across key end-user Industries.

Midcaps: Q2FY27 Review

Financial Performance & Outlook

Praj Industries Ltd.

- **Financial Performance:** Performance beat expectations across all fronts. The company reported revenue of Rs 849 Cr, flat YoY but up 19% QoQ, beating our estimates by 3%. EBITDA stood at Rs 52 Cr, down 6% YoY but up 74% QoQ, beating our estimates by 28%. EBITDA margin stood at 6.2%, down from 6.6% in Q2FY26. PAT came in at Rs 23 Cr, up 20% YoY, 19% above our estimates. Order intake during the quarter stood at Rs 715 Cr, compared to Rs 1,000 Cr in the preceding quarter.
- **Outlook:** Management expects a gradual recovery in EBITDA margins from the Q2FY27 bottom of ~6.2%, supported by improving execution and a strong H2FY27 order inflow recovery. Praj targets ~Rs 10,000 Cr revenue by FY30, with ~50% export contribution, driven by international bioenergy, CBG, data centre fabrication and Bio-IBA.

Mold-Tek Packaging Ltd.

- **Financial Performance:** Mold-Tek Packaging's results have beaten our estimates on all fronts. Revenue for Q2FY27 stood at Rs 274 Cr, up 31% YoY but down 9% QoQ, beating our estimates by 7%. EBITDA came in at Rs 51 Cr (+29% YoY/-9% QoQ), beating our expectations of Rs 47 Cr, while margin stood at 18.4%. EBITDA/kg reached Rs 46.5/kg. PAT stood at Rs 21 Cr, up 36% YoY but down 18% QoQ, beating our estimates.
- **Outlook:** Management targets 10% FY27 volume growth to 46,000-47,000 MT, driven by Paints, Food & FMCG, Q-Packs and Pharma, partly offsetting lubricant weakness. Pharma is on track to achieve Rs 50+ Cr revenue. Despite a shift towards higher-value thin-walled packaging, EBITDA/kg is expected to sustain at Rs 45–46, with FY27 EBITDA guided at Rs 250 Cr (>20% YoY growth) and operating cash flow targeted to double to Rs 215 Cr.

Welspun Living Ltd.

- **Financial Performance:** Welspun Living's Q2FY27 performance beat our estimates on all fronts. The company reported revenue of Rs 2,838 Cr, up 16% YoY and 2% QoQ, beating our estimates by 4%. EBITDA stood at Rs 338 Cr, up 120% YoY and 5% QoQ, beating our estimate of Rs 309 Cr. EBITDA margins stood at 11.9%, compared to 6.3% in Q2FY26 and 11.5% in Q1FY27. PAT came in at Rs 170 Cr, significantly up YoY and 4% QoQ, beating our estimates by 6%.
- **Outlook:** Welspun Living targets 14%–15% annual revenue growth over the next 3–4 years, driven by steady US demand and over 20% growth in the UK/Europe. Management aims to achieve 15%+ normalised EBITDA margins within two years while sustaining 14%–15% pre-tax ROCE. Annual capex of Rs 400–500 Cr will support automation, debottlenecking, and operational efficiency.

Midcaps: Q2FY27 Review

Financial Performance & Outlook

Elecon Engineering Ltd

- **Financial Performance:** Elecon's quarterly performance has exceeded our expectations on all fronts. Revenues stood at Rs 639 Cr, up 11% YoY and 23% QoQ, beating estimates by 6%. The company reported EBITDA of Rs 148 Cr, up 18% YoY and 36% QoQ, beating our estimate of Rs 128 Cr. EBITDA margins increased to 23.1% compared to 21.7% in Q2FY26 and 21.0% in Q1FY27. PAT came in at Rs 96 Cr, registering an increase of 10% YoY, beating our estimates.
- **Outlook:** The company projects consolidated revenue growth of around 15% (mid-double-digit) in H2FY27, driven by accelerating execution in the MHE division following recent customer site clearances. Management remains committed to defending profitability by maintaining a minimum consolidated EBITDA margin at FY26 levels (~22.1%), while guiding for 20% to 22% EBIT margins in the Gear division and 22% to 24% in MHE as operational scale expands. Supported by an all-time high open order book of Rs 1,635 Cr and an expected ~8% CAGR for the domestic heavy-duty gearbox industry through FY30, Elecon reaffirmed its Vision FY30 target of reaching Rs 5,000 Cr in consolidated revenue.

Pitti Engineering Ltd.

- **Financial Performance:** PEL reported Q2FY27 revenue of Rs 578 Cr, up 21% YoY and 9% QoQ, beating our estimates by 4%. EBITDA came in at Rs 89 Cr, up 14% YoY and 3% QoQ, in line with our expectations. EBITDA margin stood at 15.4%, a decrease of 89 bps YoY and 96 bps QoQ. PAT was Rs 34 Cr, down 15% YoY and up 15% QoQ, missing our estimate of Rs 44 Cr, mainly due to lower other income.
- **Outlook:** Management reiterated its upgraded FY27 lamination volume target of over 82,000 MT. Management expects a recovery in Q4 and remains focused on achieving a sustainable blended EBITDA margin of 17%+, supported by standalone machined components delivering margins of over 25%. Robust demand from data centres, railways, power generation and mining is expected to sustain growth momentum. The expanded manufacturing footprint is expected to unlock revenue potential of approximately Rs 3,800 Cr at full utilisation by FY31.

Va Tech Wabag Ltd.

- **Financial Performance:** Consolidated revenue rose 20% YoY and 13% QoQ to Rs 1,000 Cr, in line with our expectations. EBITDA came in at Rs 124 Cr, up 39% YoY and 56% QoQ, surpassing our estimate of Rs 119 Cr, with margins at 12.4% compared to 10.7% in Q2FY26 and 9.0% in Q1FY27. PAT stood at Rs 105 Cr, up 23% YoY and 16% QoQ, beating our estimates by 13%. Order intake was Rs 5,200 Cr during H1FY27, taking the order book to Rs 20,200 Cr (excluding framework contracts). Net cash position, excluding HAM projects, stood at Rs 1,144 Cr.
- **Outlook:** VA Tech Wabag offers strong 3–5 year growth visibility, backed by a record order backlog of Rs 20,207 Cr. Management targets 15–20% revenue CAGR and EBITDA margins of 13–15%, supported by technology-led project execution and contractual cost pass-throughs. Its asset-light model ensures efficient working capital management, with 101 NWC days and net cash of Rs 11,442 Mn (excluding HAM). Return metrics are targeted at RoCE >20% and RoE >15%, while O&M revenues are expected to scale to ~20% of turnover, backed by a Rs 6,500 Cr order backlog.

Midcaps: Q2FY27 Review

Financial Performance & Outlook

Gravita India Ltd.

- **Financial Performance:** The company reported consolidated revenue of Rs 1,427 Cr, up 38% YoY but down 3% QoQ, surpassing our estimate by 5%. Adjusted EBITDA came in line with our estimate, marking a 28% YoY growth but remaining flat QoQ. Adjusted EBITDA margin stood at 10%, below the estimated 10.5%, declining 75 bps YoY but increasing 25 bps QoQ. PAT stood at Rs 102 Cr, up 6% YoY but declined 4% QoQ, largely in line with our expectation.
- **Outlook:** Gravita remains committed to its Vision 2030 targets of 20–25% volume CAGR, 30–35% profitability growth and ~25% ROIC, driven by value-added products contributing 60%+ and non-lead businesses 50%+ of revenue. Global sourcing through its US subsidiary and domestic battery scrap procurement of 40–50% aim to mitigate supply-chain challenges. Copper capacity utilisation is expected to reach 65–70% over the next 2–3 quarters, with unit EBITDA targeted at Rs 65,000–70,000/MT in the near term and Rs 80,000–90,000/MT over 2–3 years. A Rs 1,680 Cr capex plan through FY29 will support capacity expansion from ~480,000 MTPA to 800,000+ MTPA.

Kirloskar Brothers Ltd.

- **Financial Performance:** KBL reported revenue of Rs 1,277 Cr for Q2FY27, up 24% YoY and 16% QoQ, beating our estimates by 9%. EBITDA stood at Rs 124 Cr, up 15% YoY and 7% QoQ, largely in line with our estimate. EBITDA margin came in at 9.7%, down 81 bps YoY and 74 bps QoQ. PAT stood at Rs 74 Cr, up 4% YoY and 11% QoQ, missing our estimate of Rs 81 Cr.
- **Outlook:** Management reiterated its FY27 standalone revenue growth target of double digits, supported by a consolidated order book of Rs 4,628 Cr and strong demand across domestic and international markets. Overseas margins are expected to improve in H2FY27, aided by UK utility service contracts, raw material price pass-throughs and execution of pending orders. Long-term growth opportunities include nuclear power, data centres, oil & gas, water infrastructure and the UK AMP-8 programme.

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Jubilant Ingrevia Ltd	BUY	Rs. 915*	• **Robust Operating Leverage and FY27 Guidance Tracking Towards the Upper End:** Jubilant Ingrevia delivered healthy Q2FY27 performance, with revenue rising 24% YoY to Rs 1,394 Cr and EBITDA increasing 57% YoY to Rs 212 Cr. EBITDA margin expanded to 15.2%, driven by the successful execution of the company's strategic 'Pinnacle' transformation and disciplined cost management. Supported by strong H1FY27 performance, with EBITDA increasing 44% YoY to Rs 431 Cr, management reaffirmed its FY27 EBITDA guidance of Rs 750-800 Cr, indicating that strong operational traction positions the company to achieve the upper end of the target. • **Specialty Chemicals and CDMO Funnel Accelerating Portfolio Enrichment:** The high-margin Specialty Chemicals business sustained healthy EBITDA margins of 25% on revenue of Rs 560 Cr, up 16% YoY, supported by firm pricing in Fine Chemicals and strong volume ramp-up across innovator CDMO projects. Excluding the single large CDMO order, Jubilant has a commercialised pipeline of over 25 confirmed molecules, with estimated peak annual revenue potential of Rs 1,500+ Cr. At least one-third of this potential is expected to contribute to the P&L in FY27. Alongside double-digit volume growth in Vitamin B3 across high-value Human Nutrition and Personal Care applications, the product mix continues to shift towards specialised, high-margin solutions with stronger customer stickiness. • **European Disruption and Strategic Semiconductor Expansion:** Chemical Intermediates profitability rebounded sharply, with EBITDA surging 226% YoY to Rs 64 Cr and margins reaching 11.4%, driven by firm realisations and market share gains in Acetic Anhydride. The closure of a major European competitor's plant in mid-Sep'26 presents a potential multi-year structural tailwind, with Jubilant targeting a doubling of its European market share from ~20%. The resulting financial benefits are expected to become more meaningful from FY28 onwards. Strategically, the acquisition of a 40% stake in ZettaOne Technologies (EDMS) for Rs 189 Cr establishes an integrated platform in electronics and semiconductors, expanding Jubilant's semiconductor chemical application pipeline by ~30% and complementing its planned annual capex deployment of 400–500 Cr.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Elecon Engineering Company Ltd	BUY	Rs. 610*	• **Robust Order Book and Strong Inflows Enhance Revenue Visibility:** Elecon's consolidated order book strengthened to Rs 1,635 Cr as of Sep'26, supported by healthy order inflows across both divisions. The Gear segment's order book increased to Rs 1,056 Cr, while MHE order backlog grew to Rs 579 Cr. Consolidated order inflows remained healthy, with Gear order intake at Rs 493 Cr and MHE order intake rising to Rs 253 Cr during Q2FY27. The improvement in order replenishment, particularly in MHE and overseas markets, provides better execution visibility for the coming quarters. We believe the strong order pipeline, coupled with the expectation of improved project execution in H2FY27, should support sustained revenue growth. • **Gear Division Drives Margin Expansion; MHE Execution Recovery Offers Upside:** The Gear division continued to anchor performance, with Q2FY27 revenue growing to Rs 488 Cr and EBIT increasing 27.2% YoY to Rs 108 Cr. Improved pricing discipline, normalisation of steel price volatility and a favourable execution environment supported profitability. Meanwhile, MHE revenue grew to Rs 151 Cr, while order intake rose to Rs 253 Cr, indicating healthy underlying demand despite execution-related variability. Management expects MHE execution and margins to improve in H2FY27, with EBIT margins guided at 22 24%. We believe sustained Gear profitability, alongside an expected recovery in MHE execution, should support consolidated earnings growth. • **Overseas Business Strengthens as Elecon Progresses Towards Its FY30 Ambition:** International operations continued to outperform, with overseas revenue rising to Rs 159 Cr and contributing approximately 25% of revenue during Q2. H1FY27 overseas revenue increased to Rs 309 Cr, while H1 overseas order inflows rose to Rs 420 Cr. Growing international order inflows and improving execution across overseas markets strengthen the company's diversification beyond domestic demand. Elecon is targeting revenue of Rs 5,000 Cr by FY30, with overseas markets contributing approximately 50%, supported by organic expansion and potential acquisitions or strategic tie-ups in the US and Europe. We believe increasing export contribution, coupled with a healthy balance sheet and ongoing capacity investments, provides a platform for medium-term growth.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
VA Tech Wabag Ltd	BUY	Rs. 2,430*	• **Record Order Book Provides Strong Revenue Visibility:** VA Tech Wabag's robust order backlog of Rs 20,207 Cr, equivalent to over 4x its annual revenue base, provides strong medium-term revenue visibility. Healthy order inflows of over Rs 5,200 Cr during H1FY27, coupled with a diversified project portfolio across domestic and international markets, underpin the company's targeted 15–20% revenue CAGR. • **Healthy Execution and Operating Leverage to Support Profitable Growth:** Strong project execution drove 20% YoY revenue growth and 23% YoY PAT growth in Q2FY27, reflecting operating leverage and improving profitability. Management's EBITDA margin guidance of 13 15%, alongside sustained execution momentum and increasing contribution from high-margin O&M operations, is expected to support earnings growth and maintain RoCE above 20%. • **Strong Balance Sheet and Strategic Focus on High-Growth Opportunities:** VA Tech Wabag continues to maintain a robust balance sheet, with net cash exceeding Rs 1,100 Cr excluding HAM assets and healthy operating cash generation. Strategic focus on desalination, industrial wastewater treatment, semiconductors, data centres, and other technology-led water solutions, along with the targeted increase in O&M contribution to 20% of revenue, is expected to strengthen its long-term growth prospects and earnings quality.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Navin Fluorine International Ltd	BUY	Rs. 9,650*	• **HPP – Strong Volume Growth and Favourable Pricing:** The HPP segment reported revenue growth of 49% YoY to Rs 604 Cr, driven by higher volumes, firm HFC pricing and steady HFO demand. The 15,000 MTPA R32 capacity expansion is on track to be commissioned shortly. Furthermore, the four-year extension of the Solstice HFO supply contract through Dec'32 provides incremental revenue potential of ~US$180 Mn, strengthening long-term revenue visibility. The Chemours liquid cooling project, involving Rs 120 Cr capex, is expected to commission in Q3FY27, with commercial delivery orders secured for Q4FY27. • **Specialty Chemicals – Sustained Growth and Improved Asset Utilisation:** The Specialty Chemicals segment recorded revenue growth of 58% YoY to Rs 348 Cr, supported by process optimisation, debottlenecking, and improved campaign efficiencies. NFIL has secured commercial campaign orders for five new molecules through the remainder of FY27 and into FY28, providing healthy near-term revenue visibility. Continued optimisation of existing multi-purpose plants and the Dahej MPP debottlenecking are expected to support throughput and operating leverage, while the Rs 90 Cr Advanced Materials capacity expansion, scheduled for completion in Q2FY28, provides an additional growth avenue. • **CDMO – Strong Commercial Momentum and Expanding Pipeline:** The CDMO business delivered robust revenue growth of 78% YoY to Rs 239 Cr, driven by commercial volumes, new qualification campaigns and deeper engagement with European innovator partners. The company remains on track to achieve its US$100 Mn CDMO revenue target in FY27, supported by a diversified pipeline across oncology, cardiovascular, neurology and animal health. The Rs 125 Cr cGMP4 Phase II expansion, expected to become operational by the end of Q4FY27, is expected to provide dedicated capacity for the Fermion relationship.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Mold-Tek Packaging Ltd	BUY	Rs. 450*	• **Strong Earnings Growth Driven by Premiumisation:** The company reported a healthy Q2FY27 performance, with revenue growing 31% YoY to Rs 274 Cr, EBITDA increasing 29% to Rs 51 Cr and PAT rising 36% to Rs 21 Cr. EBITDA/kg improved 18% YoY to Rs 46.5, reflecting a favourable shift towards lightweight, higher-value packaging. Despite moderate volume growth of 10%, improved product mix supported strong profitability. • **Pharma and Food & FMCG Emerging as Key Growth Drivers:** Pharma packaging volumes grew 26% YoY, while Food & FMCG volumes surged 24%, supported by new product launches, increasing IML adoption and Panipat facility ramp-up. Q-Packs also delivered 16% volume growth, while Paints witnessed steady volume growth of 9%. The company is further expanding its pharma portfolio through new MNC packaging lines and specialised healthcare applications, supporting a gradual improvement in business mix. • **Margin Resilience Despite Raw Material Volatility:** Despite sharp PP resin price increases and supply disruptions amid geopolitical uncertainties, the company maintained EBITDA margins at 18.7% through contractual raw material cost pass-through mechanisms. Increasing IML penetration (77% of volumes) and a higher share of lightweight, value-added packaging are expected to support realisations and sustain EBITDA/kg at Rs 45–46 in FY27. • **Strong Growth Visibility from New Product Pipeline and Cash Generation:** Management retains its FY27 EBITDA guidance of Rs 250 Cr, with volume growth of ~10% and an operating cash flow target of Rs 215 Cr. New specialty closures and spouts, expected to contribute Rs 50–60 Cr in revenue at ~30% EBITDA margins over two years, along with pharma and semiconductor packaging opportunities, provide additional medium-term growth visibility. Moderating capex of Rs 75–80 Cr in FY27 should also support improving free cash flow and balance sheet strength.

Note: Target Price is based on our Q2FY27 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Aarti Industries Ltd	BUY	Rs. 665*	• **MMA Portfolio Sustains Strong Momentum on Capacity Expansion and Robust Global Demand:** Fuel additives delivered strong performance in Q2FY27, supported by elevated global refining margins, healthy gasoline-naphtha cracks, and expanded MMA capacity from 290 KTPA to 360 KTPA. With capacity operating near full utilisation and sustained demand for octane boosters, the segment remains a key growth driver. Over the medium term, AIL expects the Energy & Additives revenue contribution to normalise to 30–40% as non-energy businesses scale up. • **Non-Energy Business Benefits from China Supply Rationalisation and Improving Product Spreads:** Non-Energy businesses witnessed a strong recovery in Q2FY27, supported by robust volume growth, market share gains, and improving global supply dynamics. China's capacity rationalisation and withdrawal of export VAT rebates on key NCB products are supporting pricing discipline and spread improvement across the pharmaceutical, agrochemical, and dyes value chains. While fluoro-compounds and PDA chains remain relatively subdued, improving DCB demand and customer qualifications are expected to support further recovery. • **Zone 4 Commercialisation and Strategic Partnerships Strengthen Medium-Term Growth Visibility:** Phase 1 of Zone 4 was commissioned in Sep'26, with the remaining four chemistry blocks scheduled for commissioning during FY27. AIL plans to launch 5–10 products in FY27, scaling to 20–25 products by FY28, with an estimated Rs 250–350 Cr bottom-line contribution over the initial 18 months. Additionally, the long-term strategic agreement with a global specialty chemical major, offering ~Rs 1,500 Cr cumulative revenue potential, reinforces growth visibility. Management reaffirmed its FY28 EBITDA target of Rs 1,800–2,200 Cr, supported by operating leverage and capacity ramp-up.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

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Chemicals and Midcaps Coverage Universe

Company Name	Current Reco	Target Price	Sales (Rs Cr)			EBDITA (Rs Cr)			PAT (Rs Cr)			EPS (Rs)			ROE			RoCE			PE		
			FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Chemicals																							
Aarti Industries Ltd	BUY	665	12,228	14,184	16,170	1,675	2,113	2,490	749	1,012	1,231	21	28	34	11%	13%	14%	11%	13%	15%	21	15	13
Apcotex Industries Ltd	BUY	650	1,726	2,258	2,495	273	361	417	181	253	291	35	49	56	25%	29%	28%	20%	23%	22%	14	10	9
Archean Chemical Industries Ltd	HOLD	480	1,512	1,993	2,200	313	503	597	147	348	418	12	28	34	7%	16%	17%	11%	20%	22%	37	16	13
Camlin Fine Sciences Ltd	BUY	145	2,085	2,365	2,614	67	239	342	-55	99	166	-3	5	9	-6%	10%	14%	0%	13%	22%	-32	18	11
Dhanuka Agritech Ltd	BUY	1,550	2,163	2,551	2,951	413	510	620	292	359	424	66	81	95	17%	18%	18%	22%	23%	26%	15	12	10
Navin Fluorine International Ltd	BUY	9,650	4,714	5,862	6,686	1,549	1,938	2,237	1,060	1,360	1,598	207	266	312	21%	22%	21%	22%	24%	23%	42	33	28
NOCIL Ltd	BUY	175	1,618	1,708	1,825	162	188	215	125	154	176	7	9	11	7%	8%	8%	5%	6%	6%	18	15	13
P I Industries Ltd	BUY	2,750	6,647	7,843	9,019	1,283	1,859	2,264	838	1,314	1,639	55	87	108	7%	11%	12%	10%	14%	16%	32	20	16
Jubilant Ingrevia Ltd	BUY	915	5,435	6,300	7,204	798	926	1,066	400	473	551	25	30	35	12%	13%	13%	15%	16%	17%	25	21	18
Midcaps																							
Gravita India Ltd	BUY	2,270	5,579	6,823	9,357	589	753	1,038	478	602	822	65	82	111	18%	19%	22%	21%	21%	24%	21	16	12
Kirloskar Brothers Ltd	BUY	2,100	5,217	6,784	7,513	647	909	1,097	387	587	713	49	75	90	15%	19%	20%	21%	27%	28%	32	21	17
Mold-Tek Packaging Ltd	BUY	450	1,101	1,330	1,506	210	266	305	100	140	168	15	22	26	13%	16%	16%	16%	20%	20%	19	13	11
Pitti Engineering Ltd	BUY	1,230	2,329	2,624	2,794	364	429	468	151	205	230	40	54	61	14%	17%	16%	19%	21%	21%	22	17	15
Praj Industries Ltd	HOLD	260	3,488	3,927	4,395	246	353	419	123	198	254	7	11	14	9%	13%	14%	14%	19%	20%	36	22	17
VA Tech Wabag Ltd.	BUY	2,430	5,043	5,517	6,329	693	766	936	545	632	777	88	102	125	19%	19%	19%	23%	23%	24%	23	20	16
Welspun Living Ltd	BUY	240	11,312	13,132	15,111	1,379	1,808	2,332	725	1,151	1,625	8	12	17	14%	19%	22%	14%	20%	26%	29	18	13
Elecon Engineering Company Ltd	BUY	610	2,580	3,213	3,662	579	803	949	391	565	676	17	25	30	16%	20%	20%	20%	24%	26%	24	17	14

*Note: Based On Q2FY27 Result Updates

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Top Conviction Ideas: FMCG

Suhanee Shome
Urmi Shah

FMCG Sector: Q2FY27 Review

✓ Revenue Growth Remains Healthy; Input Cost Inflation Weighs on Margins

- **Growth stays strong, margins diverge:** The FMCG sector delivered healthy revenue growth in Q2FY27, supported by improving consumption, sustained volume growth and broad-based category performance. Premiumisation, product innovation and distribution expansion further supported topline growth. However, elevated input costs, particularly crude derivatives, palm oil, coffee and packaging, amid West Asia supply disruptions, coupled with higher advertising spends, weighed on margins. Companies relied on calibrated price hikes, cost efficiencies and operational savings to mitigate cost pressures.
- **Demand trends:** Rural markets continued to outperform urban markets, indicating a gradual improvement in consumption demand. The GST rate rationalisation also provided a positive demand impetus, particularly across mass-market and discretionary categories. However, the benefit is expected to play out gradually as companies recalibrate pricing and distribution strategies. Meanwhile, consumers continued to move towards premium and value-added products, supporting realisations and category growth. In distribution expansion, E-commerce, quick commerce and modern trade remained important growth drivers, alongside a recovery in general trade.
- **Margins remain mixed:** Despite healthy topline growth, profitability remained uneven as higher crude derivatives, palm oil, packaging and fuel costs weighed on margins. HUL, Colgate, Jyothy Labs and VBL reported margin contraction amid input cost inflation and higher spending. Companies with stronger pricing power, favourable product mix and cost efficiencies were better positioned to protect margins. Near-term margin recovery is likely to remain gradual, depending on commodity prices and the benefit of recent price hikes.
- **Outlook: Volume recovery to drive growth; margins remain key monitorable:** We remain positive on the FMCG sector's medium-to-long-term outlook, supported by rural recovery, GST-led affordability, premiumisation and distribution expansion. Improving volume growth signals a gradual recovery in underlying demand. However, near-term margins may remain volatile due to elevated input costs and higher brand investments. We expect volume growth to drive earnings, while companies with strong pricing power, premium portfolios and cost efficiencies are better positioned to protect margins.

FMCG Sector: Outlook

✓ How Have Companies Performed in Q2FY27?

- **FMCG companies delivered Healthy Topline Numbers in Q2FY27,** supported by improving consumption trends, sustained volume growth, rural recovery and premiumisation. Growth remained broad-based, although profitability varied across companies amid elevated input costs and higher brand investments. Among key players, HUL reported 15% underlying sales growth with 7% volume growth, while Dabur delivered 11.6% revenue growth and 5.5% India FMCG volume growth. Nestlé reported strong 20.5% revenue growth, supported by double-digit volume expansion, while Britannia grew ~17% with ~13% volume growth, and Colgate sustained double-digit growth of 12.2%. On the profitability front, Nestlé reported strong margin expansion of 190bps each, whereas HUL witnessed a 114bps contraction. Dabur, Colgate and Britannia faced margin moderation amid input cost inflation. Overall, volume recovery remained encouraging, but rising commodity costs and higher advertising spends continued to drive divergence in earnings performance. Furthermore, the paints industry witnessed healthy topline growth in Q2FY27, supported by improved demand, price hikes and industrial coatings performance. Asian Paints reported ~17% revenue growth, with domestic decorative volume growth of 6.4%. However, profitability remained under pressure due to sharp inflation in crude-linked raw materials and supply chain disruptions.

- **Margin performance remained uneven**, as elevated commodity costs and higher advertising spends weighed on profitability. HUL, Dabur, Colgate, Britannia and Asian Paints reported margin contraction, while Nestlé delivered a 190bps expansion, supported by cost efficiencies and favourable product mix. Overall, companies with stronger pricing power and better cost controls were better positioned to protect margins, while sector-wide margin recovery is likely to remain gradual.

FMCG Sector: Outlook

✓ What Makes the FMCG Sector a Good Bet?

- **Structural growth trajectory:** The Indian FMCG sector offers a strong long-term growth opportunity, with several categories such as shampoos, hair care and premium detergents still underpenetrated, particularly in rural markets. Rising disposable incomes, deeper distribution and improving rural penetration are expected to support sustained consumption growth. Off late, GST rate rationalisation is also likely to improve affordability and boost demand.

- **Premiumisation driving growth:** Rising purchasing power and evolving consumer preferences are driving a gradual shift towards premium and branded products. This trend, along with product innovation and increasing aspirations, is expected to support higher realisations and long-term revenue growth.

- **Best-in-class return ratios (ROCE, ROE):** FMCG companies typically enjoy healthy ROCE, ROE and strong cash flows, supported by established brands, asset-light business models and pricing power. Their ability to generate consistent returns and distribute dividends provides relative earnings resilience amid market volatility, although valuations remain important.

- **Defensive consumption theme:** Essential product demand provides relative stability during economic uncertainty. While potential interest rate hikes could moderate discretionary spending and increase borrowing costs, staples demand is relatively resilient, supporting the sector's defensive characteristics.

Short & Medium-term Outlook

Short term

Healthy volume growth:
Demand conditions remain stable with an improvement in consumer sentiment.

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

Domestic consumption play:
Better returns in this volatile environment.

Demand likely to pick up:
Increase in government spending 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
Varun Beverages Ltd	BUY	Rs 515*	✓ **Strong Volume-led Growth:** Consolidated revenue grew by 33.2% in Q3CY26, supported by robust volume growth. Consolidated volumes increased 28.7% YoY to 354.4 Mn cases in Q3CY26, driven by growth across markets (22.5% in India and 39.9% in international markets as demand continued its momentum gained since May). Consolidated realisations per case increased 2.2%, supported by a 0.5% increase in India on account of growth in higher-value categories such as dairy beverages. ✓ **Margins:** Remained under pressure due to elevated raw material costs; however, management aims to mitigate the impact through trade spend rationalisation and price-pack interventions. The extended long-term partnership with PepsiCo further strengthens growth visibility. ✓ **Outlook:** VBL is well-positioned to sustain growth, supported by its expanded PepsiCo partnership, deeper distribution and rural penetration, international expansion through Twizza and diversification into snacks and alcoholic beverages. Capacity expansion and growing presence across Africa further strengthen its medium-term growth visibility.

*Note: The Target price is based on our Q2FY27 Result Update Report. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Top Conviction Ideas

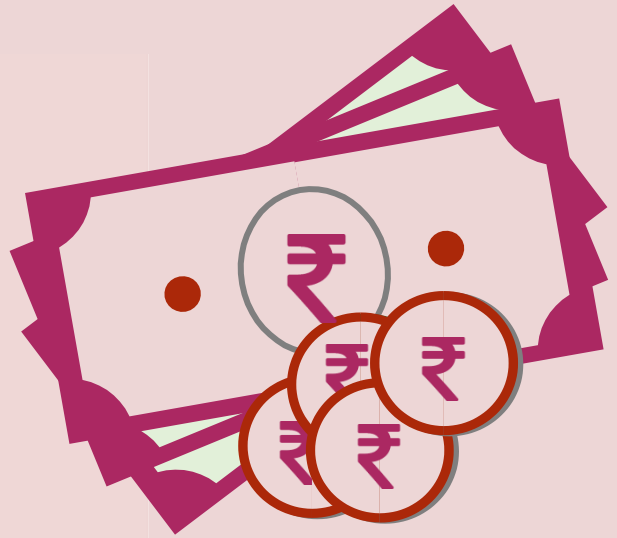
Stock	Reco.	TP*	Recommendation Rationale
Hindustan Unilever Ltd	BUY	Rs 2,120*	✓ **Volume-led Double-digit Growth:** HUL reported 15.2% YoY revenue growth in Q2FY27, driven by 7% volume growth and 8% pricing, its strongest growth in 14 quarters. Growth was broad-based across segments, with Home Care and Beauty & Wellbeing delivering strong double-digit growth, supported by robust volume expansion. ✓ **Margins:** HUL's margins continued to face pressure from input cost inflation. The company is adopting calibrated price increases to mitigate cost pressures while protecting volume growth and market share. Further margin recovery will depend on cost-saving initiatives, operational efficiencies and improved A&P productivity. ✓ **Outlook:** HUL's scale, premiumisation strategy and focus on higher-margin categories position it well to benefit from consumption recovery and emerging growth opportunities. While near-term margins remain exposed to input cost inflation, calibrated pricing and cost pass-throughs have helped limit the impact. Management remains confident of stronger FY27 growth, supported by volume recovery and improving rural demand. Following the sharp stock price correction, the risk-reward has turned favourable, despite near-term margin concerns.

*Note: The Target price is based on our Q2FY27 Result Update Report. 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: Q2FY27 Review

Demand Remains Resilient

✓ *Financial Performance*

- **Demand Recovery Broadens:** The Indian retail sector reported healthy revenue growth in Q2FY27, supported by improving demand, premiumisation and store expansion. However, profitability remained mixed due to higher employee costs, operating expenses and product mix. The quarter also witnessed a shift in the festive calendar, with a significant part of the festive demand moving from Q2 to Q3FY27. This impacted reported same-store sales growth (SSSG) for several retailers, particularly those exposed to discretionary consumption. Adjusting for the festive shift, underlying demand remained encouraging. QSR demand improved sequentially, while footwear witnessed a gradual recovery, supported by premiumisation at Bata and improved realisations at Relaxo. Going ahead, volume recovery, store productivity and premium demand will remain key growth drivers.
- **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.
- **Outlook:** We remain positive on the long-term outlook for organised retail, supported by premiumisation, rising disposable incomes and the shift towards organised formats. The festive season moving into Q3FY27 is expected to support near-term demand. Companies with strong brands, healthy store productivity and disciplined expansion are better positioned to drive sustainable growth. However, rising operating costs, online competition and execution risks remain key monitorables.

Retail Sector: Q2FY27 Review

How Have Companies Performed In Q2FY27?

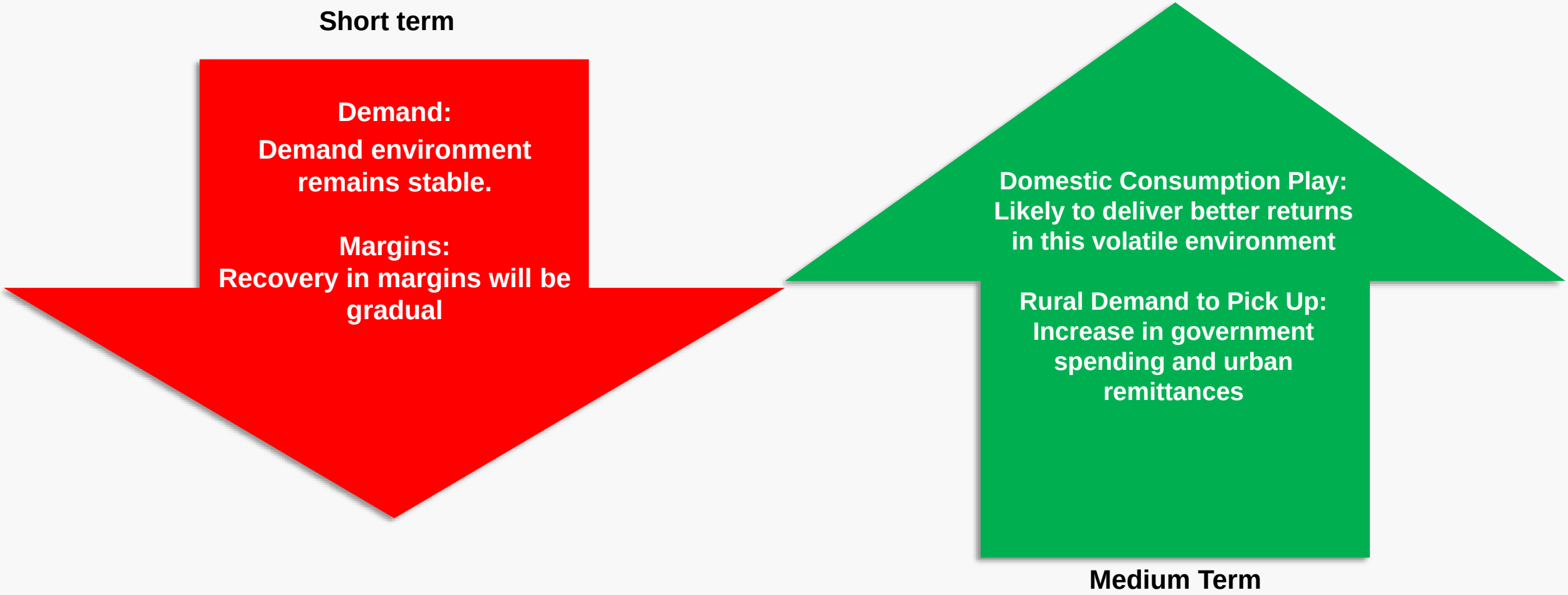
- **Organised retail continued to report healthy revenue growth in Q2FY27,** supported by store expansion, improving consumer demand, premiumisation and better store productivity. Value fashion and established retail formats remained relatively resilient, with V-Mart reporting 18% YoY revenue growth, while festive-adjusted SSSG of 11% indicated healthy underlying demand. Trent continued to outperform with 23% revenue and 30% EBITDA growth. DMart also delivered healthy revenue growth. However, profitability remained mixed, as rising employee costs, rentals and operating expenses impacted margins across select retailers. Companies with higher sales density and better operating leverage were relatively better positioned to sustain profitability. Luxury retail continued to outperform, with Ethos reporting 30.1% revenue growth, driven by strong volume growth and premium watch demand. Footwear witnessed a gradual recovery, although margin improvement remained limited.
- **Demand recovery remains gradual but encouraging,** with premiumisation and improving discretionary spending supporting organised retail. The shift in the festive calendar from Q2 to Q3FY27 impacted reported SSSG for several retailers, while underlying demand remained relatively healthy. Retailers continue to focus on disciplined store expansion, cost efficiencies and inventory management. Overall, management commentary remains constructive, although consumer spending is expected to recover gradually and margin performance is likely to remain mixed across the sector.
- **QSR players** also witnessed an improvement in demand momentum, supported by better same-store sales growth and recovery in customer footfalls, although profitability continued to be influenced by food and operating costs.

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—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.

Short and Medium-term Outlook



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 820*	✓ **Resilient Performance:** V-Mart reported 18% YoY revenue growth in Q2FY27, driven by 3% SSSG and 5% SSVG, while festive-adjusted like-for-like growth stood at 11%, indicating healthy demand. ASP declined 2%, while apparel ASP remained flat. Unlimited continued its strong momentum, with revenue and EBITDA growing 25% and 38%, respectively. Lime Road also reported 55% NMV growth, with losses narrowing 32%. Footfalls and average bill value increased 36% and 15%, respectively, reflecting healthy customer traction. ✓ **Expansion Strategy:** The company added 22 net stores in Q2FY27, taking its total store count to 613, with over 100 additions targeted for FY27. The focus remains on improving store productivity and maintaining rent discipline. H1FY27 capex increased to Rs 85 Cr from Rs 60 Cr last year, primarily towards store expansion, refurbishments and technology investments. ✓ **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 Q2FY27 Result Update Report. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
Trent Ltd	BUY	Rs 3,220*	✓ **Strong Performance:** Trent reported 22.5% YoY revenue growth in Q2FY27, supported by resilient demand and premiumisation. Emerging categories contributed over 21% to revenue, while the fashion portfolio recorded mid-single-digit like-for-like growth. EBITDA margin expanded 99bps to 18.2%, driven by improved gross margins, efficient sourcing and disciplined inventory management. ✓ **Store Expansion**: Trent added 17 Zudio and 10 Westside stores in Q2FY27, taking its network to 999 Zudio, 311 Westside and 32 other lifestyle stores. Expansion remains focused on strengthening existing markets and entering Tier II/III cities, supported by healthy consumer demand. ✓ **Outlook:** Trent's long-term growth outlook remains strong, supported by rapid store expansion, premiumisation and continued market share gains in organised retail. Improving margins, strong private-label offerings and new growth avenues such as UAE expansion, Zudio Beauty and LGD jewellery are expected to drive sustainable growth. The recent stock correction offers an attractive entry point for long-term investors.

*Note: The Target price is based on our Q2FY27 Result Update Report. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

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Top Conviction Ideas: Automobile Industry

Sanchit Karekar
Research Analyst

Auto Sector: Q2FY27 Review

Q2FY27 Auto OEM Review – Strong Growth Across 2W, PV and CV Segments

✓ Financial Performance

- **Strong Q2FY27 Performance Across Auto OEMs:** Revenue/EBITDA of Auto OEMs under our coverage grew by 29.4%/19.1% YoY, respectively, above our expectations of ~28.1%/16.2%. Revenue growth was largely driven by healthy volume growth across 2Ws, PVs and CVs, supported by improving demand and continued premiumisation, while the tractor segment remained subdued due to a decline in industry volumes. Revenue/EBITDA increased by 11.1%/15.5% QoQ, respectively, exceeding our estimates of 10.1%/12.6%. EBITDA margins improved both YoY and QoQ, supported by operating leverage, calibrated price hikes, cost-control initiatives and a favourable product mix, despite elevated raw material costs and supply chain disruptions. PAT grew by 7.1% YoY, below our estimate of 12%, but declined by 3.1% QoQ against our expectation of 1.3% growth, primarily due to higher depreciation following the commissioning of new plants and lower other income.
- **Margin Trends Across OEMs:** Escorts Kubota, Hero MotoCorp, Maruti Suzuki, Ashok Leyland, and Eicher Motors witnessed margin pressure of 401 bps, 164 bps, 160 bps, 158 bps, and 157 bps YoY, respectively. However, margins improved for Bajaj Auto and TVS Motor, increasing by 40 bps and 30 bps YoY, respectively.

Q2FY27 Auto Ancillaries Review – Strong Performance

✓ Financial Performance

- **Strong Q2FY27 Growth Beating our Expectations:** The companies under our coverage reported 34.9% YoY growth in revenue and 31.4% growth in EBITDA, exceeding our estimates of ~24.2% and 22.2%, respectively. The strong performance was driven by healthy volume growth across 2Ws, PVs and CVs, supported by continued premiumisation and a favourable product mix. On a sequential basis, revenue and EBITDA grew by 15.2% and 15.7%, respectively, ahead of our estimates of 6.1% and 7.6%, indicating a marginal improvement in EBITDA margins. EBITDA growth was supported by improved operating leverage, calibrated price hikes and cost pass-through, which partly offset the impact of elevated commodity costs and supply-chain disruptions. PAT grew by 39.5% YoY and 15.9% QoQ, significantly exceeding our estimates of 23.49% and 13.6%, respectively
- **Mixed EBITDA Performance Across Auto Ancillaries:** Sansera Engineering, Automotive Axles, SSWL, and Minda Corp delivered strong YoY EBITDA growth. Meanwhile, EBITDA margins for Endurance Technologies, CIE Automotive, Pricol and Uno Minda declined by 163 bps, 79 bps, 47 bps and 44 bps YoY, respectively, due to higher raw material and commodity costs.

Auto Sector: Outlook (Q2FY27 Vs Q2FY26)

Two-Wheelers (2W)

- **Exports:** Up ~28% - Export demand remained strong, marking the highest-ever Q2 exports, driven by healthy demand across key international markets.
- **Domestic:** Up ~15% – Growth was supported by GST-led affordability, improving rural demand and strong scooter volumes.
- **Outlook**: **Positive**



Commercial Vehicles (CV)

- **Exports:** Up 29% - Export growth was driven by a low base and improving demand across key international markets.
- **Domestic:** Up 73% - Strong growth was supported by infrastructure spending, improving freight activity, fleet replacement demand and GST-led affordability.
- **Outlook: Cautiously Positive**



Passenger Vehicles (PV)

- **Exports:** down ~5% - Export volumes declined due to a higher base and logistical challenges in key international markets.
- **Domestic:** Up ~31% - Strong growth was driven by GST-led affordability, improving consumer sentiment and robust SUV demand, with utility vehicles accounting for 68% of PV sales.
- **Outlook**: **Slightly Positive**



Tractors

- **Exports:** down 3% - Export growth remained healthy, supported by demand in select international markets, despite continued weakness in the US and Europe.
- **Domestic:** Up 16% - Domestic volumes declined due to a high base, partly offset by GST-led affordability, favourable monsoon conditions and improving rural sentiment.
- **Outlook: Neutral**
- FY27 is expected to remain flat or decline by low single digits, owing to the higher base in the previous year



Outlook – Strong Domestic Demand & Exports to Support Growth

- We expect **EBITDA margins** across Auto OEMs and Ancillaries to remain largely stable, with a marginal improvement in H2FY27, supported by operating leverage, price hikes and cost-control initiatives. However, elevated steel, aluminium, copper and other input costs, along with higher freight and energy expenses, could limit margin expansion. For auto ancillaries, established raw material pass-through mechanisms, favourable product mix, premiumisation and operational efficiencies are expected to support margin resilience.
- We expect **2W sales volumes to sustain mid-single-digit growth in FY27E**, supported by improving rural sentiment, premiumisation, new product launches, increasing EV penetration and recovery in exports. Healthy demand in the premium motorcycle segment (>350cc), rising adoption of electric 2Ws and a gradual improvement in entry-level demand are likely to support overall industry growth, while a higher base in H2FY27 could moderate growth momentum.
- Overall **PV sales growth is expected to remain in the mid-to-high single digits in FY27E**, following strong H1FY27 growth, largely led by the UV segment. GST-led affordability, improving entry-level demand, healthy festive offtake and continued traction in SUVs are expected to support volumes. New model launches and a gradual recovery in small-car demand could further broaden growth; however, a higher base, elevated commodity costs and moderation in PV exports remain key monitorables.
- **CV volumes are expected to grow in high-single digits in FY27E,** supported by infrastructure spending, healthy freight movement, fleet replacement, logistics expansion and improving demand for buses and LCVs. MHCV demand is likely to remain supported by replacement demand and higher vehicle utilisation. In contrast, **tractor volumes are expected to remain flat to witness low-single-digit growth in FY27E**, following the strong FY26 base, although favourable reservoir levels, healthy crop prospects, rural cash flows and government support for agriculture could provide some support.
- We remain constructive on the auto sector's structural growth outlook for FY27, supported by GST-led affordability, improving domestic consumption, rural recovery, premiumisation, EV penetration, export opportunities and infrastructure-led demand. While H1FY27 witnessed strong volume growth across segments, growth is likely to moderate in H2FY27 due to a higher base. Further, elevated commodity prices, geopolitical uncertainties, currency volatility and supply-chain disruptions remain key risks to volume growth and profitability.
- **Auto Sector:** We remain selective in our approach. Among OEMs under our coverage, our Top Conviction Ideas in 2Ws are **Eicher Motors and TVS Motor** Company; in PVs, it is **Maruti Suzuki India Ltd**., while 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 a “Buy on Dips” strategy for **TVS Motor and Maruti Suzuki Ltd.**
- **Auto Ancillaries:** In the long run, product premiumisation, strong order books, growing exports and the shift towards EVs are expected to drive higher content per vehicle and improve profitability. Considering current valuations, our Top Conviction Ideas in the ancillary space are **Sansera Engineering 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

Premiumisation and favourable product mix to support ASPs and margins

Strong exports and improving global demand to drive growth

Rising EV adoption to create opportunities across segments

New launches and capacity expansion to support long-term growth

Rising commodity prices, energy and freight costs may pressure margins

Semiconductor shortages and rare earth constraints may disrupt supply chains

Demand moderation and SUV competition may constrain volume growth and pricing power

EV transition, technology investments and emission norms may increase capex requirements

Long-Term

Key monitorable –*Sustained Domestic Demand, Export Growth & EV Adoption*

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
Eicher Motors Ltd	BUY	Rs 8,705*	• **Strong Demand & Capacity Expansion:** Royal Enfield reported its highest-ever quarterly sales of 3,76,722 motorcycles in Q2FY27, up 15% YoY, with domestic volumes growing 16% to 3,40,847 units. Enquiries and bookings increased 20-21% YTD, while select models had waiting periods of up to two months. Despite a nearly 15% increase in monthly production, dealer inventory remained low at 7-8 days, indicating supply-constrained growth. The company has increased annual capacity from 1.5 Mn to 1.65 Mn units with the first Cheyyar module and is targeting 1.8 Mn by Q4FY27 (Jan'27) and 2 Mn by Q2FY28. Further, the proposed Rs 1,225 Cr Phase-I investment in Andhra Pradesh will add 0.45 Mn units by FY30, taking total capacity to 2.45 Mn units and strengthening long-term growth visibility. • **Premium Portfolio & Market Leadership:** Royal Enfield continues to benefit from premiumisation, commanding 80-82% market share in India's middleweight motorcycle segment, which has expanded from 60,000 monthly units seven-eight years ago to ~1.3 Lc currently. Its diversified portfolio of nearly 17 motorcycles across 350cc, 440cc, 450cc and 650cc segments strengthens its competitive positioning. The newly launched Himalayan 440 received strong traction, with bookings reaching six months of production capacity and temporarily closing within 18 days of launch. Priced at ~Rs 2.29 Lc, it is Rs 45,000-50,000 below the Himalayan 450, expanding the adventure motorcycle market. • **Global Expansion & EV Growth Opportunities:** Royal Enfield's international sales reached 35,875 motorcycles in Q2FY27 despite geopolitical uncertainties. Brazil remains a key market, supported by new launches and expanding CKD operations, while the company has reached No. 4 position in Colombia's mid-size segment, gained traction in Mexico and witnessed early recovery in the US. It is also exploring Indonesia and Africa, while its European Riders Club has secured ~45,000 registrations. In EVs, Flying Flea is following a calibrated city-wise expansion, with C6 launched in Bengaluru, Hyderabad and Pune, alongside Paris, Barcelona, Rome, Berlin and London. Customers have cumulatively covered over 1.25 Lc kilometres, indicating encouraging initial acceptance. The upcoming S6 Scrambler will further expand the portfolio, while investments in retail and service infrastructure support long-term growth in premium electric motorcycles.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
TVS Motor Company Ltd	BUY	Rs 4,700*	• **Strong Domestic Demand and EV Capacity Expansion:** TVS Motor reported strong demand, with Q2FY27 volumes growing 27% YoY to 1.9 Mn units and revenue increasing 44% to Rs 17,103 Cr. Domestic ICE 2W volumes grew 16% against industry growth of 10%, while domestic EV 2W sales surged 129% against industry growth of 84%. Domestic 3W ICE and EV volumes increased 65% to ~26,300 units, with EV penetration reaching 48% in Sep'26. The iQube crossed 1 Mn cumulative sales, while EV capacity is expected to increase from 60,000–65,000 to 80,000 units per month. TVS is also expanding annual 2W capacity beyond 8 Mn units and 3W capacity to ~0.4 Mn units, supporting sustained growth. • **Export Growth and Norton-Led Premiumisation:** International business delivered record sales of 5.4 Lc units, up 35% YoY, with ICE 2W sales growing 33% against industry growth of 27%. International EV volumes increased to 6,930 units from 1,726 units in Q2FY26, supported by expansion across Nepal, Sri Lanka, Kenya, Egypt and Indonesia, along with the commencement of EV 3W exports. TVS is strengthening its premium positioning through Norton, backed by investments of ~Rs 2,500 Cr over the past 4–5 years. The Manx R and Atlas models have been rolled out in Europe, with dealer expansion across the UK, Italy and France, followed by Germany, Spain, India and the US. Additional variants and products are under development to drive premiumisation and global growth. • **Cost Efficiencies and Finance Demerger:** Management expects material cost pressures to moderate in Q3FY27 and stabilise or soften in Q4FY27, following a 1.9% sequential increase in material costs against price hikes of 1.6% in Q2. Further price increases, favourable product mix, cost efficiencies and operating leverage are expected to support margins. The Board approved the demerger of the consumer-finance undertaking, including the investment in TVS Credit Services, into a separately listed entity, with existing shareholders receiving an equal number of shares. TVS Credit reported a loan book of Rs 33,818 Cr (+22% YoY), quarterly PBT of Rs 330 Cr (+19%), ~2.7 Cr customers and over 65,000 touchpoints. The proposed appointment date is Jul'27, with completion expected in 8–10 months, subject to regulatory, shareholder and NCLT approvals.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Auto

Stock`	Reco.	TP	Recommendation Rationale
Maruti Suzuki India Ltd	BUY	Rs 13,375*	• **Strong Demand, Market Share Gains & Capacity-Led Growth:** Maruti Suzuki's domestic wholesale volumes grew 37.8% YoY to 5.65 Lc units in Q2FY27, outperforming industry growth of 29.9%. The 18% and 40% GST-category portfolios grew 35.9% and 39.6% YoY, respectively, taking domestic market share up 220bps to 40.8%. Retail sales stood at 5.37 Lc units, with network inventory at 17 days and pending orders rising from ~2 Lc to ~2.7 Lc units by Dussehra. The company added 5 Lc units of annual capacity at Kharkhoda and Hansalpur during H1FY27. The new Brezza, refreshed Baleno and expanded AGS offerings further strengthen its portfolio. Management expects at least 10% domestic sales growth in H2FY27, supporting potential mid-teens full-year growth, while GST-led affordability improvements could raise medium-term industry growth. • **Export Leadership & Multi-Powertrain Strategy:** Maruti contributed over 51% of India's PV exports in H1FY27, with Q2 exports at 1.08 Lc units, down ~2% YoY due to logistical disruptions and the e-Vitara changeover in Europe. Management expects FY27 exports to remain at least at last year's level. The Fronx crossed 2 Lc cumulative exports in under 38 months, while exports of the Jimny five-door, Fronx and e-Vitara to Japan exceeded 1 Lc units. Its presence across ~120 countries and petrol, CNG, strong-hybrid, EV and flex-fuel offerings support export competitiveness and CAFE compliance. Management indicated CO_2 emissions are 15–25% below comparable competing models, with another EV launch planned for the Bharat Mobility Global Expo next year. • **Sequential Margin Recovery; Commodity Costs Remain Key Monitorable:** EBITDA margin improved to 8.9% in Q2FY27 from 8.2% in Q1FY27, supported by pricing (+80bps), cost reductions (+20bps), fixed-cost absorption (+60bps) and lower employee costs (+30bps). These benefits were partly offset by commodities (-30bps), forex (-40bps) and other expenses (-50bps); depreciation increased by 30bps. EBIT declined YoY to ~Rs 2,804 Cr from ~Rs 3,395 Cr, while net profit fell to ~Rs 2,415 Cr, also impacted by mark-to-market losses on investments. Management highlighted steel and copper risks; three price increases aggregating to slightly over 1% and cost-control initiatives should support recovery, although margins remain dependent on commodity prices, forex and further pricing actions.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
Sansera Engineering Ltd	BUY	Rs 4,880*	• **ADS Growth & Order Visibility Strengthen Long-Term Outlook:** Sansera's ADS business continues to witness strong traction, supported by rising demand across aerospace, semiconductors and defence. The 5-year executable ADS order backlog increased to Rs 5,870 Cr from Rs 4,440 Cr in Q1FY27, providing strong revenue visibility. The company added new aerospace customers, secured complex semiconductor components and expects to add its second semiconductor customer in Q3FY27. Capacity expansion, including a new 1.2 Lc sq. ft. facility and a dedicated defence unit, will support the next phase of growth. Management expects ADS to contribute 35-40% of overall revenue towards the end of the decade, highlighting its strong long-term growth potential. • **Diversification & Premiumisation Drive Improving Business Mix:** Sansera reported strong growth across its diversified portfolio, with Auto ICE contributing around 65% of revenue, while non-automotive businesses contributed 20.9% in Q2FY27. Auto Tech-Agnostic and xEV business recorded its highest-ever quarterly revenue of Rs 136 Cr, while ADS revenue stood at Rs 164 Cr. Increasing semiconductor complexity, aerospace outsourcing, defence opportunities and rising EV content are supporting the shift towards high-value and technology-intensive products. Additionally, the Nichidai JV provides opportunities in steering, driveline and emerging humanoid robotics applications, further expanding Sansera's addressable market • **Strong Order Pipeline, Capacity Expansion & Export Opportunities Support Growth:** Sansera delivered 32% YoY revenue growth in Q2FY27, with management indicating FY27 revenue of Rs 4,250-4,300 Cr. The non-ADS order book, measured at peak annual sales, increased to Rs 2,241 Cr from Rs 1,850 Cr in Q1FY27, supported by new PV programmes, export customer nominations and outsourcing opportunities. Export demand remains healthy, particularly across passenger vehicles and higher-engine-capacity segments, while increasing OEM outsourcing provides additional growth opportunities. The company has raised FY27 Capex guidance to Rs 800 Cr, with around 50% allocated towards ADS, to support strong order execution and capacity expansion. Improving operating leverage, richer product mix and increasing contribution from high-margin businesses provide confidence in sustained growth and profitability.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
Steel Strips Wheels Ltd	BUY	Rs 600*	• **Aluminium Expansion, Premiumisation and Lightweight Components to Drive Growth:** SSWL's aluminium business remains a key growth driver, supported by rising alloy wheel penetration across passenger vehicles and EVs, premiumisation and strong OEM demand. Following a 10% capacity enhancement through debottlenecking at Mehsana, aluminium wheel capacity is expected to reach approximately 6.6 Mn units, including the upcoming 1.2 Mn-unit Bhuj facility. The company is also establishing a 1.1 Mn-unit aluminium knuckle facility at Bhuj, with commercial production targeted for Q4FY27. Additionally, the proposed hot stamping facility at Sambhaji Nagar, with a targeted turnover of around Rs 400 Cr, offers an opportunity to expand into value-added lightweight structural components. • **Capacity Expansion and Operational Efficiencies to Support Sustainable Profitability:** SSWL is undertaking a Rs 1,400 Cr greenfield expansion at Sambhaji Nagar, Aurangabad, to manufacture aluminium and steel wheels for passenger vehicles and OTR applications, alongside hot-stamped automotive components. The project is expected to benefit from higher automation, improved productivity, proximity to OEMs and lower logistics costs, with management targeting at least 25% higher productivity than existing facilities. Supported by a richer product mix, customer price revisions and manufacturing efficiencies, EBITDA per wheel increased to Rs 404 in Q2FY27. Management expects this level to remain sustainable, with further upside from volume growth and operational improvements, although any moderation in demand could affect per-wheel profitability • **Export Recovery and Strong OEM Demand to Enhance Growth Visibility:** Export revenue grew 69% YoY to Rs 187 Cr in Q2FY27, taking H1FY27 exports to Rs 314 Cr. Management expects FY27 exports to exceed the Rs 600 Cr target, with potential upside to Rs 700-750 Cr depending on the US-India trade deal. Medium-term growth is expected to accelerate through newly secured OEM programmes across Europe, including lightweight truck wheel supplies to leading manufacturers, alongside diversification across Latin America and Asia. These programmes are expected to gain traction from Q4FY27 and support management's target of at least Rs 1,500 Cr in export revenue over the next three years. Strong demand across commercial vehicles, tractors and passenger vehicles, coupled with a tractor wheel market share improvement to 45% from 43%, provides additional volume visibility and supports the company's growth outlook.

**** Note: Target Price is based on our Q2FY27 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:** Minda Corporation continues to strengthen its product portfolio through premiumization, backward integration, and increasing participation in new-age automotive technologies. During Q2FY27, the company commenced production of panoramic sunroofs, with a typical content value of ~Rs 20,000 per vehicle, and secured its first power footstep order from an anchor PV customer. It also secured multiple TFT instrument cluster orders (5-inch to 12-inch), with a cumulative lifetime value of >Rs 1,000 Cr and SOP commencing from FY28, largely in association with Qualcomm. Further, the company received ECMS approval to establish a greenfield TFT display module facility in Chakan, involving phased investments of ~Rs 200 Cr, with SOP expected in 18 months. The facility is expected to localise 70-80% of current TFT requirements, improve cost competitiveness, and enable direct supply of complete display modules to OEMs in the subsequent phase. EV products contributed ~35% of new order wins, reflecting increasing customer acceptance of its technology-led solutions. • **Strong Growth Visibility & Increasing EV Order Pipeline:** Minda Corporation continues to secure orders across wiring harnesses, instrument clusters, vehicle access systems, switches, sunroofs, power footsteps and EV electronics, with EV platforms contributing ~35% of its order book value. Around 60% of new business is linked to new platforms and products, with production typically commencing 18-24 months after order receipt and peak contribution emerging approximately two years thereafter. The company is also developing 6-7 new plants across instrument clusters, TFT displays, switches, die casting, wiring harnesses and EV products, expected to become operational over the next 12-24 months. These investments, alongside increasing PV penetration, are expected to support sustained medium-term growth. • **Flash Electronics: Strong Growth & Accelerating EV Contribution:** Associate company Flash Electronics delivered strong Q2FY27 performance, with revenue increasing 46% YoY to Rs 650 Cr, EBITDA of Rs 106 Cr at a margin of 16.4% and PAT of Rs 54 Cr. EV revenue grew 173% YoY, contributing ~32% of total revenue. Management expects recovery of commodity-related cost increases from customers over the coming quarters, given their largely pass-through nature. Flash also secured multiple TFT instrument cluster orders across 2W, 3W, CV and PV segments, with a cumulative lifetime value exceeding Rs 1,000 Cr and SOP scheduled from FY28 onwards. Additionally, EV products contributed ~35% of new order wins, while a 3.5 kW charger order from a 3W OEM is expected to commence production in Q1FY28, strengthening its EV electronics portfolio.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Auto and Auto Ancillaries - Coverage Universe

Company Name	Stand / Cons	Current Reco	Target Price	Sales (Rs Cr)			EBDITA (Rs Cr)			PAT (Rs Cr)			EPS (Rs)		
				FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Ashok Leyland Ltd	Stand	BUY	200	44,007	51,172	53,807	5,732	5,870	7,114	3,824	3,921	4,928	6	7	8
Automotive Axles Ltd	Cons	BUY	2,170	2,178	2,467	2,518	237	301	322	175	221	234	117	146	155
Bajaj Auto Ltd	Stand	BUY	12,180	58,732	71,491	78,355	12,208	14,816	16,432	9,986	12,012	13,256	357	430	474
CIE Automotive India Ltd	Cons	BUY	455	9,406	10,532	11,250	1,362	1,552	1,817	828	971	1,038	22	26	27
Eicher Motors Ltd	Stand	BUY	8,705	22,700	27,742	31,046	5,813	6,702	7,911	5,012	5,710	6,932	183	209	254
Endurance Technologies Ltd	Cons	BUY	2,900	14,596	18,995	21,619	1,966	2,349	2,982	967	1,273	1,520	68	76	107
Escorts Kubota Ltd	Cons	HOLD	2,455	11,540	12,617	13,342	1,496	1,165	1,366	2,394	1,166	1,248	214	104	112
Hero MotoCorp Ltd	Stand	BUY	6,025	46,830	53,540	59,137	6,871	7,311	8,501	5,359	5,663	6,490	268	283	325
Maruti Suzuki India Ltd	Stand	BUY	13,375	1,82,855	2,18,109	2,40,073	20,158	20,015	27,232	14,389	12,722	16,820	458	405	535
Minda Corporation Ltd	Cons	BUY	815	6,185	8,630	10,233	721	1,017	1,248	360	520	674	15	22	28
Sansera Engineering Ltd	Cons	BUY	4,880	3,498	4,302	5,205	632	830	1,025	327	426	579	52	68	92
Steel Strips Wheels Ltd	Cons	BUY	600	5,183	7,396	8,484	510	897	1,064	190	437	524	12	28	33
TVS Motor Company Ltd	Stand	BUY	4,700	47,270	60,291	68,884	6,084	8,019	9,779	3,658	4,943	6,333	77	104	133
UNO Minda Industries Ltd	Cons	BUY	1,525	19,658	26,249	31,086	2,251	2,906	3,659	1,206	1,707	2,312	21	30	40
Pricol Ltd	Cons	BUY	935	3,964	4,974	5,722	469	560	666	251	307	365	21	25	30

Auto and Auto Ancillaries - Coverage Universe (Cont'd)

Company Name	Book Value (Rs Cr)			Net Debt (Rs Cr)			ROE (x)			RoCE (x)		
	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Ashok Leyland Ltd	22	27	33	-8,385	-10,851	-14,333	30	26	27	25	23	25
Automotive Axles Ltd	726	833	948	-267	-372	-530	16	18	17	22	25	23
Bajaj Auto Ltd	1,251	1,470	1,735	-25,685	-31,248	-38,126	27	29	28	27	29	27
CIE Automotive India Ltd	379	379	379	221	21	-229	11	12	13	14	14	15
Eicher Motors Ltd	794	869	1,024	-16,443	-17,764	-22,295	25	25	27	23	23	25
Endurance Technologies Ltd	406	466	533	-967	-714	-1,788	15	15	18	20	20	23
Escorts Kubota Ltd	926	1,106	1,202	-6,739	-10,016	-11,030	22	9	9	14	11	11
Hero MotoCorp Ltd	1,118	1,268	1,457	-17,334	-20,576	-24,815	24	22	23	23	22	22
Maruti Suzuki India Ltd	3,294	3,559	3,929	-10,750	-16,872	-27,746	14	12	14	14	12	14
Minda Corporation Ltd	111	133	155	1,362	1,314	903	15	18	20	17	15	16
Sansera Engineering Ltd	495	559	647	1,940	82	-3,119	11	13	15	14	17	21
Steel Strips Wheels Ltd	749	952	1,135	838	586	383	11	22	21	18	29	29
TVS Motor Company Ltd	281	380	509	1,265	-679	-5,998	30	31	31	25	27	30
UNO Minda Industries Ltd	86	100	117	2,121	1,994	1,848	20	24	26	19	22	25
Pricol Ltd	103	128	158	260	202	118	22	22	21	26	26	26

AXIS DIRECT

November 2026



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

EESHA SHAH
VISHAL JAGWANI

Real Estate Sector: Q2FY27 Review

✓ Strong Presales; Launches to Drive H2

- **Demand Remains Resilient:** In Q2FY27, our coverage universe reported pre-sales growth of 92% YoY, amounting to ~Rs 19,523 Cr. This was primarily due to Oberoi's major launch of 360 North in Gurugram, which contributed to ~ Rs 7,800 Cr. We observed strong sustenance sales traction in Oberoi, Prestige and Arvind, which performed better than expectations. Signature delivered average performance despite limited launches and slower sustenance sales during the quarter. MICL posted decent growth despite Marina Vista set to contribute from next quarter on the back of stronger-than-expected sustenance. 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 inventory levels and absorption being a key theme in the previous quarter, this quarter was highlighted by strong sustenance sales across our coverage universe, especially in the MMR region. Oberoi's results showcased strong response to its first NCR project (360 North), achieving its yearly presales target in the quarter itself. Prestige also highlighted healthy demand across its projects, including its new launches in Chennai and Bangalore, and reported a beat on its presales estimates for the quarter with significant projects planned for H2. Arvind Smartspaces had a hugely successful launch in Bangalore, contributing Rs 500 Cr to its total presales of Rs 906 Cr; thus, resulting in a 110% YoY increase in presales for the quarter. The sector, therefore, appears to be in a steady phase rather than a demand correction. Signature Global is likely to maintain its usual run rate, while Man Infra-constructions has high presales targets depending on successful launches of its robust pipeline. The key catalyst to growth is being driven by new project launches, premiumisation 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. While Oberoi has a net cash position (Net debt to equity at -0.02), Prestige has a net debt to equity position of 0.7x, which is well below its target of 0.75x. Man Infra is leveraging its strong cash position to conduct a Rs 169 Cr stock buyback, while Signature's net debt position stands at Rs 450 Cr, with cash and bank balances at Rs 2,500 Cr. 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 our coverage universe was largely in line with expectations. For FY27, companies have either maintained or increased their guidance for an optimistic year with an expansive launch pipeline planned for H2. The outlook for premium and luxury residential remains positive, with volume-led new launches, Metro cities and aggressive business development continuing to be the key drivers of growth for the sector.

Real Estate Sector: Financial Performance

- **Arvind Smartspaces Ltd:** Arvind's bookings stood at Rs 906 Cr, beating our expectations. The company recorded its highest-ever Q2 bookings, reflecting a 110% YoY growth. Collections for the quarter were at Rs 418 Cr, up 77% YoY. Revenue for the quarter was Rs 157 Cr, while EBITDA rose to Rs 55 Cr. PAT stood at Rs 22.8 Cr. Arvind reported operating cash flows of Rs 152 Cr for the quarter, and net debt stood at Rs 200 Cr.
- **Embassy Office Parks REIT Ltd:** Embassy REIT delivered good Q2FY27 performance, achieving double-digit growth across key financial metrics. Operating revenue rose 16% to Rs 1,330 Cr, while Net Operating Income (NOI) grew 15% to Rs 1,069 Cr. Driven by 1.5 Mn sq. ft. of new leasing and successful deliveries, the REIT reported Rs 670 Cr in distributions, a 9% YoY increase in DPU to Rs 7.07, completing 49.6% of original guidance of Rs 27-28.6 for the year. Hotel occupancy stood at 58%, with 10% ADR growth to Rs 13,529. Real estate contributed 86% of total revenues, with hotels contributing 12%, while solar and others contributed 2%. EBITDA stood at Rs 980 Cr, a 13% growth YoY. PAT came in at Rs 831 Cr, due to tax credits of Rs 502 Cr.
- **Man Infraconstructions Ltd:** The company reported revenue of Rs 266 Cr, up 56% YoY. Its EBITDA stood at Rs 81 Cr, up 41% YoY, with margins of 30.3%. The net profit for the quarter stood at Rs 65 Cr, up 26% YoY. For the quarter, pre-sales stood at Rs 412 Cr, flat YoY, while collections stood at Rs 355 Cr, up 94% YoY.
- **Oberoi Realty Ltd:** The company reported Q2FY27 revenue of Rs 1,671 Cr, down 6.1% YoY. It posted EBITDA of Rs 1,019 Cr with EBITDA margins of 61%. PAT was reported at Rs 757 Cr, flat YoY. Pre-sales stood at Rs 9,150 Cr for the quarter, up 604% YoY due to the big launch of 360 North in Gurugram. Collections stood at Rs 1,900 Cr for the quarter, up by 40% YoY. Total rental revenues stood at Rs 339 Cr, up 17% YoY.
- **Prestige Estates Projects Ltd:** The company reported revenue of Rs 2,060 Cr for the quarter, down 15.3% YoY. EBITDA and PAT stood at Rs 926 Cr and Rs 256 Cr, respectively. EBITDA margin came in at 45%, up by 754 bps YoY. Bookings for the quarter stood at Rs 7,225 Cr, up 20% YoY, beating our estimates for the quarter. Collections stood at Rs 5,294 Cr, up 25% YoY. Average realisations stood at Rs 12,375 for the quarter. Prestige had 3 launches for the quarter with a development area of 5.84 Mn sq. ft. 3,910 units were sold in the quarter with Bangalore contributing 41%, Hyderabad at 32%, Mumbai at 12%, Chennai at 8%, and the balance 7% coming from other markets.
- **SignatureGlobal India Ltd:** SignatureGlobal reported revenue of Rs 817 Cr in Q2FY27, reflecting a growth of 141% YoY. EBITDA stood at 76 Cr, while the reported profit stood at Rs 67 Cr. During the quarter, presales were recorded at Rs 1,830 Cr, a miss on our expectations, down 10% YoY, while collections stood at Rs 1,010 Cr, a 10% increase.

Real Estate Sector: Outlook

✓ Growth Levers Intact; Calibrated Demand

Stable Quarter with Decent Performance; Positive Outlook

- **Real Estate:** Despite a challenging environment, several companies recorded strong project launches. Demand in the premium and luxury segments continued 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. However, a rate hike environment is unfavourable for the sector, and would affect presales in the coming quarters. 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 recorded 98% occupancy in commercial and 88% occupancy in retail space, whereas Prestige recorded 99% in retail outlets. Demand for commercial spaces is rising, supported by a) Strong demand from GCCs/ITs and BFSI, b) Long-term cash flow 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
- Rate Hikes
- Low Sustenance Sales
- Limited Success in Expanding To New Geographies
- Slower Sales at Launch
- Slower absorption affecting price appreciation

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

Durable Goods Sector: Q2FY27 Review

✓ Sustained Demand Momentum; Margin Recovery to Drive Growth

- ✓ **Polymers - Volume Recovery Gains Traction:** The polymers industry witnessed a meaningful recovery in Q2FY27, supported by improved channel restocking, better demand across plumbing and infrastructure segments, and stabilisation in PVC prices following the implementation of Minimum Import Price (MIP) and Basic Customs Duty (BCD). Prince Pipes delivered 22% volume growth and 38% revenue growth, reflecting a broad-based improvement in demand. Astral also reported 19.1% growth in plumbing volumes and 25% growth in plumbing revenue. However, profitability remained mixed, as higher input costs and delayed price pass-through continued to weigh on margins.

- ✓ **MDF & Plywood – Improving Profitability:** The MDF and plywood industry delivered a relatively strong performance in Q2FY27, supported by improved demand, better channel offtake and a gradual recovery in construction and interior-related consumption. Plywood continued to demonstrate resilience, with Greenply reporting 6.1% YoY volume growth and a 9% improvement in realisations. Century Plyboards also reported 28.6% YoY revenue growth in its plywood segment, with margins improving to 15.7%. MDF witnessed healthy volume growth, although performance remained mixed across players. Overall, the quarter reflected improving operating momentum, particularly for organised and branded players, although competitive intensity, imports, capacity utilisation and realisation trends remain key monitorables for sustained profitability improvement.

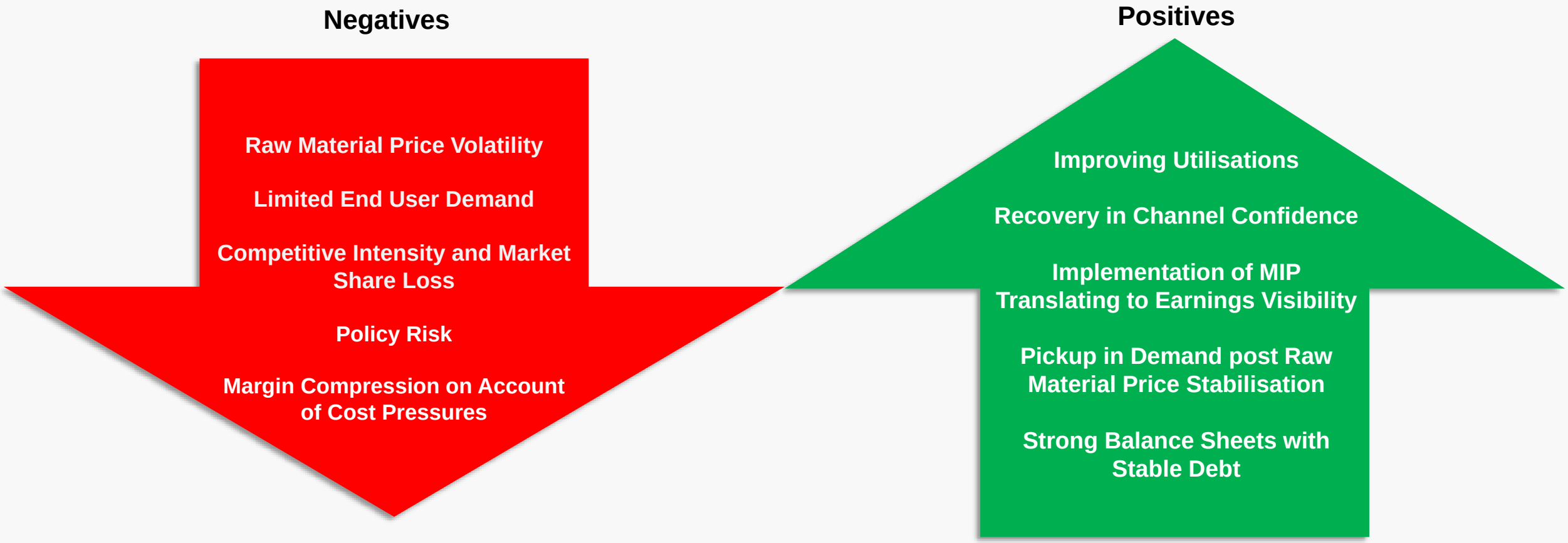
- ✓ **Retail Demand – Premiumisation Supports Demand:** The retail segment witnessed a healthy recovery in Q2FY27, with improving consumer demand and higher sales across premium and mass-market categories. Cera Sanitaryware reported 27.4% YoY revenue growth, supported by broad-based volume-led growth across sanitaryware and faucetware. However, elevated brass and gas prices continued to weigh on profitability, with EBITDA margins contracting 200 bps YoY to 12.2%, despite a 210 bps sequential recovery. LG Electronics India delivered a strong quarter, with revenue growing 19.5% YoY, driven by broad-based growth across home appliances, air solutions and home entertainment. The company benefited from premiumisation, improving consumer demand and festive-season sales momentum despite commodity inflation and rupee depreciation. Overall, demand momentum remained encouraging across both companies, with premium product mix, festive consumption and operating leverage expected to support growth, while input-cost inflation and pricing actions remain key monitorables.

Durable Goods Sector: Financial Performance

✓ Financial Performance: Building Materials

- **Astral Ltd:** Astral reported revenue of Rs 1,988 Cr, up 26% YoY, beating our estimates. Gross margins were down by 426 bps YoY to 35.3%. Reported EBITDA stood at Rs 261 Cr, reflecting 1% YoY growth, with EBITDA margins at 13%. PAT came in at Rs 127 Cr, down 6% YoY. Plumbing revenues grew 25%, with volume growth of 19% YoY and 5% growth in realisations/kg, while EBITDA margins improved to 16.3% versus 19% YoY. The Paints and Adhesives business posted a 29% YoY revenue increase, with EBITDA margins at 7.6% compared to 12.1% in the previous year.
- **Century Plyboards India:** Century Plyboards reported a robust Q2FY27 performance, with consolidated revenue increasing 28.5% YoY to Rs 1,780 Cr, its highest-ever quarterly revenue. EBITDA grew to Rs 230 Cr, translating into a margin of 13%. PAT increased 46% YoY to Rs 104 Cr against Rs 71 Cr in the corresponding quarter last year. Segmentally, plywood revenue grew 28.6% YoY with 15.7% EBITDA margins, while laminates delivered 20.6% revenue growth and 11.6% margins. MDF revenue increased 10.5% YoY, with margins improving sequentially to 8.9%, while particleboard revenue grew 211% YoY, with margins expanding to 7.4%. ROE improved to 16.6% and ROCE to 16.67%, reflecting improving asset utilisation and operating leverage.
- **Cera Sanitaryware Ltd:** Cera reported revenue of Rs 603 Cr, up 24% YoY. Reported EBITDA stood at Rs 73 Cr, up 9% YoY, with EBITDA margin expanding sequentially to 12.2% versus 10.1% in the previous quarter, showing signs of early recovery. Margins were impacted primarily due to higher brass, gas, outsourcing and discounting costs. The company reported PAT of Rs 56 Cr, down 1% YoY. Segment-wise revenue contribution from Sanitaryware/Faucetware/Tiles/Others stood at 45%/43%/10%/2%, respectively, with Sanitaryware and Faucetware registering YoY growth of 18% and 33% YoY.
- **Greenply Industries Ltd:** Greenply reported revenue of Rs 800 Cr, up 16% YoY, and EBITDA of Rs 89 Cr, with margins improving YoY to 11%. Plywood revenue stood at Rs 626 Cr with 6% volume growth, while MDF revenue was Rs 174 Cr with volume growth of 16%. Plywood saw realisations growth of 9% while MDF saw a 2% improvement. Performance was driven by MDF scale-up, steady plywood demand, and improved operating leverage. On the balance sheet front, consolidated net debt stood at Rs 544 Cr, with a debt-to-equity ratio of 0.56x, remaining comfortably within management's guided range.
- **LG Electronics India**: LGEIL reported quarterly revenue of Rs 7,380 Cr, up 19.5% YoY, mostly in line with estimates. Reported EBITDA stood at Rs 701 Cr, up 28% YoY, with an EBITDA margin of 9.5%, a 63 bps YoY improvement. The company reported PAT of Rs 489 Cr, up 25% YoY. During the quarter, the HA/HE segment saw 21%/17% revenue growth. EBIT margins for HA/HE improved to 8.7%/12.9% for the quarter.
- **Prince Pipes & Fittings:** Prince Pipes reported a strong Q2FY27 with consolidated revenue from operations at Rs 821 Cr, up 38% YoY. Gross profit for the quarter improved to Rs 240 Cr with a margin of 29%. EBITDA grew significantly by 82% YoY to Rs 100 Cr, delivering a margin of 12%. Profit After Tax (PAT) for the quarter stood at Rs 48 Cr, a massive 220% YoY jump, with a PAT margin of 6%. Sales volume for the quarter was 52,080 MT, up 22% YoY.

Durable Goods - Short & Medium-term Drivers



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 502 Cr in Q2FY27, down 32% YoY and in line with our estimates. Hospitality revenue stood at Rs 412 Cr, up 8% YoY, supported by ARR growth of 11% YoY to Rs 13,546, despite occupancy declining 244 bps YoY to 64%. The commercial segment continued to perform well, reporting revenue of Rs 90 Cr, up 22% YoY and in line with our estimates. EBITDA stood at Rs 217 Cr, with EBITDA margin expanding 263 bps YoY to 43.3%, below our estimates. Segment-wise, hospitality EBITDA margin stood at 41%, while the commercial segment reported a robust EBITDA margin of 83%. PAT grew 40% YoY to Rs 216 Cr, a beat on our estimates due to a tax adjustment of Rs 113 Cr.

- **Indian Hotels Company Ltd:** IHCL reported consolidated revenue for Q2FY27 of Rs 2,484 Cr, up 21.7% YoY, showing strong domestic demand amid geopolitical disruptions. EBITDA stood at Rs 706 Cr, up 23.8% YoY, with a margin of 28.4%. Adjusted PAT came in at Rs 384 Cr, up 13.9% YoY, supported by stable margins. Portfolio occupancy grew to 82%, with domestic RevPAR growing 28%, indicating continued pricing strength. Taj Sats remained impacted by air travel. F&B revenue grew 20% YoY, while management fees increased 24% YoY, reinforcing the asset-light earnings mix.

- **Juniper Hotels Ltd:** Juniper Hotels reported Q2FY27 revenue of Rs 250 Cr, up 8.3% YoY. EBITDA stood at Rs 83 Cr, flat YoY, with margins at 33.2%, while PAT stood at Rs 37 Cr, up 121% YoY. Occupancy for the quarter grew by 300 bps from 72% in Q2FY26 to 75% in Q2FY27.

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
Prestige Estates Projects Ltd	BUY	Rs 1,950*	✓ **Launch Pipeline Strength:** Prestige Estates remains well-positioned for another strong growth year, backed by a massive upcoming launch pipeline with an estimated Gross Development Value (GDV) of Rs 46,584 Cr. The company successfully launched/commenced construction on 9 projects across segments in Q2FY27 (10.09 Mn sq. ft.) and has planned substantial upcoming launches across Mumbai, NCR, Chennai, Goa, and Hyderabad over Q3 and Q4FY27. Management noted that the primary hurdle for launches is securing RERA approvals rather than demand weakness, stating that as soon as approvals are secured, it anticipates healthy absorption. ✓ **Cash Flow Momentum and Strong Cash Flows:** The company generated robust operating cash flows of Rs 2,679 Cr in Q2FY27 and Rs 4,168 Cr for H1FY27. Gross collections also remained strong, achieving Rs 5,294 Cr in Q2 (up 26% YoY) and Rs 10,096 Cr for H1 (up 16% YoY). Moving forward, management guided for total gross collections in the range of Rs 24,000 to Rs 25,000 Cr for the full year, which are expected to support free operating cash flows of ~Rs 9,000 Cr. As a result, this liquidity provides a strong foundation for the company's aggressive growth, ensuring balance sheet stability while funding ongoing pipeline execution without heavily stretching its capital structure. ✓ **Commercial, Retail and Hospitality Portfolio:** Prestige continues to strengthen its long-term annuity and earnings profile through disciplined expansion across segments. During the quarter, the company completed three land acquisitions in Mumbai (Aramnagar, Borivali, and Thane) and one in Gurugram (Sector 109) with a combined tentative GDV of Rs 23,400 Cr. On the retail front, Prestige acquired a completed 930,000 sq. ft. mall asset in South Bengaluru for Rs 519 Cr through NCLT, which it intends to launch as "Forum South 2" within 9 to 12 months. Leasing traction remains highly encouraging, with ~1.5 Mn sq. ft. pre-leased at BKC-X in Mumbai and ~400,000 sq. ft. at Mahalaxmi. Additionally, in the hospitality segment, Prestige secured a strategic investment of Rs 3,000 Cr from the Canada Pension Plan Investment Board (CPP Investments) for a ~27% stake in Prestige Hospitality Ventures Limited, unlocking capital to aggressively develop and expand its planned hotel portfolio.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Durable Goods

Stock	Reco.	TP*	Recommendation Rationale
LG Electronics India Ltd	BUY	Rs 1,965*	✓ **Strong Revenue Growth and Operating Leverage**: LG Electronics delivered a strong Q2FY27 performance, with revenue growing 19.5% YoY to Rs 7,380 Cr, driven by broad-based double-digit growth across all key product categories. EBITDA increased 28% YoY to Rs 701 Cr, while EBITDA margin expanded 63 bps to 9.5%. PAT grew 25.7% to Rs 489 Cr. Despite elevated commodity prices, forex headwinds and higher go-to-market investments, the company demonstrated strong operating leverage through volume growth and premiumization. Its ability to protect margins through selective pricing, cost efficiencies and a richer product mix reflects the strength of its operating model. ✓ **Premiumisation and Expanding Exports**: The company is well positioned to benefit from rising disposable incomes, low household appliance penetration and increasing consumer preference for premium products. Premium refrigerators, fully automatic washing machines, larger-screen televisions and dishwashers are witnessing strong demand. The LG Essential Series is also gaining traction by targeting first-time buyers and affordability-conscious consumers while contributing positively to profitability. Additionally, LG Electronics has expanded its export presence from 50 to 68 countries, with distribution partners increasing from 112 to 151. The combination of premiumization, first-time household penetration and export expansion provides multiple avenues for sustained revenue growth. ✓ **Sri-City Expansion and B2B Diversification:** The Rs 5,000 Cr Sri City manufacturing facility is expected to double existing production capacity and strengthen localisation, cost competitiveness and export capabilities. Compressor manufacturing is scheduled to commence in Q3FY27, followed by air conditioner production in Q4FY27. Additionally, entry into vehicle solutions, beginning with telematics, marks an important diversification into automotive electronics. The B2B business, currently contributing 10–12% of revenue, is targeted to increase to over 15% in the next three years. These initiatives could structurally improve the company's business mix, profitability and long-term growth prospects.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Durable Goods

Stock	Reco.	TP*	Recommendation Rationale
Century Plyboards India Ltd	BUY	Rs 820*	✓ **Growth Momentum and Improving Operating Leverage**: Century Plyboards delivered a strong Q2FY27 performance, with consolidated revenue growing 28.5% YoY to a record Rs 1,780 Cr, while EBITDA (excluding forex losses) increased to Rs 230 Cr from Rs 175 Cr in Q2FY26. EBITDA margin stood at 13%, while PAT grew 46% YoY to Rs 104 Cr. Plywood remained the key growth driver, reporting 28.6% revenue growth with a 15.7% EBITDA margin. Laminates also delivered 20.6% revenue growth with margin expansion to 11.6%. Improving capacity utilisation, better product mix, and operating efficiencies are supporting profitability, with ROE improving to 16.6% and ROCE to 16.7%. ✓ **MDF Margin Recovery**: The MDF business is witnessing gradual improvement despite industry overcapacity and competitive pricing pressures. Management is targeting 17–18% volume growth for FY27, with EBITDA margins expected to recover to double digits in H2FY27, compared with 8.9% in Q2FY27. While a meaningful recovery towards historical 20% margins is unlikely in the near term, management expects gradual improvement in FY28 and a stronger recovery from FY29 onwards. Particleboard is emerging as an incremental growth driver, with quarterly revenue crossing Rs 100 Cr for the first time and YoY growth of 211%. Improving utilisation, higher value-added product contribution, and renewable energy initiatives should support margin expansion. ✓ **Disciplined Capital Allocation and Debt Reduction**: Following a substantial investment cycle, management's focus is shifting towards sweating existing assets, improving utilisation and generating stronger cash flows. Net Debt-to-EBITDA stood at approximately 2.4x, with management indicating that debt has peaked and that a significant portion of internally generated cash flows will be directed towards repayment. The company expects EBITDA of approximately Rs 900 Cr for FY27 and anticipates a substantial reduction in debt levels next year. Large-scale capex will be considered only after achieving a comfortable leverage position, with a long-term debt-to-EBITDA target of 1x. This capital allocation discipline, alongside ongoing plywood capacity expansion, should support sustainable growth and improving return ratios.

**** Note: Target Price is based on our Q2Y27 Result Update Report***

Top Conviction Ideas: Hospitality

Stock	Reco.	TP*	Recommendation Rationale
 Indian Hotels Company Ltd	BUY	Rs. 900*	✓ **Strong Operating Performance**: IHCL delivered an exceptional Q2FY27, reporting consolidated revenue of Rs 2,484 Cr (up 21.7% YoY) and EBITDA of Rs 706 Cr (up 21% YoY). The hotel segment drove this performance, with operating revenue surging 25% YoY to Rs 2,204 Cr and operating EBITDA jumping 30% YoY. Domestic RevPAR recorded a robust 28% YoY growth to Rs 10,850, driven by an impressive 82% occupancy level and healthy ARR expansion. Despite headwinds in airline catering from geopolitical events, broad-based demand—including strong MICE activity and events like the BRICS summit—supported growth. Reflecting this sustained momentum, management upgraded its full-year FY27 revenue growth guidance to 15-17% (and 17-19% for the hotel segment). ✓ **Industry-Leading Asset-Light Expansion**: IHCL's portfolio growth remains unparalleled, with 390 operational hotels and the company on track to cross the 400-hotel milestone in Q3FY27. The total pipeline stands at a robust 280 hotels (~34,800 keys), of which over 75% are asset-light managed properties. This aggressive expansion is yielding strong management fee growth, which rose 25% YoY to Rs 156 Cr for the quarter, with the management confident in sustaining a high-teens CAGR. The select-service segment is scaling rapidly—Ginger became the first Indian hotel brand to cross 100 operational hotels, targeting 150 by the end of FY27, and generated an impressive ~40% EBITDA margin. ✓ **Margin Strength, Healthy Balance Sheet**: IHCL's balance sheet remains a significant competitive advantage, backed by gross cash reserves exceeding Rs 4,300 Cr and a robust free cash flow of Rs 517 Cr generated during the period. This liquidity provides ample headroom for greenfield developments (over 2,000 keys on the balance sheet) and strategic upgrades. Targeted asset management and recent renovations (e.g., Taj Palace New Delhi recording an 85% YoY surge in room revenue) are yielding strong pricing power and margin gains. The announced strategic merger with Oriental Hotels Limited (OHL) is expected to unlock operational synergies, providing a 6-7% upside to standalone FY28 revenue while allowing IHCL to leverage its balance sheet for product upgrades across key destinations

**** Note: Target Price is based on our Q2FY27 Result Update Report***

AXIS DIRECT

November 2026



Top Conviction Ideas
IT Services & Telecom

Kuber Chauhan
Abhishek Bhalotia

IT Services: Q2FY27 Review

✓ Stable Profitability; AI Deployment Accelerates

- **Company Performance:** From our coverage universe, IT companies reported broad-based revenue growth ranging from 1% to 40% YoY in constant currency terms aided by deal conversion and inorganic contribution. In INR terms, Revenue/EBIT/PAT grew by 13%/12%/11% YoY, largely inline with our estimates of 12%/13%/14% YoY, respectively. On a YoY basis, key verticals such as BFSI, Manufacturing, Healthcare & Life Sciences, Energy & Utilities and Travel remained relatively resilient, while Hi-Tech continued to remain weak due to slower discretionary project ramp-ups. Other key verticals, including Consumer/Retail and Communications, reported mixed performance. Geographically, North America remained mixed, while Europe, particularly Continental Europe, continued to show better traction. ROW delivered stronger growth, driven by increasing technology adoption, digital transformation and infrastructure investments. Overall, large-cap IT companies continued to witness better sequential profitability, supported by accelerating AI adoption, improved employee utilisation, tighter subcontracting costs, deal ramp-ups and a favourable pricing mix.

- **Growth Momentum in Revenue and AI Integration in Large-Cap Space:** Among large-cap IT companies, TCS, Infosys and HCLTech reported double-digit revenue growth of 11% YoY, while Wipro registered growth of 9% YoY. Notably, Tech Mahindra and LTM reported higher double-digit growth of 14% and 16% YoY, respectively. Sequentially, all these companies reported single-digit growth, indicating gradual stabilisation in demand conditions. However, the pace of growth remained modest, reflecting continued caution in discretionary technology spending and an uneven recovery across key verticals and geographies. These companies are increasingly shifting their AI strategies from capability building towards commercial deployment and enterprise-wide integration. TCS, Infosys and HCLTech are witnessing measurable AI revenue contributions, while Wipro, LTM and Tech Mahindra are strengthening their AI-native platforms, partnerships and implementation capabilities. Operating margins remained broadly stable despite higher subcontracting costs, wage hikes, acquisitions, increased investments and deflationary pressures. Going ahead, recovery in discretionary spending, AI deployment, conver

IT Services: Q2FY27 Review

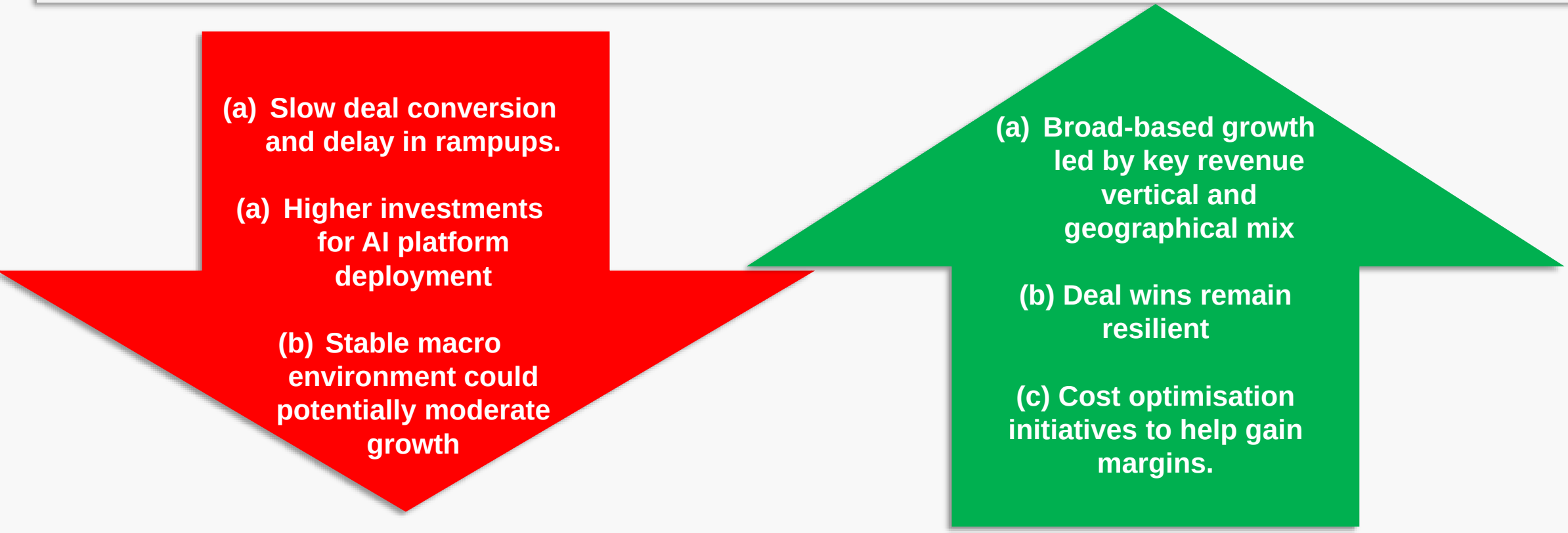
- **Mid-Tier IT Players Continue to Remain Resilient**: Mid-cap IT companies continued to outperform their large-cap peers, supported by stronger deal execution, faster ramp-up of large contracts and accelerated AI deployment. Among mid-cap players, Cyient, Coforge, Persistent Systems, Zensar Technologies and Happiest Minds continued to report robust double-digit YoY revenue growth, driven by healthy momentum across key verticals, higher inorganic contributions and favourable geographical mix. Notably, LTTS reported revenue growth of 12% YoY, marking its second consecutive quarter of double-digit growth, driven by strong performance in the Sustainability segment and a recovery in the Mobility segment, indicating improving traction across key verticals and client segments. Indegene continued to report strong revenue growth of 40% YoY, supported by improving client spending, new deal ramp-ups and increasing traction in Enterprise Commercial Solutions. KPIT Tech's performance remained subdued for the second consecutive quarter, reflecting softness in the European auto sector, programme cancellations and cost cuts at two key accounts. After reporting weak performance over the previous two quarters, Aurionpro Solutions staged a strong recovery, with revenue growth of 16% YoY, driven by recovery in the TIG vertical and order book conversion. Moreover, H2 is expected to be better, supported by monetisation of projects. Operating margins remained stable for Coforge, Zensar and Happiest Minds, while KPIT Tech, Indegene, Persistent Systems and Aurionpro Solutions witnessed margin pressure due to higher investments, acquisition-related costs and subdued topline growth.
- **Affle and Eternal Eemain Strong:** Affle and Eternal reported higher double-digit topline growth on a YoY basis, while IndiaMART's revenue remained relatively stable. Affle's growth across key markets and its CPCU business continued to drive performance, while operating margins remained stable, supported by operating efficiencies and disciplined employee costs. Management also announced a new acquisition of an Israel-based ad-tech company. Eternal sustained its growth trajectory, led by the transition towards inventory ownership in quick commerce, with margins improving YoY, supported by profitability reinvestment and expansion of dark stores. IndiaMART's growth was supported by improved realisations from paying suppliers, while elevated churn in its silver subscription base continues to remain a key monitorable. Management is currently prioritising customer retention over aggressive acquisition. IndiaMART's operating margins remained elevated, supported by relatively lower sales and marketing investments.

IT Services: Outlook

- **Improving Demand Momentum and Spends:** Demand visibility is gradually improving, particularly in cost optimisation, application modernisation, cloud migration and AI-led transformation programmes. Clients are increasingly willing to spend on projects that deliver measurable productivity gains and faster cost savings, while remaining cautious on large discretionary transformation initiatives. BFSI is expected to remain a relatively resilient vertical, supported by core banking modernisation and regulatory technology spending, whereas recovery in Retail and Hi-Tech may take longer amid continued budget rationalisation.
- **Deal Wins and Revenue Conversion:** TCS reported quarterly TCV of US$10 Bn, while Infosys secured large deals worth US$5 Bn, of which 62% comprised net-new business. HCLTech reported new deal bookings of US$3 Bn, supported by strong large-deal activity. However, deal ramp-ups and revenue conversion continue to lag due to a preference for outcome-based engagements, phased project implementation, longer transition timelines and cautious spending decisions. Hence, book-to-bill, executable order book and large-deal conversion will remain the key indicators to track over the next few quarters.
- **Hiring Momentum Improves:** The sector witnessed a meaningful improvement in net hiring during Q2FY27, particularly among companies with stronger deal pipelines and project ramp-ups. However, hiring remains selective rather than broad-based, with greater emphasis on fresh graduates, AI engineering and specialised digital skills. While HCLTech, TCS and Infosys have resumed fresher onboarding at scale, Wipro continues to focus on workforce optimisation. Mid-cap companies witnessed relatively stronger headcount additions, supported by healthy deal momentum, specialised AI skill sets and revenue growth. These companies are also actively deploying Forward Deployment Engineers (FDEs) for AI-led projects. Accordingly, we believe hiring additions will remain aligned with project-specific skill requirements. Moreover, utilisation levels and revenue per employee will be important indicators to assess whether improving deal activity is translating into sustainable workforce expansion.
- **Geographical Outlook:** Overall, the geographical outlook for Indian IT companies remains relatively favourable in Europe and select emerging markets, while North America continues to be the key determinant of sector-wide growth, given its significant revenue contribution. Accordingly, any recovery in North American technology budgets remains the most important trigger for a broad-based sector recovery. Mid-cap companies are benefiting from specialised service offerings and client diversification, although their geographical exposure varies.

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 Largecap 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.



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

Telecom: Q2FY27 Performance Review

✓ Sequential Growth Continues Across All Verticals

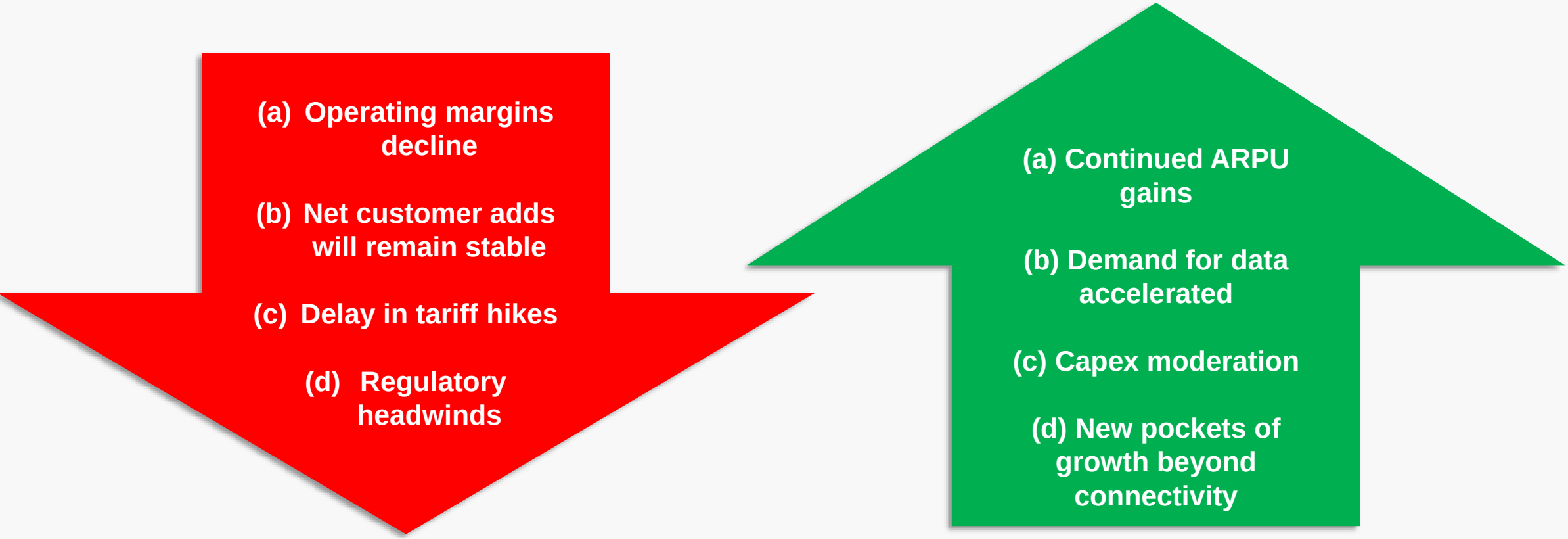
- **Airtel, Jio Drive Robust Telecom Revenue Growth:** Telecom companies continued to report strong revenue growth YoY in Q2FY27, driven by subscriber additions across mobile and home segments, rural network expansion, and increasing digital adoption. Bharti Airtel delivered a strong Q2FY27 performance, with consolidated revenue growing 17% YoY, supported by healthy growth in India and Africa operations. Airtel continued to report quarterly postpaid subscriber additions, indicating sustained migration of higher-value customers to its network. Moreover, the company's tariff hike during the quarter also supported profitability. Reliance Jio's topline grew by 11.4% YoY, driven by growth in digital services, 5G adoption and increasing fixed broadband penetration.
- **Rapid 5G Adoption Boosts ARPU for Jio and Airtel:** Jio's 5G subscriber base reached 300 Mn in Q2FY27, adding 66 Mn users YoY, with 5G accounting for approximately 56% of its total wireless traffic. Its monthly ARPU increased 4% YoY to Rs 219, supported by an improved subscriber mix and higher data consumption of 44 GB per customer per month. Meanwhile, Airtel's ARPU increased 6% YoY to Rs 271, driven by premium customer additions, postpaid upgrades and improved realisations. Airtel added 19 Mn smartphone data customers over the past year. Going forward, increasing 5G adoption and migration towards higher-value plans are expected to support further ARPU growth.
- **Airtel and Jio Continue Heavy Investment:** On the capex front, Bharti Airtel reported consolidated capex of Rs 12,467 Cr in Q2FY27, including Rs 9,908 Cr in India, with investments directed towards mobile network expansion, passive infrastructure and Homes services. Meanwhile, Jio continues to leverage its established 5G infrastructure, with investments increasingly focused on expanding fixed broadband, AirFiber, enterprise connectivity and next-generation technologies.
- **Focused on Strengthening Growth Beyond Traditional Connectivity:** Jio is expanding its presence in fixed broadband and AirFiber, having crossed 30 million fixed broadband subscribers in Q2 FY27.It is is also strengthening its enterprise portfolio through cloud, cybersecurity, IoT, private 5G and AI-led solutions, positioning itself as a comprehensive digital solutions provider rather than merely a connectivity player. Meanwhile, Airtel is driving growth through its Homes and Airtel Business segments.Its investments in data centres and digital infrastructure further strengthen its positioning in enterprise and cloud 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 to support premumisation:** Jio and Airtel are increasingly focusing on customer premiumisation through migration towards higher-value 4G/5G plans, postpaid subscriptions and bundled digital offerings. Additionally, AI-led services and bundled digital offerings, including Jio's AI ecosystem, are expected to improve customer engagement and retention. Going forward, higher-value plan adoption, 2G-to-4G/5G migration, postpaid additions and increasing data consumption should support ARPU expansion and improve revenue realisation per subscriber.
- **Leveraging New Pockets of Growth Beyond Connectivity:** Both operators are expanding beyond mobile connectivity to build additional revenue streams. Airtel's Homes and Business segments grew 25.3% and 11.4% YoY, respectively, in Q2 FY27. Jio has crossed 30 Mn broadband homes, including its expanding fixed broadband and AirFiber ecosystem. Increasing demand for enterprise connectivity, cloud, cybersecurity, IoT, data centres and home broadband is expected to create additional growth opportunities. Over time, these businesses could reduce dependence on mobile tariff increases and improve revenue diversification.
- **Industry Structure Remains Favourable:** Jio is expanding its presence in fixed broadband and AirFiber, having crossed 30 Mn fixed broadband subscribers in Q2FY27. It is also strengthening its enterprise portfolio through cloud, cybersecurity, IoT, private 5G and AI-led solutions, positioning itself as a comprehensive digital solutions provider rather than merely a connectivity player. Meanwhile, Airtel is driving growth through its Homes and Airtel Business segments. Its investments in data centres and digital infrastructure further strengthen its positioning in enterprise and cloud services.

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.



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
Tech Mahindra Ltd.	BUY	Rs 1,850*	✓ **Financial Performance:** In Q2FY27, Tech Mahindra reported revenue of Rs 16,180 Cr vs Rs 13,995 Cr, up 15.6% YoY and 3.9% QoQ. In USD terms, revenue was US$1,693 Mn, up 6.8% YoY and 2.0% QoQ (In CC terms, 7.2% YoY, 2.4% QoQ). EBIT stood at Rs 2,387 Cr vs Rs 1,699 Cr, registering a growth of 40.5% YoY and 5.4% QoQ, aided by volume growth and Project Fortius, offsetting the wage hike impact. EBIT margin was 14.8% (+261 bps YoY, +34 bps QoQ). Net income came in at Rs 1,586 Cr vs Rs 1,195 Cr, up 33% YoY and 8.2% QoQ. The TCV for the quarter was at US$1,023 Mn, marking strong growth of 25.4% YoY. The company declared an interim dividend of Rs15/share. ✓ **Strong Deal Wins Momentum Continues:** Deal wins increased 25.4% YoY to US $1,023 Mn, marking the fourth consecutive quarter above US$1 Bn. On an LTM basis, deal wins grew 34.8% YoY to US$4,270 Mn. These deals were signed across Communications, BFSI, Manufacturing and Retail/Logistics, including deals with a Canadian insurer, a UK network business and an Australian telecom operator. Clients generating over US$20 Mn grew 3.1% QoQ and 11.7% YoY, reflecting deeper relationships with large clients. ✓ **AI-Led Delivery Models and Enterprise AI Adoption Creating New Growth Avenues:** The company is moving beyond traditional resource-based billing towards outcome-based pricing and AI-enabled delivery models, including human-supervised agents and squad-based structures. This transition could strengthen its ability to address complex enterprise requirements while improving delivery efficiency and client engagement. Moreover, opportunities in digital enterprise applications, telecom network optimisation and AI integration provide additional avenues for growth. ✓ **Aiming to Sustain Growth Trajectory:** Management reiterated its FY27 EBIT margin target of 15%, implying a further 20 bps improvement from Q2FY27 levels. It expects normal seasonality in H2FY27, with no significant furloughs impact. However, continued weakness in the European automotive sector. Overall, Management sees a 300–400 bps opportunity through delivery pyramid optimisation over the next three years.

•Note: Target Price is based on our Q2FY27 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
Persistent Systems Ltd	BUY	Rs 6,615*	✓ **Financial Performance:** In Q2FY27, Persistent Systems reported revenue of Rs 4,664 Cr, compared with Rs 3,581 Cr in Q2FY26, registering growth of 30.3% YoY and 8.4% QoQ. In USD terms, revenue stood at US$487.6 Mn, up 20.0% YoY and 7.8% QoQ (in CC terms, +20.8% YoY and +7.8% QoQ). EBIT stood at Rs 698 Cr, compared with Rs 583 Cr, up 19.5% YoY and 1.6% QoQ. EBIT margin was 15.0%, contracting by 130 bps YoY and 100 bps QoQ due to headwinds from annual wage hikes, lower utilisation and investments in large deals, partly mitigated by operational efficiencies and favourable currency tailwinds. Moreover, the company incurred acquisition-related expenses, resulting in a decline in PAT of 41.7% YoY and 27.2% QoQ to Rs 352 Cr. ✓ **Bookings Moderate, TTM Growth Remains Strong:** During the quarter, TCV stood at US$634 Mn, including new TCV of US$367 Mn, while ACV was US$481 Mn, including new ACV of US$262 Mn. Bookings moderated from Q1FY27, which included a US$650 Mn large deal and reported TCV of US$1,146 Mn and ACV of US$537 Mn. A few deals shifted to Q2FY27, while decision-making slowed towards the end of the quarter, partly due to uncertainty in the Middle East. Management clarified that AI-led productivity was not a factor behind the moderation. ✓ **AI-Led Engineering Strengthens Competitive Positioning:** Persistent's enterprise AI strategy is anchored around Engineering Hyperproductivity, Business Hyperproductivity and Enterprise Data Readiness, supported by its 3C architecture (Core, Context and Coordination). Its Software Reinvention Services enable software vendors to accelerate product launches by ~50% and reduce engineering costs through AI-led automation, FinOps and token optimisation. This offering underpins a 6.5-year contract worth over US$650 Mn covering 20 SaaS products, highlighting strong deal traction. Partnerships with Anthropic and Microsoft further strengthen its AI capabilities, supported by ~25,000 cloud and data partner certifications and over 58,000 AI certifications across its workforce. ✓ **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 Q2FY27 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
Coforge Ltd	BUY	Rs 2,450*	✓ **Financial Performance:** In Q2FY27, Coforge reported revenue of Rs 6,171 Cr, up 54.8% YoY and 11.6% QoQ from Rs 3,986 Cr in Q2FY26, marking the first full quarter of Encora consolidation. In dollar terms, revenue stood at US$652.2 Mn, up 40.1% YoY and 10.1% QoQ, while organic CC growth was 3.8% QoQ. EBIT increased 67.3% YoY and 14.8% QoQ to Rs 938 Cr from Rs 561 Cr, with EBIT margin expanding to 15.2% from 14.1% YoY. Net income grew 42.2% YoY and 13.8% QoQ to Rs 605 Cr; however, growth was slower than EBIT growth due to hedge losses, exceptional costs, and finance costs associated with the Encora Integration. Attrition remained low at 10.4%, among the lowest in the industry. ✓ **Strong Order Book Conversion to Facilitate Revenue Growth:** In Q2FY27, the company signed a record eight large deals, including a US$230 Mn engagement with the UK public sector. Deal wins were spread across public sector, BFSI, high-tech and retail, indicating broad-based demand across key verticals. Europe and North America contributed US$485 Mn and US$455 Mn, respectively, to quarterly order intake, while the Rest of World contributed US$101 Mn. Management expects to sign at least eight additional large deals in Q3, supporting continued business momentum. We believe the company's strong order book conversion capabilities and expanding order book are likely to support revenue growth in the coming quarters. ✓ **AI Engagements accelerates:** Coforge has over 520 AI engagements across more than 225 clients, with 260+ AI agents already live. In July, the company launched Neuron, an enterprise AI layer; Momentum Blue, which provides forward-deployed engineering support; and AI Launchpad for open-weight models. It also joined AWS's forward-deployed engineer pilot and expanded its partnership with Pega. One of its largest AI-led programmes involves migrating 12 Mn lines of code to Google Cloud over 4.5 years, using AI tools to support the process. ✓ **FY27 Guidance:** Coforge raised its FY27 EBIT margin guidance from 15.5% to 16.0%, reflecting stronger operating leverage and benefits from AI-led productivity. Management is targeting a reported EBIT margin of 17% in FY28. Key levers include improving utilisation towards 86% or higher, automating general and administrative functions, and capturing efficiencies from AI-enabled fixed-price engagements.

•Note: Target Price is based on our Q2FY27 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 784 Cr, up 21.2% YoY and 4.9% QoQ, marking its 15th consecutive quarter of sequential revenue growth. EBIT stood at Rs 140 Cr, up 22.8% YoY and 5.1% QoQ, supported by favourable inventory and data costs. However, EBIT margin remained flat QoQ at 17.9%. Net income stood at Rs 130 Cr, up 17.4% YoY and 1.1% QoQ. User conversions increased 18.2% YoY to 128.9 Mn, at an average CPCU of Rs 60.6. India and other emerging markets contributed 73.7% of revenue, while developed markets accounted for the remaining 26.3%. ✓ **Perion Acquisition to Create Cross-Selling Opportunities:** The company has entered into a definitive agreement to acquire 100% of Israel-based adtech company Perion Network Limited at an implied equity value of US$ 420 Mn, offering Perion shareholders US$ 11.70 per share. Perion has a debt-free balance sheet, with cash reserves of approximately US$ 228 Mn as of September 2026. The acquisition is expected to strengthen Affle's presence across the digital advertising value chain by combining its AI-led mobile performance marketing expertise in emerging markets with Perion's capabilities in CTV, Retail Media and DOOH advertising across developed markets, particularly North America. The transaction is expected to close in early FY28, following which Perion will be delisted from Nasdaq and TASE. Notably, Affle is targeting an annual revenue run rate of over US$ 700 Mn by FY28 while maintaining a net debt-free position immediately post-acquisition ✓ **The "Ten X" Vision:** The company expects to sustain growth despite sector-specific challenges, particularly in Real Money Gaming and FinTech. Its focus on higher-value consumer conversions, expansion in developed markets, and AI-led advertising solutions is expected to support its growth trajectory. Accordingly, management remains committed to achieving its next 10x growth cycle. Having historically delivered 10x growth over five years, Affle aims to sustain this growth momentum, targeting the US$ 1 Bn revenue milestone over the next few years through ~20% organic growth and strategic acquisitions.

•Note: Target Price is based on our Q2FY27 Result Update Report

Top Conviction Ideas: IT Services

Stock	Reco.	TP	Recommendation Rationale
L &T Technology Services Ltd	BUY	Rs 3,970*	✓ **Financial Performance:** In Q2FY27, LTTS reported revenue of Rs 3,040 Cr vs Rs 2,980 Cr, up 2.0% YoY and 3.4% QoQ. EBIT stood at Rs 497 Cr vs Rs 398 Cr, up 24.7% YoY and 7.6% QoQ, led by lower operating expenses. EBIT margins for the quarter stood at 16.3%, an increase of 297bps YoY and 64bps QoQ, supported by revenue growth, a favourable business mix, operational efficiencies and AI-led productivity gains. The company reported net income of Rs 380 Cr vs Rs 329 Cr, up 15.5% YoY and 7.9% QoQ due to lower other income during the quarter. Notably, LTTS recorded a one-time gain of Rs 165 Cr from the divestment of the Smart World & Communication (SWC) business. However, in CC terms, revenue grew by 2.7% QoQ and 4.8% YoY. Attrition remained at 14.7% vs 15.0% in Q2FY26. ✓ **Robust Deal Wins and Order Pipeline:** The company secured large deals worth US$203 Mn during the quarter, while its overall order pipeline grew by more than 25% YoY. It continues to target more than US$200 Mn in quarterly large deal wins. Hence, H2FY27 revenue growth is expected to be stronger than H1, supported by the ramp-up of secured deals and the existing order backlog. ✓ **Strengthening AI Platforms, Patents and Partnerships:** The company continues to strengthen its proprietary technology portfolio through the EI1 platform, which houses over 100 solutions. It filed more than 253 AI patents during Q2, taking its cumulative patent portfolio to 1,808. It also launched a physical AI lab in partnership with Nvidia to develop applications across manufacturing, robotics and supply chain management. Moreover, Partnerships with Cognite, Anthropic, Nvidia and Databricks are expected to strengthen its capabilities across enterprise AI and industrial applications. ✓ **Lakshya 31 Growth Strategy on Track:** Management reiterated its long-term target of 13%-15% revenue CAGR over the next five years, while maintaining EBIT margins of 16%-17%. The Lakshya 31 strategy focuses on six key technology bets across mobility, plant modernisation, digital manufacturing, MedTech, AI infrastructure and software engineering. Going forward, Engineering Intelligence, strategic partnerships and a higher focus on margin-accretive segments are expected to drive the next phase of sustainable growth.

•Note: Target Price is based on our Q2FY27 Result Update Report

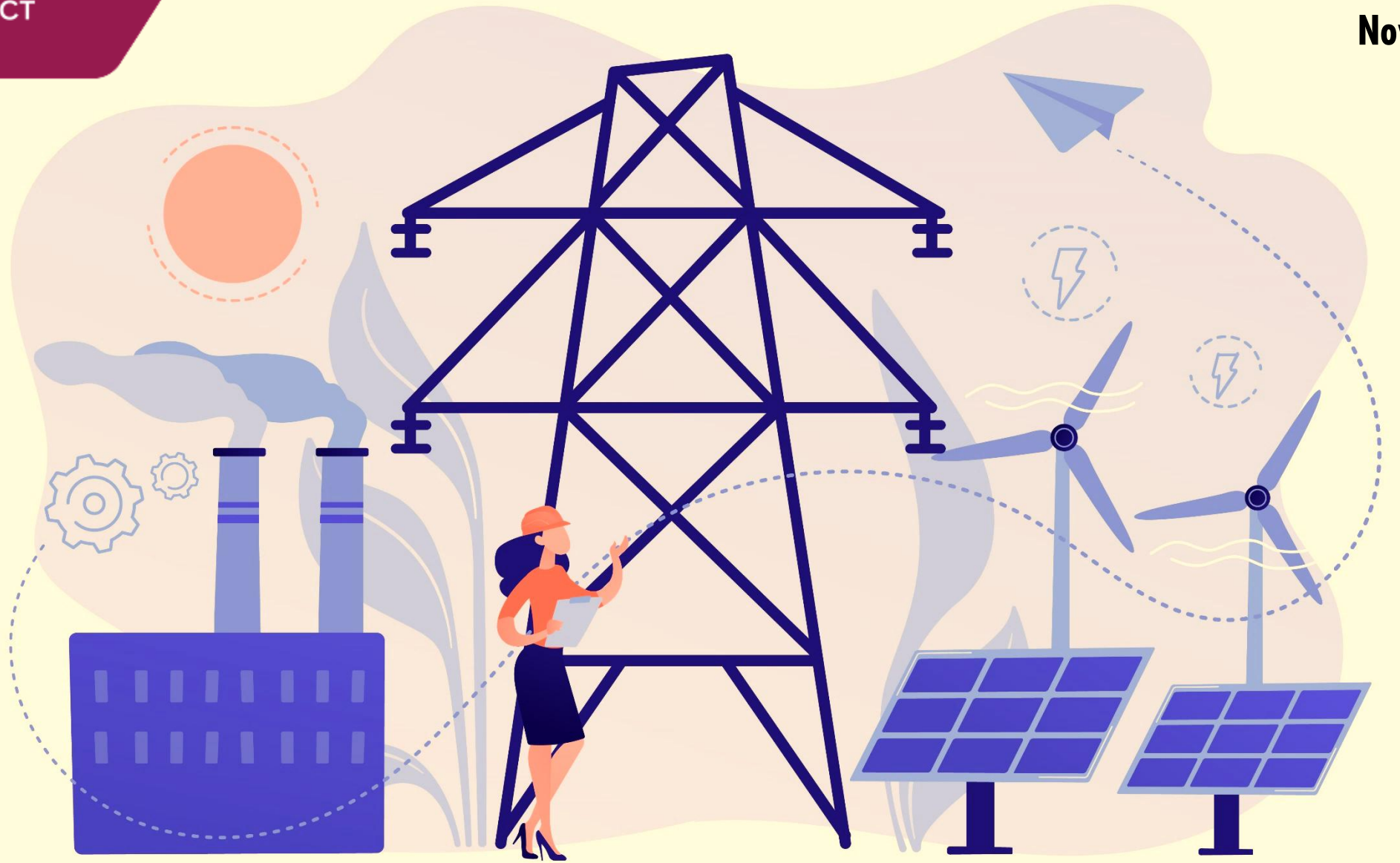
Top Conviction Ideas: Telecom

Stock	Reco.	TP	Recommendation Rationale
Bharti Airtel Ltd	BUY	Rs 2,530*	✓ **Financial Performance:** In Q2FY27, reported revenue stood at Rs 60,878 Cr, up 16.7% YoY and 4.0% QoQ, led by strong performance in India and Africa business. EBIT grew 24.1% YoY and 6.6% QoQ to Rs 20,329 Cr and EBIT margin stood at 33.4% (+198bps YoY, +82bps QoQ). The company made a one time exceptional charge of Rs 180 Cr towards listing related expenses of Airtel Money. Thus, PAT stood at Rs 10,710 Cr, up by 23.8% YoY and 7.0% QoQ. ARPU for the quarter stood at Rs 271 (Rs 264 in Q1FY27 and Rs 256 in Q2FY26). Capex for the quarter stood at Rs 12,467 Cr, of which India was Rs 9,908 Cr, plus Rs 2,826 Cr for the data-centre land parcel. ✓ **Sustained ARPU Growth Through Premiumisation and Postpaid Expansion:** Airtel's continued focus on improving customer mix is supporting steady ARPU growth, which increased to Rs 271 in Q2FY27 from Rs 264 in the previous quarter. The shift towards higher-value prepaid plans and strong postpaid additions of 1.2 Mn customers reflect improving monetisation rather than dependence solely on subscriber growth. With the 5G customer base crossing 200 Mn and postpaid penetration still at just 8.3%, creating scope to increase the share of higher-paying customers. ✓ **Nxtra Data Centre Scaling Up:** During the quarter, the company invested Rs 2,826 Cr in a strategic land parcel to support a planned 400–500 MW buildout in high-demand locations. It is also consolidating around 100 existing MSC locations into 56 edge data centres to improve infrastructure utilisation and network capabilities. The AirPlow cloud platform is now live with critical services and is progressing towards wider enterprise adoption, providing another layer to Airtel's digital infrastructure offering. This proposed 1 GW data Centre expansion will be funded through a combination of internal cash flows; ~US$800 Mn equity raised in mid-2026 and long-term debt. ✓ **Africa Business to Become a Key Growth Driver:** In Q2FY27, Airtel Africa delivered 6.7% sequential revenue growth in constant currency, reflecting continued operating momentum in the region. Africa accounts for approximately 30.5% of total revenue, making it an important driver of growth and diversification for the group. Furthermore, Airtel Money Africa listed on the London Stock Exchange in Oct'26, at a valuation of US$7 Bn.

•Note: Target Price is based on our Q2FY27 Result Update Report

AXIS DIRECT

November 2026



Top Conviction Ideas: Power & Utilities

Manisha Kesari
Keval Barot

Power & Utilities – Q2FY27 Performance Review

Q2FY27 Strong Power Demand Sustains; Mixed Quarter with Steady Capacity Addition & Execution

Financial Performance

- **NTPC's** Consolidated Net sales stood at Rs 54,270 Cr, up 21%/7% YoY/QoQ, beating our estimates by 10% and consensus estimates by 7%. EBITDA stood at Rs 15,627 Cr, up 22%YoY, but down 4% QoQ, in line with our estimates and a 2% beat on consensus. EBITDA margin was 29%, up 18bpsYoY, but down 319bps QoQ. PAT stood at Rs 7,351 Cr, up 41%/7% YoY/QoQ, beating our estimates by 23% and consensus by 47%. PAT adjusted for regulatory deferral movement stood at Rs 5,415 Cr.
- **NLC India's** Consolidated net sales stood at Rs 4,732 Cr, up 13% YoY but flat QoQ, beating our estimates by 10%. EBITDA stood at Rs 1,368 Cr, down 2%/7% YoY /QoQ, a 4% miss on our estimates. EBITDA margins stood at 28.9%, down 460bps YoY and 230bps QoQ. PAT, after considering the regulatory deferral movement, was up 19% YoY and 204% QoQ at Rs 1,328 Cr, largely due to the one-time deferred tax credit of Rs 714 Cr and positive regulatory deferral income of Rs 169 Cr. After adjusting for regulatory movements, profit stood at Rs 1,159 Cr, and adjusted for the one-off tax gain, PAT was ~Rs 614 Cr.
- **JSW Energy's** Net sales grew 23%/22% YoY/QoQ to Rs 6,368 Cr, beating our estimates by 9.8%. EBITDA stood at Rs 3,618 Cr, up 21%/26% YoY/QoQ, driven by higher generation and revenue, and came in 9% ahead of our estimates. EBITDA margins were 57%, down 107 bps, but up 163bps YoY/QoQ, and PAT rose 38%/114% YoY/QoQ to Rs 1,141 Cr, coming in 75% ahead of our estimates, driven by lower interest costs and higher generation.
- **Skipper Limited** Consolidated Net sales stood at Rs 1,384 Cr, up 10%/6% YoY/QoQ, beating our estimates. EBITDA stood at Rs 145 Cr, up 11%/3% YoY/QoQ, in line with our estimates. The EBITDA margin stood at 10.5%, up 11bps YoY, but down 23bps QoQ. PAT stood at Rs 58 Cr, down 1% YoY, but up 2% QoQ, a 16% beat on our estimates
- **Genus Power's** standalone net sales stood at Rs 1,133 Cr, down 1%/17% YoY/QoQ, an 18% miss on our estimate. EBITDA stood at Rs 225 Cr, down 8%/14% YoY/QoQ, a 10% miss on our estimate. EBITDA margins stood at 19.8%, down 144bps YoY, but up 78bps QoQ. PAT stood at Rs 133 Cr, down 10%/18% YoY/QoQ, a 15% miss on our estimates.

Power & Utilities - Outlook

Demand and Capacity

- In Q2FY27 (over Jul'26-Sep'26), cumulative all-India electricity demand stood at 501 BU, up 3% QoQ and 12% YoY. The peak demand was maintained at 270 GW during Q2FY27 in Jul'26 vs. 230 GW during Q2FY26 in Aug'25 (showing demand momentum held through the monsoon quarter) and 271 GW during Q1FY27 in May'26. The support in electricity demand is led by sustained industrial activity and rising household electrification. The IEX DAM prices in Q2FY27 stood at Rs 3.98/KWh, increasing by 3% YoY and 3% QoQ. The YoY and QoQ increases were both driven by higher 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 ~564 GW as of Sep'26.

Thermal Power

- Thermal capacity (including gas and diesel) in the country was 251 GW as of Sep'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 11 GW QoQ in Q2FY27 to 252 GW in Sep'26, led mainly by solar capacity additions of ~9 GW and 2GW of wind. Out of the ~9.0 GW awarded through project development tenders in Q2FY27, ~3.3 GW comprised wind and solar projects (~2.1 GW wind and ~1.2 GW solar) and 2.5 GW comprised RE-with-storage projects, alongside 3,215 MW / 7,430 MWh of standalone BESS. During Apr-Jun'26, 5.8 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 Sep'26, India's wind capacity stood at 59 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.
- ~6.97 GW of renewable capacity (~5.89 GW solar and ~1.08 GW wind) was added in Jul–Aug 2026, taking cumulative RE capacity to ~295 GW.

Transmission

- In Q2FY27, India added transmission line capacity of 3,018 ckm (1,833 ckm of ISTS and 1,185 ckm of InSTS), up 3% YoY and against a target of 16,554 ckm for FY27. As of Sep'26, India's total transmission line capacity stood at 5,12,621 ckm (2,24,219 ISTS and 2,88,402 InSTS), with 220 kV at 42%, 400 kV at 41%, 765 kV at 13%, 500 kV at 1.84%, and 800kV at 1.88%, and the balance at 320 kV.
- In Q2FY27, India added substation capacity of 40,390 MVA (24,500 MVA of ISTS and 15,890 MVA of InSTS), up 3% YoY against the target of 1,58,339 MVA. As of Sep'26, India's total substation capacity stood at 15,18,341 MVA (6,70,105 MVA ISTS and 8,48,236 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 ~7 Cr are installed (as on 13th Nov, 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-the-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 the 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	FY26A	FY27E	FY28E	FY29E	FY26A	FY27E	FY28E	FY29E	FY26A	FY27E	FY28E	FY29E	FY26A	FY27E	FY28E	FY29E
Power Generation Utilities																			
NTPC Ltd	319	3,10,070	5,67,489	12.27	12.13	11.96	11.67	1.6	1.43	1.32	1.22	9.93	8.95	8.22	7.66	13.41	12.2	11.42	10.81
Adani Power Ltd	206	3,97,461	4,44,388	18.02	18.17	16.9	16.24	5.88	5.05	4.28	3.65	21.88	18.76	15.8	13.05	37.62	29.71	26.77	23.9
Tata Power Company Ltd	348	1,11,431	1,90,510	11.4	11.32	11.37	10.91	2.84	2.49	2.16	2.01	13.17	11.99	10.5	9.36	26.1	22.63	20.57	18.99
JSW Energy Ltd	515	94,516	1,69,886	7.72	7.15	8.17	9.32	2.95	2.52	2.33	2.16	15.96	13.35	11.44	9.19	38.95	37.87	29.31	23.21
NHPC Ltd	76	76,331	1,29,746	9.59	10.59	12.23	14.84	1.85	1.72	1.6	1.47	18.23	13.07	10.66	9.08	20.59	16.59	13.96	10.57
Torrent Power Ltd	1,221	61,656	80,496	13.95	13.28	13.88	13.3	3.26	3	2.72	2.45	13.92	11.62	9.81	8.52	23.55	22.5	19.56	18.81
SJVN Ltd	57	22,561	53,040	6.6	9.41	11.22	12.83	1.54	1.53	1.42	1.31	19.2	12.63	9.82	8.22	23.92	16.67	13.14	10.59
NLC India Ltd	238	33,059	64,124	11.25	11.95	13.55	12.2	1.59	1.34	1.18	1.05	11.78	9.41	7.58	7.21	14.04	11.01	8.68	8.09
CESC Ltd	128	17,031	35,412	12.71	12.88	13.64	14.67	1.33	1.27	1.17	1.06	8.34	7.82	6.69	5.88	10.99	10.32	9.04	7.74
Gujarat Industries Power Company Ltd	162	2,520	6,415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission Utilities/Infra																			
Power Grid Corporation of India Limited	257	2,39,947	3,76,507	16.38	15.98	15.87	15.93	2.41	2.22	2.06	1.9	9.3	8.98	8.33	7.75	15.11	14.23	13.31	12.24
Kalpataru Projects International Limited	1,346	23,094	23,399	13.24	14.43	15.64	17.1	-	2.54	2.24	1.9	10.46	9.06	7.59	6.78	24.82	18.32	14.79	12.1
KEC International Ltd	334	8,882	14,538	13.43	8.42	11.71	13.64	1.49	1.35	1.22	1.09	8.04	9.13	7.24	6.2	11.47	16.65	11	8.57
Techno Electric & Engineering Company Ltd	959	11,150	8,844	-	13.9	13.7	-	-	-	-	-	-	14.69	11.89	-	-	18.13	16.34	-
GE Vernova T&D India Ltd	4,420	1,13,410	1,10,737	53.49	47.54	41.93	39.37	40.78	28.11	19.63	14.37	67.68	52.66	40.89	32.93	92.38	70.2	54.86	42.6
Voltas Ltd	1,136	37,571	37,389	8.4	10.08	13.51	15.45	5.49	5.51	5	4.54	48.29	39.01	28.44	23.63	68.29	56.64	38.71	31.13
Transformers and Rectifiers (India) Ltd	315	9,449	9,883	18.87	17.68	17.93	18.9	6.42	5.21	4.34	3.66	24.52	20.32	16.28	12.86	35.77	30.86	25.29	20.31
Skipper Ltd	510	6,241	6,913	17.5	15.75	16.35	15.5	-	-	-	-	12.08	10.2	8.49	7.58	27.41	22.41	17.34	14.44
RE Power																			
Adani Green Energy Ltd	1,403	2,31,584	3,47,920	11.18	12.02	17.33	19.71	11.56	10.39	8.7	7.13	31.61	22.35	16.35	12.8	122.3	82.76	49.12	37.51
Ntpc Green Energy Ltd	83	70,060	1,01,236	3.85	5.02	8.23	9.35	3.7	3.57	3.2	2.7	37.88	21.3	12.33	8.74	103.71	68.7	35.93	25.73
Solar EPC/Components																			
Sterling and Wilson Renewable Energy	155	3,627	3,335	31.2	29.15	31.45	27.55	-	-	-	-	12.41	9.47	7.42	6.69	17.23	15.43	10.34	8.59
Waaree Renewable Technologies Ltd	744	7,762	9,465	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waaree Energies Ltd	2,544	73,390	71,333	33.2	24.65	21.14	18.95	5.46	3.93	2.65	2.59	12.06	10.73	9.07	7.69	18.41	17.98	16.76	15.16
Premier Energies Ltd	896	40,540	42,834	37.99	37.84	29.68	24.74	9.65	6.44	4.83	3.77	18.59	11.92	9.65	8.56	28.82	19.77	17.84	15.91
Wind WTG/EPC																			
Suzlon Energy Limited	38	52,691	51,861	31.38	21.02	21.05	18	6.27	4.52	3.67	2.95	16.4	14.7	11.94	10.67	22.51	22.69	18.45	18.11
Inox Wind Limited	65	11,162	13,448	10.43	9.76	11.32	11.1	1.52	1.64	1.46	1.33	12.63	10.22	8.76	8.98	17.15	15.27	13.01	12.66

Source: LSEG Workspace, priced as of 16th Nov'26

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
NTPC Ltd	BUY	Rs 370*	✓ **Total Capacity Addition:** NTPC group's installed capacity grew by 602 MW in Q2FY27 to 91,506 MW as of 30th September, 2026 vs 90,904 MW in Q1FY27. The entire addition was renewable: NREL Solar 300 MW, NREL Wind 191 MW, Ayana Solar 100 MW, and THDC Solar 11 MW. Standalone capacity was flat QoQ at 60,992 MW. H1FY27 group addition stood at 2,398 MW (820 MW thermal, 1,578 MW RE incl. Tehri PSP), with a further 204 MW declared under COD in Oct'26. The group carries ~36.9 GW under construction (Coal 17,320 MW, Hydro 3,581 MW, RE 15,998 MW). This is up from ~35.7 GW in Q1, as Lara Stage III (1,600 MW) is now included following its award and LNTP pending environmental clearance. ✓ **Thermal Outlook:** Coal PLF improved sharply to 73.53% in Q2FY27 vs 66.01% in Q2FY26, while PAF rose to 86.66% vs 84.39%. H1FY27 PLF of 75.11% was well ahead of the all-India average of 68.35%. Beyond the 17.3 GW under construction, NTPC plans to tender ~4.8 GW in Q1–Q2FY28 at an estimated capex of Rs 67,000 Cr. This comprises Jhabua Stage II 800 MW, Talcher Stage IV 800 MW, Talcher Kaniha Stage III 1,600 MW, Bhilai 800 MW, and BRBCL Stage II 800 MW. The split is equal between standalone and JV/subsidiaries, and equal between pithead and non-pithead. A further 3-4 GW is under feasibility study. ✓ **RE Targets & Curtailment:** NGEL had initially targeted 8.1 GW for FY27E. On-ground erected capacity is expected at ~6.35 GW by year-end, but ~1.5 GW may remain stranded for want of transmission. Full connectivity in the Khavda region has been pushed from Oct'26 to Nov'27. Management expects connectivity constraints to be largely resolved by Jun–Jul'27. In the interim, curtailment is being partly mitigated via temporary GNA. PPA terms are extended, so lost revenue is deferred rather than lost. TGNA revenue covers O&M and interest, leaving only depreciation uncovered.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
Skipper Ltd	BUY	Rs 570*	✓ **Record Order Book and Inflows:** Skipper's order inflow was a record Rs 2,111 Cr in Q2FY27, up 70%/26% YoY/QoQ, taking H1FY27 inflows to Rs 3,786 Cr, up 18% YoY. The quarter included three 765 kV transmission line projects from a reputed domestic developer and a record export inflow of Rs 1,055 Cr, which alone exceeds the company's entire FY26 export inflow. The closing order book reached a new high of Rs 10,066 Cr as of Sep'26, up 9.2% QoQ from Rs 9,217 Cr. The order book is 73% domestic T&D, 10% non-T&D domestic (Railways, Telecom, Solar, Water EPC and other steel structures) and 17% exports, up from 9% in Jun'26. The bidding pipeline remains at a record of over Rs 35,000 Cr. Management has kept its FY27 order inflow guidance at Rs 7,500 Cr, including ~Rs 1,500 Cr of exports, of which Rs 1,000–1,100 Cr has already been secured. ✓ **Capacity Expansion:** The 75,000 MTPA brownfield expansion, which will take capacity to 450,000 MTPA, is now expected to be commissioned by the end of Q3FY27 or early Q4FY27. This is a further slip from the end-Q2FY27 target given last quarter. The 600,000 MTPA roadmap for FY29 will likely be greenfield, with phases at end-FY28 and end-FY29. Management aims to finalise land within this quarter, and annual capex is guided at Rs 250–300 Cr. ✓ **Export Book Diversifies:** Export revenue fell ~46% YoY to Rs 106 Cr (vs Rs 198 Cr in Q2FY26), and H1FY27 exports fell 49% YoY to Rs 268 Cr. The main cause was customers deferring shipments while ocean freight stays elevated. The export order book, however, has shifted sharply towards developed markets: North America (44%), Australia (19%), the Middle East (under 18%) and Africa (17%). New export orders are largely on an FOB basis or carry variable freight, and only 25–30% of the export book is CIF, which limits freight risk. Developed-market orders carry better margins, but most of this execution is expected in FY28.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Power & Utilities

Stock	Reco.	TP	Recommendation Rationale
JSW Energy Ltd.	BUY	Rs 590*	✓ **Capacity Ramp-Up:** Installed capacity rose to 15,147 MW (as of 5th October, 2026), up 1,928 MW YoY. Q2FY27 additions were 813 MW, comprising 513 MW of organic RE (301 MW solar, 212 MW hybrid) and the 300 MW Maruti thermal acquisition. H1FY27 organic RE additions reached 1.4 GW, covering 46% of the FY27 guidance of 3 GW and already exceeding the ~1.2 GW added in FY26. The balance 1.6 GW is fully de-risked, with land, connectivity, and PPAs 100% secured. Total locked-in capacity stands at 32.5 GW (15.1 GW operational and 17.3 GW under construction), providing clear visibility to the target of 30 GW by 2030. ✓ **Thermal Projects:** JSWE's thermal platform stands at 10,958 MW (5,958 MW operational, 5,000 MW under construction). Thermal generation rose 13%/11% YoY/QoQ to 8.9 Bus at a 75% PLF. Utkal EBITDA rose 3.4x (YoY) to Rs 368 Cr on its long-term PPAs. The Maruti plant (EV Rs 1,410 Cr) contributed Rs 45 Cr of EBITDA in 55 days. At Mahanadi, the 1,800 MW expansion moved to under construction, with the first 600 MW unit targeted for FY28 and the balance 1,200 MW for FY29, at 20–30% lower capex/MW than the industry. At Salboni, turbine-generator orders for all 4x800 MW units are now in place. Merchant realization stood at Rs 6.90/unit, ~20% above the DAM average, with Q3FY27 fully booked at similar or better prices. ✓ **Balance Sheet Deleveraging:** Net debt rose 7% QoQ to Rs 65,576 Cr, though operational net debt/TTM EBITDA held steady at 4.94x (4.95x in Q1FY27) and net debt/equity was 1.79x (1.70x in Q1FY27). Cash and equivalents rose to Rs 15,698 Cr from Rs 12,881 Cr in Q1FY27. Cost of debt eased to 8.28% from 8.36% in Q1FY27 and 8.79% a year ago; management expects it to stay at or below 8.50% despite rate hikes in the near term, but can see some impact in the long term, assuming a hike in interest rates, given ~25% fixed-rate debt and MCLR-linked floating borrowings.

Note: Target Price is based on our Q2FY27 Result Update Report

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